Alliance for Affordable Energy, MISO Consumer Advocate Sector Member, Comments On The ERSC Staff’s Cost-Allocation Proposal For LRTP Tranche 3
January 30, 2024

The Alliance for Affordable Energy thanks the Entergy Regional State Committee for the opportunity to deliver comments regarding the ERSC LRTP Tranche 3 Assumptions and Cost Allocation Proposal. Determining cost allocation for regional backbone transmission lines is a challenging task. The Alliance for Affordable Energy appreciates that establishing cost allocation for tranche 3 of MISO’s Long Range Transmission Plan (LRTP) requires many hours and thoughtful considerations to develop a cost allocation that is equitable, ensures the benefits are roughly commensurate with the costs, and that flow from regional transmission infrastructure. The ERSC LRTP Tranche 3 Assumptions and Cost Allocation Proposal released on January 3, 2024, has left the Alliance for Affordable Energy with questions and considerable concerns for Louisiana ratepayers, especially for ratepayers in New Orleans, Louisiana.

On May 20, 2021, the City Council of New Orleans passed a Renewable and Clean Energy Portfolio Standard (RCPS). The Cost Allocation proposals Section 3.3 requiring ‘that 100% of the costs of formal government-approved clean energy projects will be directly assigned to the specified jurisdiction(s)’ will directly impact the New Orleans RCPS. The ratepayers of Louisiana and New Orleans must have a regional transmission cost allocation that will provide significant benefits to ratepayers, including the known benefits of renewable energy access, as well as a cost allocation that does not harm ratepayers in regions that have developed clean energy policies through a formal democratic process.

As consumer advocates, the Alliance for Affordable Energy must consider the long-term benefits consumers receive from expanding transmission, and we urge MISO South regulators and staff also to consider consumer impacts more carefully as cost allocation is determined. For instance, is an LRTP effort in MISO South under the current proposal facilitating access to low-cost generators that may be located in remote locations? As discussions continue, we also suggest that the ERSC consider the NASUCA 2022 Consumer Protection Policies for Interconnection and Electric Transmission and Distribution Planning and Development while developing a final cost allocation for LRTP Tranche 3. Disagreements regarding cost allocation have delayed many planning efforts. The consumers of MISO South need regional grid investments; please refrain from allowing cost allocation disagreements to create a monolithic barrier that stops MISO South consumers from receiving the benefits of LRTP regional transmission lines.

We urge ERSC leadership to consider the ERSCWG draft cost allocation proposal cautiously and to look closely at the potential harm to residents in New Orleans. The Alliance has the following questions and concerns regarding the ERSCWG’s cost allocation proposal:

1. Narrow benefit metrics
   a. As consumer advocates, we must consider the long-term benefits consumers receive from expanding transmission, such as economic impacts and job creation, relieving congestion, production cost savings, improving grid reliability and grid resilience, and increasing access to diverse, low-cost fuel sources. The Adjusted Production Cost Savings (APCS) and the Avoided Reliability Projects (ARP) benefit metrics are too narrow to assess the full benefits that flow from transmission lines, as larger regional transmission lines provide many benefits and savings. How does the ERSC proposal justify excluding benefits and savings for consumers?
   Furthermore, this narrow set of benefit metrics harms not only New Orleans residents but also all Louisiana residents who will benefit from these investments, by effectively screening out beneficial transmission solutions that would qualify under an expanded set of benefits, supported by industry research, but will fail to qualify under the limited benefit set.
   b. The ERSC has made it known that they will not support postage stamp cost allocation or the MVP usage rate (ERSC Regulators Principles & ERSC LRTP Tranche 3 Cost Allocation
Proposition). Are there any current MISO usage rates that the ERSCWG would support for LRTP tranche 3?

2. Governmental approved clean-energy policy
   a. The ERSC Proposal requires that ‘100% of the costs of formal government-approved clean energy projects will be directly assigned to the specified jurisdiction(s).’ Jurisdictions that have adopted clean energy goals, like New Orleans, seek to benefit from the known cost savings associated with renewable energies. Limiting access to renewable energy resources and penalizing those intentions to improve the diversity of generation and reduce cost volatility is unjust. If approved, the current cost allocation language would cause undue harm to New Orleans ratepayers. 
   b. What was the reasoning behind the ERSC Proposal requiring that 100% of the costs of formal government-approved clean energy projects be directly assigned to the specified jurisdiction(s)??
   c. Did ERSC consider the clean energy targets of the utilities when assigning costs? Entergy New Orleans and Cleco, for example, have both announced clean energy goals.
   d. Does the governmental approved energy policy cost allocation mean that if 100% of the costs go to New Orleans for a new transmission line that is determined to be for clean energy policy, that New Orleans would also receive 100% of the cost saving benefits potentially associated with that line? Would the other beneficiaries have to contribute anything for the savings they are receiving from this hypothetical transmission facility?
   e. The current MISO LRTP process designs regional lines benefiting consumers using a wide range of benefit metrics. In contrast, the ERSCWG’s proposed clean-energy lines have a very limited purpose. Given the broad purpose of the LRTP planning, did the ERSCWG talk with MISO about whether planning for the limited purpose of clean-energy policies is even feasible in the LRTP process?
   f. Mandating that only those jurisdictions with clean-energy policies pay for lines designed to comply with those policies, will impede states and locales from adopting such policies. This mandate (a) disregards FERC’s mandate that projects designed for policy reasons may provide benefits to others who must also contribute the costs and (b) ignores that many MISO South utilities have clean-energy goals and are building in accordance with those goals. Is it the role of the ERSC to venture into public policy making in MISO South?

3. MISO South is already behind in building a grid that benefits consumers. MISO has stated that Tranche 3 cannot be finalized until the cost-allocation for the tranche is finalized. Consumers are losing money every year that a regional grid is not built. We don’t have time for a protracted discussion about cost allocation. Indeed, those who don’t want to build a strong regional MISO South grid could use the cost allocation process as a way to delay or entirely stop Tranche 3 planning efforts. We urge the ERSC not to let the perfect be the enemy of the good. Has the ERSCWG considered how its proposal may complicate the negotiations over cost-allocation?

4. The National Bureau of Economic Research issued a new report just this month highlighting that Entergy has a financial incentive to block the development of regional transmission and that Entergy has successfully done so for over a decade. Blocking regional transmission ensures that Entergy’s customers are purchasing electricity from Entergy’s uneconomic generators rather than from lower-cost generators located outside of Entergy’s service territory. The report concluded that $930 million dollars was unnecessarily spent in 2022 alone by the ratepayers in Entergy Arkansas and Entergy Louisiana. (The report did not study Entergy New Orleans.) How is the ERSC WG proposed cost allocation going to facilitate the development of regional transmission lines that will enable Entergy customers to access lower-cost generators? What considerations have been made in advance of a future FERC Rulemaking regarding transmission planning, which may require use of a broader set of benefits for regional transmission lines?

5. What is the procedural timeline for the ERSC Cost Allocation Proposal?

6. When can responses to questions and comments from stakeholders be expected?
Thank you for the opportunity to deliver comments about such an important issue.

Yvonne Cappel-Vickery  
Clean Energy Grid Organizer  
Alliance for Affordable Energy  
4505 S. Claiborne Ave. New Orleans, LA 70125

References:  
Brattle, 2021. ‘Presentation to FERC on Transmission Planning and Benefit-Cost Analysis.’  
Brattle, 2016. ‘Well-Planned Electric Transmission Saves Customer Costs.’  
Entergy Regional State Committee, 2024. ‘Entergy Regional State Committee Cost Allocation Proposal.’  