

MEMORANDUM

TO: Alex Worcester, PJM
Jarred Miland, MISO
Adam Solomon, MISO

FROM: Entergy Operating Companies

SUBJECT: Feedback on MISO-PJM Joint Planning for Annual Issues Review – Targeted Market Efficiency Projects Study

DATE: February 27, 2019

MISO and PJM requested stakeholder feedback on joint planning in the next cycle and, in particular, whether to conduct another Targeted Market Efficiency Projects (TMEP) study in 2019. The Entergy Operating Companies¹ (Entergy or Entergy OpCos) request information on the amount of RTO resources used to perform the TMEP study last cycle and provide feedback for MISO's and PJM's consideration in determining whether to conduct another TMEP study this year. For the reasons explained below, Entergy believes that several factors weigh against conducting another study in 2019.

1. Request for Information on Administrative Costs of TMEP Studies

In the last two years, MISO and PJM have performed two TMEP studies and approved a total of seven TMEP projects. During discussion of the 2018 TMEP study at the MISO-PJM Joint Common Market meeting of November 27, 2018, RTO staff indicated that a very significant amount of work went into the study which resulted in recommendations of two TMEP projects. In response, a representative of Entergy asked whether the RTOs could quantify the amount of RTO resources spent on the 2018 TMEP study. The RTO staff stated that they would consider the request. Entergy hereby formally requests that the RTOs make public their administrative costs, in terms of employee time and other resource expenditures, that went into studying and developing the 2018 TMEP recommendations. It would be helpful to have separate quantifications for each RTO. Because each RTO must be judicious with its finite resources and because RTO participants pay these costs, information on the costs of administering a TMEP study is a useful data point by which to judge the efficacy of continued annual TMEP studies.

2. There May Be Diminishing Returns or Other Reasons to Not Conduct a Study in 2019

A TMEP study is a significant effort that takes months of RTO staff time because information on transmission and generation outages, generation retirements, planned projects, and other very granular level information about the TOs' systems must be examined by RTO staff to make decisions about TMEP candidates. In 2017, PJM and MISO performed a TMEP study that reviewed congestion during 2014 and 2015 for 50 Reciprocal Coordinated Flowgates (RCF). The study recommended five projects that were expected to relieve \$59 million in historical congestion during the two-year period. In 2018, PJM and MISO performed a TMEP study that

¹ The Entergy Operating Companies are Entergy Arkansas, LLC, Entergy Louisiana, LLC, Entergy Texas, Inc., Entergy Mississippi, LLC, and Entergy New Orleans, LLC.

reviewed congestion during 2016 and 2017 for 61 RCFs. Of the 61 flowgates studied with cumulative congestion over the two prior years of about \$525 million,² only two projects resulted from that significant effort: one project, the Marblehead Transformer project, is expected to relieve only 40% of the historical two-year congestion (\$6.2 million) on the flowgate; and, another project to upgrade substation equipment that is expected to address \$9.8 million of the historical two-year congestion. This indicates that the two TMEPs approved in 2018 may address three percent of the congestion initially identified as “persistent” on the PJM-MISO seam. That means that 97 percent of the congestion that was identified as “persistent” congestion on the seam: (1) is not in fact persistent (e.g., caused by transitory issues); (2) will be addressed by a project that has been identified through traditional transmission planning, prior approved TMEPs or by another planned system change; or (3) is too small – or the upgrade too costly or time-consuming to build – to meet the TMEP criteria.³

There are several factors that the RTOs should weigh in deciding whether to conduct a TMEP study in the next planning cycle. First, the admittedly limited data shows that each year there is less actual unaddressed persistent congestion and fewer opportunities to address what little unaddressed persistent congestion remains on the seam. In the first cycle, five TMEPs addressed \$59 million in two years of historical congestion;⁴ in the second cycle, the two TMEPs addressed only \$16 million of two years of historical congestion. Second, if a study is conducted this year, there is only one year of additional data, i.e., 2018 data. The prior two TMEP studies relied on 2014 plus 2015 data and 2016 plus 2017 data, respectively. It may not be appropriate or efficient to conduct a study which requires the RTOs to revisit half of the data set used in the prior year’s study. Finally, the RTOs should weigh the costs of conducting a new study, both to the RTOs and to others such as the TOs that provide input into the study, against the potential benefits of another study given the first two factors mentioned above.

3. RTOs Should Plan Holistically along their Seam

Entergy is concerned that the TMEPs are piecemeal solutions that will hobble or potentially undermine holistic planning along the seam. The Marblehead Transformer replacement TMEP that was approved last year shows the potential for this to occur. As discussed above, the Marblehead Transformer TMEP will address only 40% of the congestion on the flowgate. The Marblehead flowgate also is included as a transmission issue identified for study in the 2019 PJM-MISO interregional forward-looking study. A solution that addresses 100% of the congestion may be proposed in the forward-looking plan. Any developer, however, cannot include the transformer replacement as part of its proposed solution. Rather, according to RTO staff, it must assume that the transformer has been replaced. The Marblehead flowgate may be an informative case study to show the interaction of projects planned based on historical congestion and those planned based on holistic, forward-looking modeling. Any such case study could review the interaction between the different planning methods and quantify any gains or

² MISO PJM IPSAC Presentation, 8 (Oct. 5, 2018) (summed dollars in each category).

³ Those flowgates for which project costs exceeded expected benefits represent cumulatively \$17.2 million in historical congestion, or about 3.3% of the persistent congestion on MISO-PJM coordinated flowgates.

⁴ It appears that the five projects addressed only \$55 million of historical congestion when measured against the 2016 and 2017 data.

losses from using both methods, including any lost economies of scale in project construction and planning. Entergy requests that the RTOs consider conducting this case study.

Entergy appreciates the opportunity to comment on whether MISO and PJM should conduct a Targeted Market Efficiency Project study in the next planning cycle. Entergy believes that several factors weigh against conducting another study in 2019. Entergy also requests that MISO and PJM provide quantification of the resources used to perform the TMEP study in prior years. We respectfully request that, if MISO and PJM decide to perform another TMEP study, MISO and PJM track and quantify the resources used to perform the study and publish that information.

Entergy approves of the public posting of these comments.