Review of Stakeholder Feedback on MISO July 28th Cost Allocation Proposal

Regional Expansion Criteria and Benefits (RECB) Working Group –

August 12, 2021

Slide 6 updated August 16th

Feedback Overview

- At the July 28, 2021 RECBWG meeting stakeholders were asked to provide feedback on MISO's proposal to use a modified MVP framework for cost allocation of qualifying projects developed through the LRTP
- Feedback summaries and themes are provided in this presentation for discussion purposes
  - Complete feedback is posted with the meeting materials

July 28th MISO Proposal

Project Type	MVP
Criterion*	One of 3 MVP Criterion: C1: Reliably and economically support state or federal energy policy C2: Multiple types of economic value across multiple pricing zones with B/C > 1.0 C3: Addresses NERC/reliability criteria and economic issues with benefits across multiple pricing zones in excess of cost
Requires Portfolio	Yes
Benefits*	Existing MVP
B/C Ratio	1.0 (for C2 and C3)
Minimum Voltage	100 kV
Minimum Cost	$20M
Cost Allocation*	Cost Allocation specific to the MISO Midwest or South sub-region Midwest Sub-Region: Postage Stamp using MVP Usage Rate Methodology South Sub-Region: Under review
Hierarchy	MVP > MEP > BRP
Qualifies for MISO CTA Process?	Yes
Change to GIP?	No

Modified from existing MVP Tariff provisions

May require modification

**See Appendix of the July 28 RECB presentation for full details on the MVP criterion, benefits and cost allocation provisions*

Common Themes

- Cost Allocation
  - Granular allocation to identified beneficiaries vs support for the MVP postage stamp methodology
  - Use MEP *or* MVP depending on circumstance
  - Prefer the two-step process: First allocate to beneficiaries (MEP-like), then allocate remainder as either postage stamp or another type of calculation (e.g. improved transfer capability)
- Request for clarification and details on how to define, evaluation, and approval for a *Portfolio*
- Appropriateness of a B/C Ratio of 1.0 vs 1.25
- Cost and Voltage Thresholds
  - No thresholds are necessary
  - Believe a higher voltage (>100 kV) and cost threshold are more appropriate
- “Subregion” definition and considerations
  - Midwest/South should have same allocation
  - Consider more subregions (Midwest/Central/South)

Other Comments

- Allocation should use demand instead of energy
- Request for additional analysis to support a subregion-wide cost sharing
- Suggest more detail be added to the tariff around specific requirements for the business case
- Consideration of alternatives including non-transmission alternatives
- Support for continued discussions on assigning costs to generators

Entergy Operating Companies, MISO South Retail Regulators and Other South Transmission Owners – Detailed Proposal[1,2]

1 Staff and outside counsel/consultants of the Mississippi Public Service Commission and Louisiana Public Service Commission participated in the development of the MISO South Proposal and sign on in support. Staff and outside counsel/consultants of the Mississippi Public Service Commission and Louisiana Public Service Commission have recommended or will recommend to their principals that they support the Proposal. In light of the short timeframe for review of MISO's proposal, formal retail regulator approval of the MISO South Proposal is in progress. Staff and outside counsel/consultants of the Public Utility Commission of Texas also participated in the development of the MISO South Proposal and intend to seek support for the proposal from their commission.

2 This proposal is sponsored and supported by the following MISO South Transmission Owners: Arkansas Electric Cooperative Corporation ("AECC"); Cleco Power, LLC ("Cleco"); Cooperative Energy ("Cooperative"); Entergy Arkansas, LLC, Entergy Louisiana, LLC, Entergy Mississippi, LLC, Entergy New Orleans, LLC, and Entergy Texas, Inc. (collectively, "Entergy OpCos")

South Regulators and TOs Proposal – Criteria

- Project type “MVP” utilizing 1 of 3 criteria:
  - C1: Reliably and economically support state or federal energy policy
  - C2: Provide multiple types of economic value across multiple pricing zones with B/C > 1.25
  - C3: Address NERC/reliability criteria and economic issues with benefits across multiple pricing zones in excess of cost
    - Address more than one Transmission Issue associated with projected violations of a NERC or Regional Entity standard (“Reliability Benefits”) and provide quantifiable economic benefits (“Economic Benefits”) across more than one pricing zone.
    - The project must generate total financially quantifiable benefits, including quantifiable Reliability Benefits, with a total Benefit-to-Cost ratio of 1.25 or higher, based on the definition of financial benefits and Project Costs (as provided in Section II.C.7 of Attachment FF)

South Regulators and TOs – Benefits and Thresholds

- Apply modified existing MVP benefits
  - Eliminate "any other financially quantifiable benefits" provision
  - Reliability Benefits
    - Address Transmission Issues associated with a projected violation of a NERC or Regional Entity standard that occurs in multiple model years (e.g., 10-year out model and the 20-year out model) and in multiple planning scenarios (e.g., summer peak and winter peak) within one of those years.
    - Quantify reliability benefits as the Net Present Value of the cost of the solutions otherwise required to address the reliability issues avoided by the LRTP project(s) (e.g. avoided reliability projects)
    - Modify the Avoided Reliability Project costs definition to allow for use of Remedial Action Schemes, redispatch, interruption of firm service or non-consequential load loss for TPL-001 P6 and P7 events
- Voltage: 230 kV
- Minimum Cost: $20 M

South Regulators and TOs – Cost Allocation

- MISO Midwest: Energy-based postage stamp (MVP MUR) methodology
- MISO South: Demand-based allocation based on the applicable criteria
  - C1: Allocate based on the agreement of the Relevant Electric Retail Regulatory Authority (RERRAs) whose policies the candidate project is intended to address or fulfill.
  - C2: Allocate costs to CAZs proportional to quantified economic benefits
  - C3: Two step process
    - Step 1 – allocate to economic benefits to CAZs (same as C2)
    - Step 2 – allocate remaining costs to each pricing zone proportional to reliability benefits (avoided reliability project costs)

If a portfolio is developed using a combination of C1, C2, and/or C3, then each allocation method shall be used in proportion to that criterion's share of the total project benefits.

Summary Table

Project Type	MVP
Criterion	One of 3 MVP Criterion: C1: Reliably and economically support state or federal energy policy C2: Multiple types of economic value across multiple pricing zones with B/C >1.25 C3: Addresses NERC/reliability criteria and economic issues with benefits across multiple pricing zones in excess of cost (with modifications/specifications)
Requires Portfolio	Yes
Benefits	Existing MVP (with modifications/specifications)
B/C Ratio	1.25 (for C2 and C3)
Minimum Voltage	230 kV
Minimum Cost	$20M
Cost Allocation	Cost Allocation specific to the MISO Midwest or South sub-region Midwest Sub-Region: Postage Stamp using MVP Usage Rate Methodology South Sub-Region: Allocated specific to the applicable criteria C1: By agreement of RERRAs C2: Economic benefits to CAZs C3: Economic benefits to CAZs + avoided reliability benefits to pricing zones
Hierarchy	MVP > MEP > BRP
Qualifies for MISO CTA Process?	Yes
Change to GIP?	No

Modified from existing MVP Tariff provisions

Open Discussion