



# **MISO Regional And Interregional Cost Allocation**

## **Reference Document**

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# Overview



## Objectives

- Provide a high-level overview of cost allocation methodologies for MISO Regional and Interregional projects

## Disclaimer:

- **Details provided in this document are for informational purposes only**
- The authoritative documents for cost allocation are:
  - MISO Tariff, Attachment FF, Section 3
  - MISO Tariff, Attachment FF-6
  - MISO Tariff, Attachment FF-7
  - MISO-PJM JOA
  - MISO-SPP JOA
  - MISO Tariff, Attachment FF, Section X (MISO-SERTP)

# MISO Regional Cost Allocation

| Project Type                                 | Description                                                                                                                            | Allocation to Beneficiaries                                                                                                                                                                                   |
|----------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Multi-Value Project</b>                   | Above 100kV and project cost of \$20 million or more, evaluated as part of a portfolio of projects and must meet one of three criteria | <p>If benefits are spread broadly across system-wide footprint: 100% system-wide postage stamp to load</p> <p>If benefits are spread broadly across a sub-region: 100% sub-regional postage stamp to load</p> |
| <b>Market Efficiency Project</b>             | 230 kV and above and project cost of \$5 million or more, reduce market congestion when benefits are 1.25 in excess of costs           | 100% distributed to zones commensurate with expected benefit, based on the benefit metrics described in Attachment FF-7                                                                                       |
| <b>Baseline Reliability Project</b>          | NERC Reliability Criteria                                                                                                              | 100% allocated to local Transmission Pricing Zone                                                                                                                                                             |
| <b>Generation Interconnection Project</b>    | Interconnection Request                                                                                                                | Primarily paid for by requestor; 345 kV and above 10% postage stamp to load                                                                                                                                   |
| <b>Transmission Delivery Service Project</b> | Transmission Service Request                                                                                                           | Generally paid for by Transmission Customer; Transmission Owner can elect to roll-in into local Transmission Pricing Zone rates                                                                               |
| <b>Participant Funded</b>                    | Projects that are funded by a Market Participant                                                                                       | The Market Participant funds the project                                                                                                                                                                      |
| <b>Other</b>                                 | Project that does not qualify under other project categories                                                                           | The costs of these projects are recovered in zonal rates                                                                                                                                                      |

# MISO Regional Cost Allocation

## Benefit-Zone distribution

| Benefit Zone                                      | Multi-Value Project (MVP)                                                                               | Market Efficiency Project (MEP)                       |
|---------------------------------------------------|---------------------------------------------------------------------------------------------------------|-------------------------------------------------------|
| <b>Cost Allocation Zone (CAZ) - Attachment WW</b> | Adjusted Production Cost – Cost Allocation Zone (CAZ)                                                   | Adjusted Production Cost – Cost Allocation Zone (CAZ) |
| <b>Transmission Pricing Zone (TPZ)</b>            | Avoided Transmission Investment                                                                         | Avoided Reliability Project (Local TPZ)               |
| <b>Local Resource Zone (LRZ) – Attachment VV</b>  | <ul style="list-style-type: none"><li>• Planning Reserve Margin</li><li>• Transmission Losses</li></ul> | MISO-SPP Settlement Agreement                         |

