

# RTO Insider

Your Eyes and Ears on the Organized Electric Markets  
CAISO ■ ERCOT ■ ISO-NE ■ MISO ■ NYISO ■ PJM ■ SPP

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## FERC Proposes Increased Tx Incentives

*Focus on Project Benefits, Not Difficulties*

By Rich Heidorn Jr.

FERC on Thursday proposed a new approach to awarding transmission incentives and a doubling of the adder for participating in an RTO.

The Notice of Proposed Rulemaking would shift from awarding benefits based on the risks and challenges of a project to one focused on economic and reliability benefits (RM20-10).

FERC, which gained authority to issue incentives in the Energy Policy Act of 2005, implemented its policy in Order 679 in 2006. Last March, it opened a docket to reconsider its policy (PL19-3). (See *Stakeholders Spar in FERC Tx Incentives Docket.*)

Thursday's NOPR would eliminate Order 679's "nexus test," which requires applicants to show a connection between the requested incentives and the risks and challenges of the project.

"By shifting our focus to incentives based on how a transmission project benefits consumers rather than risks and challenges of building it, I

think what this NOPR does is better align our policies with the law," Chairman Neil Chatterjee said in a news conference Thursday.

The NOPR would:

- Double the incentive for joining and remaining a member of an RTO, ISO "or other Commission-approved transmission organization" to 100 basis points from 50. The incentive would be available whether or not participation is voluntary.
- Provide 50 basis points to projects that meet a pre-construction benefit-to-cost ratio in the top 25% of projects examined over a sample period, with another 50 basis points for projects that meet a post-construction b/c ratio in the top 10% of projects over the same period.
- Award up to 50 basis points to projects that

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**FERC Rejects RTO Incentive Adder Rehearing** (p.10)

## MOPR May Not be Death Knell for Renewables in PJM

*IMM: MOPR Won't Impact Next BRA Prices*

By Rich Heidorn Jr.



Wind farm near Altoona, Pa. | © RTO Insider

PJM's expanded minimum offer price rule (MOPR) won't hinder renewables as much as some had feared if the RTO's interpretation of FERC's Dec. 19 order is accepted by the commission, according to solar and wind trade groups and a new analysis by the Independent Market Monitor.

The Monitor released an *analysis* Friday that concluded that expanding the MOPR will not have an impact on clearing prices or auction revenues for the next Base Residual Auction, for delivery year 2022/23. That came after the American Wind Energy Association (AWEA) and the Solar Energy Industries Association issued upbeat reviews of PJM's compliance filing Wednesday. (See *PJM Makes MOPR Compliance Filing.*)

FERC ordered PJM to expand the MOPR to all new state-subsidized resources, including nuclear plants and renewables. AWEA was among numerous critics of the ruling, saying

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## MISO News

# Memphis Muni Mulls Move to MISO

By Amanda Durish Cook

Memphis Light, Gas and Water is mulling whether to defect from the Tennessee Valley Authority to acquire power from MISO or another wholesale supplier.

A decision could come as early as this spring.

MLGW spokesperson Angelika Taylor confirmed that the utility is weighing an exit from TVA for another supplier for economic reasons.

"We are doing an integrated resource plan to determine the optimal electricity-producing resource mix to provide MLGW customers and our community with reliable, low-cost power

as we consider whether or not to discontinue being a wholesale customer of TVA," Taylor said in an email to *RTO Insider*.

The municipal utility's *IRP* is scheduled to be completed by May, though Taylor warned that the spread of COVID-19 could delay that schedule. The city's elected officials are expected to decide on the plan sometime this year.

Their decision could allow MISO to add another state to its 13-state footprint. As a rule, MISO does not reveal the names of utilities and companies that approach it for membership until its board of directors vote on approval during one of its public meetings.

MLGW's move makes sense to environmental nonprofit Friends of the Earth (FOE), which for two years has urged the utility to pursue an alternative to TVA.

FOE commissioned The Brattle Group to prepare an *analysis*, released in September, that finds MLGW could save anywhere from \$240 to \$333 million per year by 2024 if it accesses lower-cost power across the Mississippi River and builds at least 350 MW or more of its own renewable generation.

"Certainly in our analysis, and the work that The Brattle Group has done for us, MISO is right at the top" as an alternative supplier option, said FOE attorney Herman Morris, Jr., also a former MLGW CEO.

