



# **TRANSMISSION COST CONTAINMENT: VARIANCE ANALYSIS REFORMS (RECBWG-2024-1)**

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The Eligible End Use Customer Sector  
Regional Expansion Criteria and Benefits Working Group (RECBWG)

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# ISSUE STATEMENT: VARIANCE ANALYSIS COST MONITORING REFORMS

- Oct. 11, 2024: Issue Submission Report on Transmission Cost Containment submitted to MISO by End Use Customer Sector
- Dec. 11, 2024: MISO approves \$30 billion transmission expansion plan
- Jan. 21, 2025 RECBWG Meeting: End Use Customer Presentation on Cost Containment
  - **Statement of Problem:** “Without binding cost containment commitments and competitive pressures, customers will likely be responsible for billions of dollars in excess costs, especially when multiple Multi-Value Project (MVP) portfolios/projects are being placed in service starting in 2028-2032.”
  - While owners and developers face risk with projects, the ultimate risk often resides with the consumers, as many projects enjoy CWIP and Abandoned Plant Incentives and do not have any binding cost containment mechanisms.
- Feb. 25, 2025 RECBWG Meeting: MISO presented and committed to transparency enhancements to Variance Analysis process.
- Apr. 15, 2025: End Use Customer sector presented on specific redlined proposed revisions to Tariff Attachment FF; a robust dialogue ensued.

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- May 6, 2025: Interested stakeholders submitted written comments.
- May 27, 2025: End Use Customer Sector reacts to written comments and MISO presents its transparency enhancements to the Variance Analysis
- July 15, 2025: MISO presents and explains its reforms on enhanced communications and transparency on the Variance Analysis in the Business Practica Manual 20
- July 15, 2025; MISO posts a motion for consideration by stakeholders to end discussions on variance analysis reforms at RECBWG. The motion fails.
- October 7, 2025: Environmental Sector presents on several additional transparency recommendations, including quarterly updates and ongoing reporting and more frequent notices (including an initial inquiry to the Planning Advisory Committee)
  - The End Use Customer Sector supports the Environmental Sector's proposal.
- Nov. 18, 2025: End Use Customer Sector provides final presentation on variance analysis recommended reforms

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- **Goals of Variance Analysis Reforms:**

- Enhanced transparency into cost and project data
- Enhanced participation by stakeholders and regulators
- Ensure project cost discipline and sufficient regulatory oversight
- Ensure that benefits of projects continue to exceed costs
- Gain consensus as much as possible; balance competing interests
- Recognize common interest in timely, cost-effective project development

- **Lessons Learned about MISO's Variance Analysis**

- MISO has a thorough, Tariff-based process in place
- The current process/review lacks transparency and much cost data has not been communicated or made clearly known to stakeholders in a digestible format
- Current process lacks stakeholder participation and MISO Board participation
  - Variance analysis for Morrison Ditch project in Indiana (where costs increased twofold) has been pending since Nov. 1, 2024 without any updates to stakeholders or an opportunity to modify the project if the cost-benefit analysis has changed: [Morrison Ditch-Reynolds-Burr Oak-Leesburg-Hiple Variance Analysis Public Notice658131.pdf](#)
  - Will MISO do a Lessons Learned Analysis from the Morrison Ditch project?
- Transmission affordability and cost containment are not effectively addressed under the existing regulatory regime

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- **Transmission Needs and Affordability Are Top of Mind for Regulators**
  - “America needs more energy infrastructure to meet the country’s growing electricity demand. Equally true: America must make smart energy infrastructure decisions to protect the consumers who depend on reliable power and who foot the bill for it. The Commission’s oversight role includes ensuring that **transmission providers make informed, cost-conscious decisions to both speed along needed infrastructure and to discourage overbuilding—which lets consumers get the most value for their money.**” –Commissioner Lindsay See, Concurrence to October 16, 2025 order in *Invenergy v. MISO* (EL22-83)
  - Regulators, merchant developers, customers, and the IMM “all urged us to find that MISO can and should provide additional information to help ensure that stakeholders and the MISO Board are confident in the substantial transmission investments that MISO recommends.” –Commissioner Lindsay See, Concurrence to October 16, 2025 FERC order in *Invenergy v. MISO* (EL22-83)
- **Southwest Power Pool** recently introduced a Cost Control and Allocation Review and Evaluation (CARE) Team and heavily focused on affordability when approving its 2025 Integrated Transmission Plan