# MISO-PJM Interregional Cost Allocation

|                                                          |                                                       |                                                                                            | Cost Allocation Methodology                                                                                                                                                   |                                                                                                                                                       |
|----------------------------------------------------------|-------------------------------------------------------|--------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------|
| Project Type                                             | Description                                           | Project Requirements                                                                       | RTO Project Share                                                                                                                                                             | MISO Cost Allocation                                                                                                                                  |
| <b>Targeted Market Efficiency Project (TMEP)</b>         | Alleviates historical M2M congestion in both RTOs     | ≤ \$20 million; In Service date by 3 <sup>rd</sup> Summer Peak after approval              | Ratio of each RTO's expected congestion relief, adjusted by M2M settlement payments                                                                                           | MISO portion allocated to TPZs meeting minimum threshold using historical nodal load congestion contribution data                                     |
| <b>Interregional Market Efficiency Project (IMEP)</b>    | Reduces market congestion in both RTOs                | Qualifies as MEP or MVP* in MISO and economic transmission enhancement or expansion in PJM | Ratio of each RTO's respective benefit calculations<br><br><u>MISO benefit calculation:</u><br>345 kV+: Uses all regional MEP benefits<br><br><345 kV: Uses APC benefits only | 345 kV+: MISO portion allocated the same as a regional MEP<br><br><345 kV: MISO portion allocated to benefiting CAZs by their respective APC benefits |
| <b>Interregional Reliability Project (IRP)</b>           | Displaces reliability projects in either or both RTOs | Qualifies as BRP or MVP** in MISO and BRP in PJM                                           | Ratio of avoided project costs in each RTO                                                                                                                                    | Costs assigned based on the allocation of the applicable project category in MISO                                                                     |
| <b>Cross-Border Baseline Reliability Project (CBBRP)</b> | Needed to efficiently meet reliability criteria       | Qualifies as BRP in MISO or PJM                                                            | DFAX of RTO generation to respective RTO load                                                                                                                                 | Wholly MISO: project is allocated like a BRP (100% to local TPZ)                                                                                      |
| <b>Interregional Public Policy Project (IPPP)</b>        | Displaces public policy projects in both RTOs         | Qualifies as MVP*** in MISO and economic or reliability project in PJM                     | Ratio of avoided project costs in each RTO                                                                                                                                    | Costs assigned based on the allocation of the applicable project category in MISO                                                                     |

\* Meeting Criteria 2 or 3

\*\* Meeting Criterion 3

\*\*\* Meeting Criterion 1

# MISO-SPP Interregional Cost Allocation

|                      |                                                                                          | Cost Allocation Methodology                             |                                                                                                                   |
|----------------------|------------------------------------------------------------------------------------------|---------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------|
| Project Type*        | Description and Requirements                                                             | RTO Project Share**                                     | MISO Cost Allocation                                                                                              |
| <b>Reliability</b>   | Necessary to meet NERC reliability criteria; Displaces reliability projects in both RTOs | Avoided Cost                                            | MISO portion allocated to local TPZ(s)                                                                            |
| <b>Economic</b>      | Project that alleviates market congestion in both RTOs                                   | Ratio of each RTO's respective APC benefit calculations | 230 kV+: MISO portion allocated the same as a regional MEP<br><br><230 kV: MISO portion allocated to local TPZ(s) |
| <b>Public Policy</b> | Displaces public policy projects in both RTOs                                            | Avoided Cost                                            | Costs assigned based on the allocation of the applicable project category in MISO                                 |

