MISO complainants hold firm against MISO BRP

Groups chide ISO for using allegedly failed allocations

The Coalition of MISO Transmission Customers, Industrial Energy Consumers of America, and LS Power Midcontinent Monday defended their complaint against MISO from protests and the grid operator’s answer. The complaint alleged many baseline reliability projects (BRP) have benefits outside the zone they are in, but the current rules limit cost allocation to those zones and that is not just or reasonable.

MISO urged FERC to dismiss the complaint, arguing it failed to prove the BRP cost-allocation method is inconsistent with FERC’s cost causation principles. Many of the arguments raised in the complaint were brought up when the BRP rules were under review at the US Court of Appeals for the Seventh Circuit and the court ultimately rejected them, MISO said.

The complaint came after the rules were in place for four years and MISO said the data continued to show virtually all the benefits from BRP lines go to the zones where they are built. The complaint included a study using line outage distribution factor (LODF) analysis that showed a few projects may have some regional benefits, it added.

“The major flaw of the Pterra Report is that it confuses LODF impacts with ‘benefits,’ which renders the entire study meaningless,” MISO said. “Even considering the complainants’ flawed methodology and despite the small sample selected, the Pterra Report only confirms the same conclusion previously reached by the commission and the court – ie, that the benefits of a BRP are realized ‘primarily in the pricing zone in which the project is located.’”

The Coalition of Transmission Customers, IECA, and LS argued their report showed some of the BRPs had 30% to even 50% of their benefits in other zones even though they pay nothing for them. The complainants took issue with the claim that MISO and its transmission owners made that LODF does not show any benefits.

“While expected from a group of transmission owners worried about the rate-base impacts of potential competition, it is disappointing that MISO, with its independence obligations,
took this tact,” the complainants said. “MISO itself told the commission that impacts and benefits are one and the same when it comes to LODF and reliability projects.”

When FERC accepted the current BRP rules, it quoted MISO as relying on the LODF analysis to show that the benefits were local.

The impact shown by an LODF analysis translates into a flow reduction on the lines of the impacted utility and that flow reduction translates into a variety of benefits to the neighboring utility. The LODF method measures the flow reduction as a proxy for the potential benefits a neighboring region may realize with the flow reduction but stops short of identifying which of the potential benefits that neighboring region should actually pursue.

FERC should reject any argument that LODF measures impacts rather than benefits, the complainants said. MISO continues to use LODF for cost allocation in certain circumstances, they noted.

“Every cost-allocation method of determining beneficiaries uses some proxy for the benefits,” they said. “There are a multitude of measures for ‘benefits’ that have been proposed and/or are in use in other jurisdictions for different types of projects.”

US EIA: Gas demand to keep prices low until August

US EIA expects low natural gas demand to keep gas prices cheap through August, but expects them to rise the rest of the year. Prices averaged $1.75/MMBTU in May and should average $2.06/MMBTU in September and $3.08/MMBTU in January, the agency said.

The forecasting agency is projecting record storage at the end of this injection season, but prices should go up due rising heating demand as winter starts and reduced production will lead to higher prices. EIA expects the fuel to average $3.08/MMBTU for 2021.

“EIA continues to forecast a decline in US dry natural gas production from 2019 record levels, as low natural gas demand continues to put downward pressure on prices,” EIA Administrator Linda Capuano said in prepared remarks. “EIA expects dry natural gas production to fall from 92.4 billion cubic feet in April to 84.7 billion cubic feet in December 2020.”

Low gas prices are discouraging drilling in the Appalachian region, while cheap oil prices are leading to cuts in associated gas output from oil-directed wells in the Permian region, EIA said.

Gas consumption is expected to fall 3.6% to average 81.9 BCF/...
day this year. The drop will largely be due to lower industrial demand that is expected to fall 8.7% to an average of 21 BCF/day.

Total electricity use is expected to fall this year by 5.7%, led by declines in the commercial sector where EIA expects retail sales of electricity to fall 9.1% this year. Industrial power sales are expected to fall 6.7% and residential sales 1.5%.

Milder temperatures are contributing to the declines, but with more people working from home due to the pandemic, that is partially offset in residential demand, EIA said. The agency expects electricity use to grow 1% next year.

“As a result of low natural gas prices, EIA forecasts that electricity generation from natural gas in the United States will reach 1,505 billion kilowatt hours in 2020 – a new record,” Capuano said. “Natural gas generation will then decline to 1,335 billion kilowatt hours in 2021 as natural gas prices increase.”

As gas is expected to produce 41% of the generation this year, coal is expected to fall to 17%. Coal will recover to 20% next year (compared to 24% in 2019) as gas gets more expensive and its share drops to 36%, EIA said.

Renewables are expected to keep rising from 17% in 2019 to 21% this year and then 23% the year after that due to continued additions from wind and solar. If the averages for coal and renewables come true this year, it would be the first one where the output of renewables exceeds coal, Capuano noted.

**FERC OKs MISO requiring some solar to register as DIRs**

A FERC order issued yesterday approved a proposal from MISO to require certain solar generating resources to register as dispatchable intermittent resources (DIRs). MISO has had DIR rules for wind since 2011 and they require that intermittent resources be treated in a manner similar to other generating resources in the energy market.

MISO started having issues with non-dispatchable wind resources when about 4-9 GW got on its system. Before the DIR order, it had to manually curtail all wind resources’ output to manage congestion, over-supply, or minimum load conditions as the resources did not get dispatch instructions.

The grid operator expects solar will reach those levels as soon as next year, so it wanted to get the DIR rules in place for them to avoid any operational issues.

FERC found the rules just and reasonable and not unduly discriminatory. The commission also found it reasonable for MISO...
to propose the revisions without waiting until solar penetration has reached a point when its lack of dispatchability may significantly affect reliability.

Entergy argued it was not just and reasonable to exempt solar that was put in place before March 15, 2020, to the rules (the date they are going into effect). The firm was building some solar that was set to go into operation just after that date and argued it was not fair that resources built earlier in the year would not have to follow the rules while its solar plant would.

The utility wanted all resources with a generator interconnection agreement (GIA) executed before March 15 to be exempt from the DIR rules.

“We agree with MISO that, for purposes of registering as a DIR, entities with executed GIAs are not similarly situated to units that have already been placed in service,” FERC said. “In addition, the two-year transition period allows Entergy’s solar resources that have a GIA but without the new communications equipment to meet this requirement a reasonable amount of time to comply with the tariff revisions.”

2 stories in 1 minute

Gas futures lose 2¢

on word of mildness: NYMEX July natural gas futures settled lower in trading yesterday, amid near-term expectations for more seasonable temperatures in the highest consuming regions, analyst Jackson Mueller reported. The contract fell 2.2¢ to close at $1.767/MMBTU. The latest six-to-10-day forecast showed cooler-than-normal weather over much of the East and in the Northwest, with more heat in the middle of the country. That heat expanded in the eight-to-14-day forecast to cover the Western 2/3 of the country with most of the East having normal temperatures outside of most of the coast that should see cooler-than-normal weather.

Anbaric Development

names Bruno as CEO: The board of Anbaric Development Partners yesterday named Clarke Bruno as CEO, replacing founder Edward Krapeis who will stay on as chairman. Bruno joined the transmission firm almost 10 years ago as its general counsel and immediately before that he served as special counsel for energy and environmental affairs under New Jersey Gov John Corzine. Anbaric specializes in the development of large-scale electric transmission systems and storage. It does infrastructure development in New England, New York, and New Jersey with numerous initiatives connected to offshore wind.