



# *MISO's LRTP Cost Allocation Proposal*

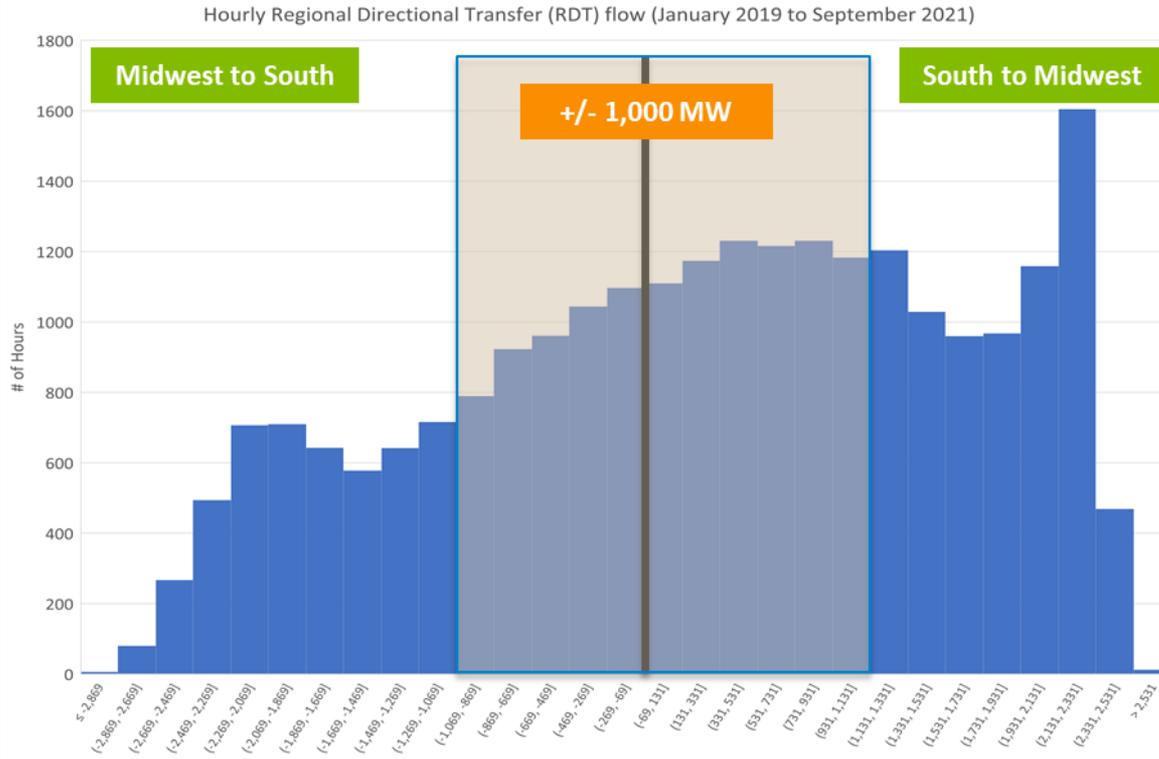
**RECBWG**

**October 14, 2021**

## MISO is committed to operating and planning as one RTO to ensure MISO's value is equitably shared by all MISO members and their customers

- Though one RTO, MISO's South and North/Central subregions have differences, including the expected speed and breadth of portfolio change
- MISO does not expect any full region-wide cost allocation postage stamp methodology to be effective until there are material increases in transfer capability between the two subregions
- Therefore, MISO recommends a bifurcated approach to cost allocation, leveraging our existing MVP method as much as possible and with appropriate equity 'guardrails' to ensure equity throughout the regions

# Regional Directional Transfer flows are dynamic and illustrate both subregions can benefit from being part of the MISO system



Given the magnitude of the potential transmission investment, it is important to establish guardrails to ensure equity for all MISO members and their customers

## Examples of potential guardrails:

- Putting in place a bifurcated MVP cost allocation method recognizes the existing limited transfer capability between the sub-regions to ensure a roughly commensurate beneficiaries pays cost allocation
- Existing MVP provisions for system-wide cost allocation will remain available for use once the drivers for bifurcation are addressed or adoption of a replacement cost allocation methodology
- MISO's LRTP study over the next 3 to 4 years will plan the system in a set of tranches with the end goal of resolving the need for sub-regional bifurcation
- MISO commits to evaluating no later than 5 years after implementing this change, the transmission investment approved across the sub-regions and whether the applied cost allocation results in an equitable outcome for customers across the entire footprint

# Going forward, MISO has identified several items that may trigger a move away from a bifurcated cost allocation structure

## **Examples of potential triggers:**

- Significant system changes such as new firm contract path between the MISO Midwest and MISO South subregions
- Indications that beneficiaries of transmission investment are not being equitably identified through existing cost allocation methods
- Future developments of other cost allocation methods
- Changes in FERC Policy related to cost allocation (e.g., policy changes arising from the current FERC transmission ANOPR)

# MISO proposes to modify the existing Multi-Value Project Tariff to add bifurcated cost allocation areas

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

Modified from existing MVP Tariff provisions

No change to existing MVP Tariff provisions

# Incorporating the proposed modifications to the MVP project type impacts the following MISO Tariff sections

- **Module A - Definitions**
  - Add definitions for MVP Midwest/South MVP Cost Allocation Subregions
  - Modify Portfolio definition to include MVP Cost Allocation Subregions
- **Attachment FF – Transmission Expansion Planning**
  - II.C(1) – incorporate sub-regional into portfolio evaluation requirement
  - III.A.2.g – incorporate sub-regional cost allocation for applicable portfolios
- **Schedule 26-A/Attachment MM – MVP Usage Rate and Charge**
  - Incorporate sub-regional concept into rate recovery mechanisms
- **Attachment [TBD] – Map defining MVP Cost Allocation Subregions**
  - Like how the MEP Cost Allocation Zones are defined in Attachment WW

# Next Steps

- Proposed Tariff redlines will be provided after today's meeting with notice sent to stakeholders when posted
  - Notice to stakeholders will include due date for feedback
- Nov 11<sup>th</sup> RECBWG meeting topics
  - Review stakeholder feedback on Tariff modifications
  - Finalize updated cost allocation Tariff changes
- FERC filing targeted by end of November