\*Refers to the *primary* project driver

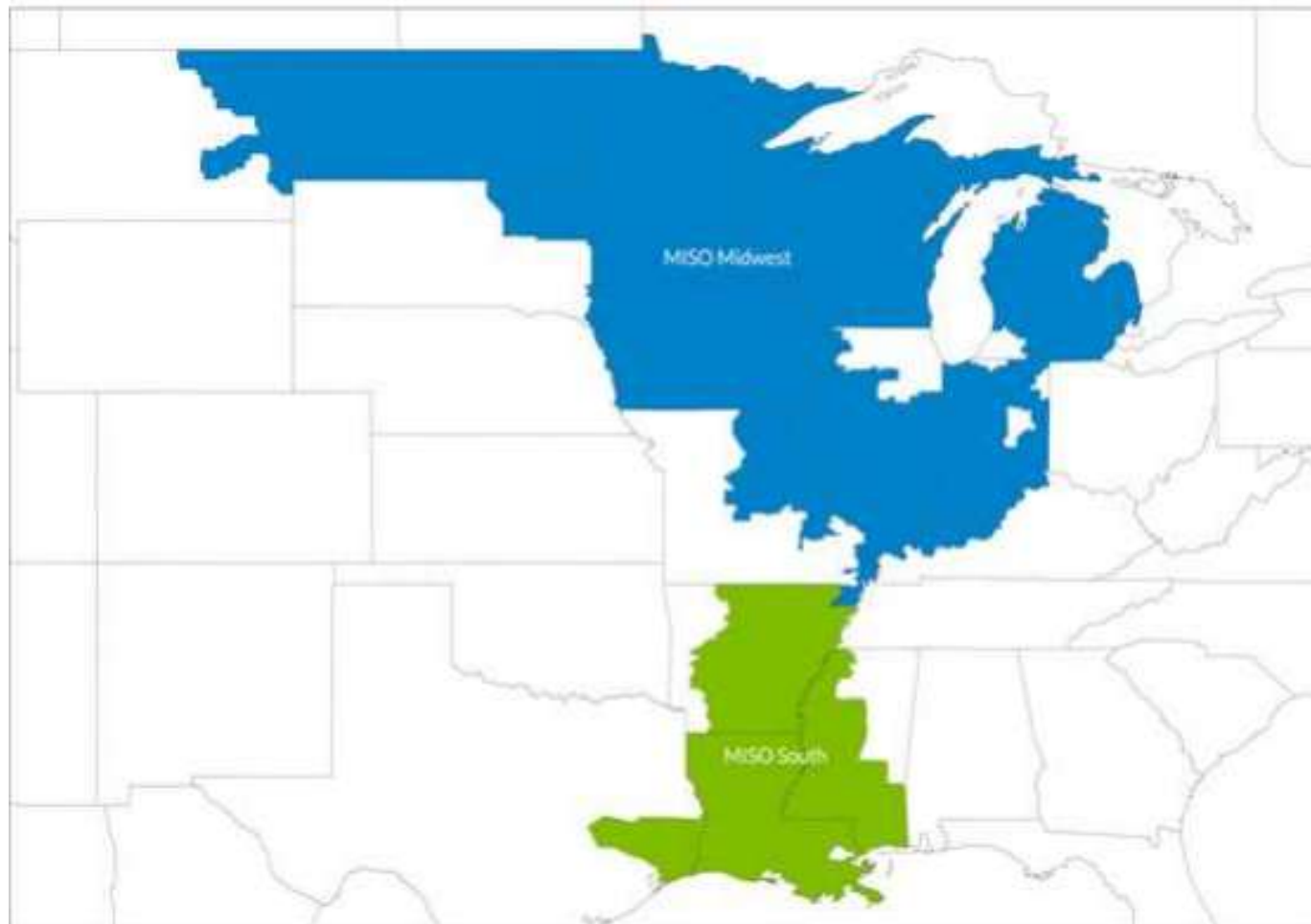
\*\*Refers to benefits identified by the *primary* project driver; All project types may include APC and Avoided Cost benefits

# MISO-SERTP Interregional Cost Allocation

| Project Type                            | Description and Requirements                                                                                                                                                                                                                                                                                                                                                  | Cost Allocation Methodology   |                                                                        |
|-----------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------|------------------------------------------------------------------------|
|                                         |                                                                                                                                                                                                                                                                                                                                                                               | RTO Project Share             | MISO Cost Allocation                                                   |
| <b>MISO-SERTP Interregional Project</b> | <p>Displaces a reliability, economic or public policy driven project(s) and meets the following requirements:</p> <ul style="list-style-type: none"> <li>• Interconnects to transmission facilities in both SERTP and MISO regions</li> <li>• Combined B/C ratio <math>\geq 1.25^*</math></li> <li>• Meets criteria for inclusion in the respective regional plans</li> </ul> | Ratio of avoided project cost | Costs assigned based on the allocation of the avoided regional project |