# COST INCREASE

- **Recommended Reform #1: revise 25% cost overrun trigger to 20%, consistent with SPP's approach**
  - Decreasing the percentage will help ensure that projects are analyzed early enough to ensure they remain cost-effective and beneficial without overburdening the process
  - The magnitude of projects and costs have substantially increased since the 25% trigger was enacted
    - LRTP Tranche 1 ID 6 (Tramval-Rocky Run-Columbia) is \$1.050 billion
    - 20% of the \$1 billion is \$200 million.
- **No rational basis exists for the 25% trigger.**
  - MISO explained that the percentage came from the Market Efficiency Project (1.25 benefit to cost ratio), but most Eligible Projects are now in the LRTP as Multi-Value Projects (MVPs).
- **End Use Customer Sector requests stakeholder feedback**
- **Tariff Att. FF., Sec. IX.C.1**
- **SPP OATT Business Practices: [spp oatt business practices 20210120.pdf](#)**

# ADDITIONAL REVIEW BY STAKEHOLDERS AND MISO BOARD

- **Current Process: MISO posts its Variance Analysis Outcome and Determination Without Any Feedback Loop**
- **Analysis conducted behind closed doors by the Competitive Transmission Executive Committee: a committee consisting of three (3) or more executive staff of [MISO]**
  - A description of the committee lacks detail in the Tariff and BPM 20
- **End Use Customer Sector initially proposed a stakeholder comment period and MISO publication of a ‘proposed’ and final mitigation plan**
- **End Use Customer Sector also suggested requiring the IMM, an Independent Third Party Auditor, OMS, or the MISO Board be involved in the process.**
- **Section IX.B. in Attachment FF suggests Dispute Resolution procedures would apply to the Variance Analysis Outcomes. However, that process could be protracted and not efficiently resolve the dispute and the need for timely, cost-effective transmission development.**

# ADDITIONAL REVIEW BY STAKEHOLDERS AND MISO BOARD

- **Recommended Reform #2: consistent with SPP approach, the MISO Board will have final authority on the determination for an Eligible Project exceeding its Baseline Cost Estimate by more than 20% or where the grounds for the Variance Analysis have been triggered.**
  - Remove Dispute Resolution procedures to avoid delays. Give the MISO Board final determination and preserve all rights for parties to make a filing with FERC.
- **Recommended Reform #3: authorize MISO to retain, at MISO's discretion on a case-by-case basis, an independent third party to assist MISO in its variance analysis.**
  - Complex variance analyses involving substantial cost overruns and disagreement between MISO and the transmission owner/developer may benefit from an outside party recommendation. In a May 7, 2025 FERC filing (EL25-80), MISO committed to retain an independent third-party to review MISO's transmission planning assumptions and benefits metrics.
- **MISO Tariff Att. FF., Sec. IX.B., IX.E.4**
- **SPP Tariff, Attachment Y, Section IV (Project Tracking Process)**

# ENSURING TRANSPARENCY

- **Recommended Reform #4: MISO will update BPM 20 (Transmission Planning), consistent with the Environmental Sector's proposed transparency reforms. Enshrine MISO's commitment to transparency in Attachment FF in a new Section IX.I**
- **MISO to track status of all Eligible Projects on its website in an easily accessible and transparent manner**
  - List whether Eligible Project has applicable cost containment mechanism
  - MISO to facilitate sharing of presentations and reports by applicable Transmission Owner or Selected Developer on Project status
  - Report to Planning Advisory Committee (PAC) on stakeholder requests in hearing directly from transmission developer
- **MISO Tariff Att. FF., Sec. IX.I**

# STAKEHOLDER FEEDBACK REQUEST

- Please review and submit feedback on End Use Customer Sector proposed reforms and Attachment FF proposed redlines
- **Please provide feedback by December 4, 2025**
- Feedback requests and responses are managed through the Feedback Tool on the MISO website:

<https://www.misoenergy.org/engage/stakeholder-feedback/>

Engage>Stakeholder Feedback

- Feel free to send thoughts and ideas to Ken Stark. Thank you.



# NEXT STEPS

- The End Use Customer Sector will review final stakeholder feedback to suggested and proposed variance analysis reforms.
- The End Use Customer Sector will then propose motions on suggested paths forward for stakeholder voting and consideration during one of the first RECBWG meeting in 2026.
- The Transmission Cost Containment Issue Submission will then return to the Steering Committee for transfer to the Planning Advisory Committee to discuss pre-project reforms, consistent with the concepts raised in the End Use Customer Sector's original October 11, 2024 Issue Submission.
- Thank you.