MLGW has a few options as it crafts its *IRP*: Attempt to join MISO or another wholesale power supplier, produce its own power or undertake a combination of the two. The utility doesn't currently generate any of its own power.

Another less probable option would involve sales from the embattled and unfinished Bellefonte Nuclear Power Plant in Alabama. Former Chattanooga developer Franklin L. Haney is trying to finalize the *purchase* of the plant from TVA, which contends he lacks the proper permitting. The dispute will likely head to trial this year.

### 'Really Significant' Savings

"From at least the Friends of the Earth perspective, all alternatives are preferable for the potential for new green and renewable sources as well as reliability and lower cost," Morris told *RTO Insider*. "It's certainly my personal view that MISO is a more than viable option ... They serve a lot of capacity, and they're reliable, greener and a whole lot cheaper than TVA. My sense is we'll probably see some combination of self-generation and purchases of power from across the river, somewhere, somehow."

Morris said TVA's wholesale power costs about 7.5-8 cents/kWh versus the 4-4.5 cents/kWh that MISO offers.

"It's simply hard to overcome the math in these things. That's not just significant, that's really significant. You can go a long way with savings of \$300 million a year," Morris said.

Some of MLGW's savings from switching suppliers could be spent on the construction of its own renewable generation and to defray



| TVA

## MISO News

the cost of connection to the MISO system, Morris said.

"Interest rates are so low, especially now. It just can be done," he said.

"As large as [MISO] is, there's a river between us. There's not a great understanding by people on our side of the river of who MISO is," Morris said. "[FOE] is not trying to promote MISO so much as we're trying to educate the community as to what its options are. What we want to see is a fact-driven discussion: Is it possible to get a wholesale supplier less expensive than TVA? Is it possible to create a greener portfolio? We want to put these in front of community leaders and have them make a decision."

TVA's current generation *portfolio* consists of 37% nuclear, 24% coal, 20% natural gas, 9% hydro, 7% energy efficiency and 3% wind and solar generation, with a total capacity of about 35 GW. Peak load can reach 32 GW, and MLGW accounts for about 10% of TVA load. TVA sometimes purchases power from MISO.

"When you've got a fleet of old coal plants, many of which are supplied by Kentucky and West Virginia coal fields in the valley, and you've got 50-plus-year-old nuclear generation, you can't turn that on a dime. You can't say, 'we're going to be this next year,'" Morris said.

### Majority in Favor

Last year, TVA's board of directors approved an *integrated resource plan* that adds 14 GW of new solar generation, 5.3 GW of energy storage and up to 2.2 GW of energy efficiency savings by 2038. The plan also includes between 2 and 17 GW of new natural gas generation. TVA also has plans to retire its Paradise and Bull Run coal plants in 2020 and 2023, respectively.

Morris points out that about a third of Memphis residents live at or below the poverty line. "It's important for people at the bottom economic rung that we are prudent and judicious in selecting our supplier. We believe that by having a more economical source of wholesale power, we can save this community close to a million dollars a day."

He said there's popular support in Memphis for getting cheaper and cleaner energy, especially considering that TVA generation and transmission costs comprise about 80% of customers' residential electric bills.

"Right now, if you're in the TVA valley, TVA sells you 100% of your power. And that's it. It's an all-requirements contract. And that's probably made them a little less energetic — no pun intended — and more willing to ride these coal and nuclear plants to the bitter end," Morris

said. He also questioned the societal cost of TVA's coal ash and spent nuclear rods.

The reduction in load from a MLGW exit could make it easier for TVA to consider speeding up retirement of some of its aging, inefficient plants, Morris added.

He estimates it would take at least five years for MLGW to make the transition from a non-generator to a modest generator for some of its load. He also noted that an exit from TVA would involve negotiations.

"There might be some legal issues to parse through, but we think the philosophy of the industry — and FERC — is strongly supportive of communities getting the best-cost supplier they can find."

FOE this month conducted a *poll* that found 57% of Memphis residents would like to see MLGW leave TVA, with 20% opposed to such a move.

"The most important thing for this community is to identify a cheaper, more economical and greener source of wholesale power, and MISO is all of those things," Morris said. "There is a robust voice from environmentally-conscious citizens in our community. I think whatever the outcome is, it will have to involve some element of renewable, clean, green supply." ■

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