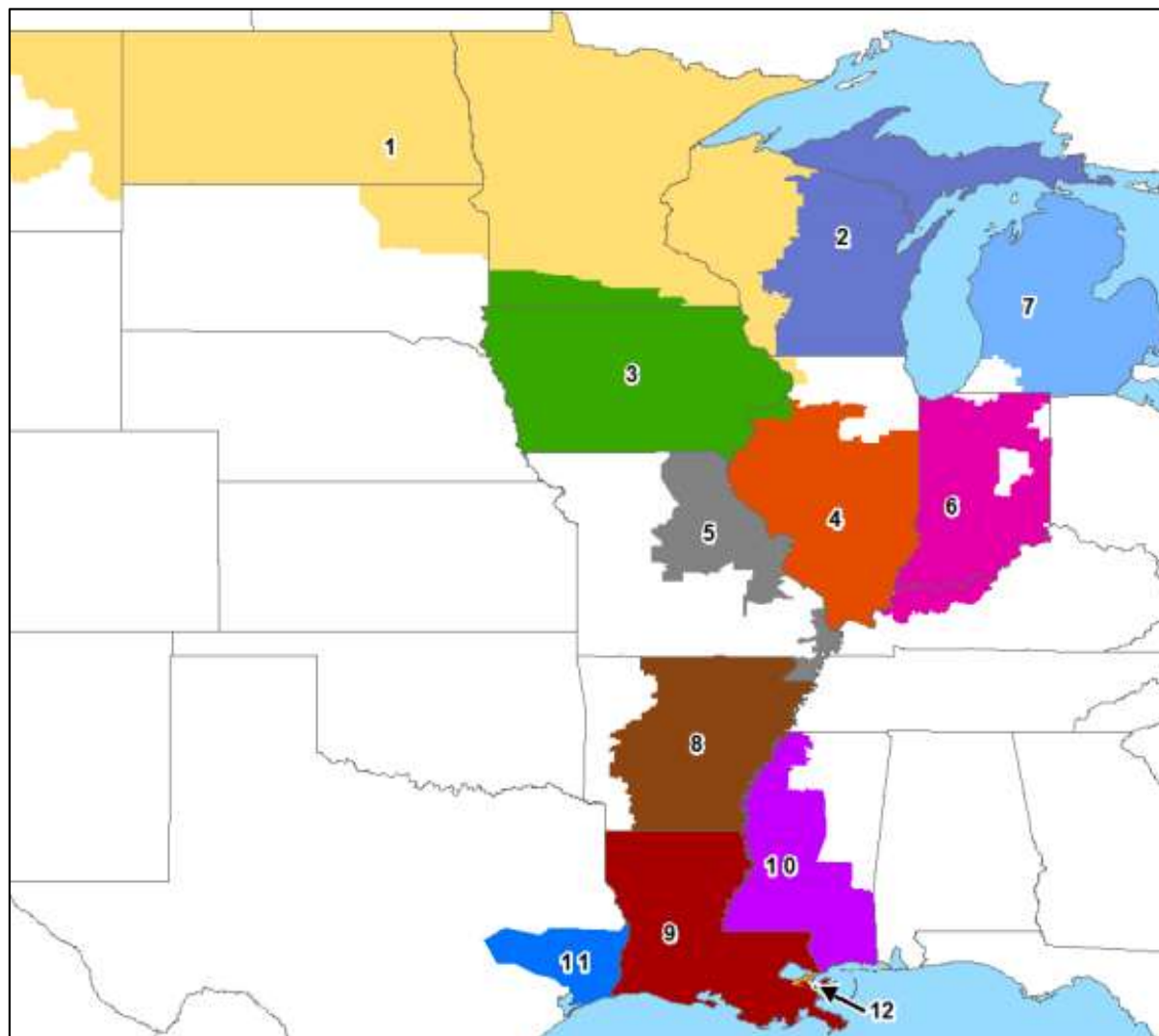
\*Benefits are quantified by the total avoided cost of projects displaced by the interregional project

# MISO Subregions



# MISO Cost Allocation Zones and Transmission Pricing Zones

| Cost Allocation Zone | Transmission Pricing Zone(s)     |
|----------------------|----------------------------------|
| 1                    | DPC, GRE, MDU, MP, NSP, OTP, SMP |
| 2                    | ATC                              |
| 3                    | ITCM, MEC, MPW                   |
| 4                    | AMIL, CWLP, SIPC                 |
| 5                    | AMMO, CWLD                       |
| 6                    | BREC, DEI, HE, IPL, NIPS, VECT   |
| 7                    | METC, ITC                        |
| 8                    | EATO                             |
| 9                    | CLCE, ELTO, LAFA                 |
| 10                   | EMTO, SME                        |
| 11                   | ETTO                             |
| 12                   | ENTO                             |



# MISO Local Resource Zones and Transmission Pricing Zones

| Local Resource Zone | Transmission Pricing Zone(s)     |
|---------------------|----------------------------------|
| 1                   | DPC, GRE, MDU, MP, NSP, OTP, SMP |
| 2                   | ATC                              |
| 3                   | ITCM, MEC, MPW                   |
| 4                   | AMIL, CWLP, SIPC                 |
| 5                   | AMMO, CWLD                       |
| 6                   | BREC, DEI, HE, IPL, NIPS, VECT   |
| 7                   | METC, ITC                        |
| 8                   | EATO                             |
| 9                   | CLCE, ELTO, ENTO, ETTO, LAFA     |
| 10                  | EMTO, SME                        |

