

UNITED STATES OF AMERICA  
BEFORE THE  
FEDERAL ENERGY REGULATORY COMMISSION

Midcontinent Independent System       )  
Operator, Inc.                                )

Docket No. ER20-41-000

**NOTICE OF INTERVENTION AND COMMENT OF THE  
MICHIGAN PUBLIC SERVICE COMMISSION**

On October 4, 2019, the Midcontinent Independent System Operator, Inc. (“MISO”) proposed revisions to Attachment X of its Open Access Transmission, Energy and Operating Reserve Markets Tariff intended to make its Generator Interconnection Procedures (“GIP”) more efficient by strengthening site control requirements and milestone payment provisions to discourage the introduction of non-ready projects into its Generator Interconnection (“GI”) queue. The proposed reforms are meant to reduce the time interconnection requests currently spend in the Definitive Planning Phase (“DPP”) of the GIP and to provide greater certainty and accuracy of potential upgrade costs to interconnection customers with truly viable projects. This proposal builds on MISO’s December 2018 Proposal<sup>1</sup> to improve its GIP to incorporate the Federal Energy Regulatory Commission’s (“Commission” or “FERC”) March 2019 Guidance Order<sup>2</sup> and additional input from an extensive stakeholder process.<sup>3</sup> The Michigan Public Service Commission

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<sup>1</sup>*Midcontinent Indep. Sys. Operator, Inc.* Filing of Amendments to MISO’s Generator Interconnection Procedures, Docket No. ER19-637-000 (December 20, 2018) (“December 2018 Proposal”).

<sup>2</sup>*Midcontinent Indep. Sys. Operator, Inc.*, 166 FERC ¶ 61,187 (Mar. 19, 2019) (“Guidance Order”).

<sup>3</sup>*Midcontinent Indep. Sys. Operator, Inc.*, Filing of Amendments to MISO’s Generator Interconnection Procedures, Docket No. ER20-41, at 2 (Oct. 4, 2019).

(“MPSC”) has long observed the need for more efficient GIP in MISO to bring new and more efficient generation resources online in a timely manner to improve resource adequacy, reliability and reduce the cost of electricity in Michigan. The MPSC supports MISO’s current proposal to accomplish this objective and encourages the Commission to accept it so that it may be implemented in advance of MISO’s next DPP cycle.

## **I. Notice of Intervention**

The MPSC is a statutorily created agency in the state of Michigan, created by 1939 Public Act 3. MICH. COMP. LAWS § 460.1 et seq. The MPSC is the Michigan regulatory agency having jurisdiction and authority to control and regulate rates, charges, and conditions of service for the retail sale of natural gas and electricity in the state of Michigan. The MPSC is also a “state commission” as defined in 16 USC § 796(15) and 18 CFR § 1.101(k) and has an interest in this proceeding that cannot be adequately represented by another party.

As a state commission, the MPSC enters this Notice of Intervention. Copies of all pleadings, correspondence, and other communications concerning this proceeding should be directed to:

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## II. Background

Over the last several years, the MISO GI queue has been bogged down by an unrealistic amount of generation interconnection requests,<sup>4</sup> some of which MISO has identified as placeholders or contingency projects backed by developers who have the capital to support the submission of a large volume of non-ready projects into the GI queue. The presence and quantity of these projects in the interconnection queue can inflate potential upgrade costs for other projects in their study cycle, diminishing the value of MISO's required upgrade cost estimates meant to provide developers with some level of certainty as to the commercial viability of their projects. When these projects ultimately withdraw from the DPP at a later decision point, they cause study delays, cost shifts, and raise milestone payments for the remaining projects in their DPP cycle,<sup>5</sup> which is to the detriment of ratepayers.

On December 18, 2018, MISO submitted a proposal to the Commission to strengthen the site control and milestone provisions in the GIP with the aim of discouraging speculative and non-ready projects from entering the GI queue. The

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<sup>4</sup>As of October 1, 2019, MISO's active generator interconnection queue consists of 589 projects totaling 91.4 gigawatts (GW). MISO's average summer demand in 2019 was 83.3 GW with expected peak demand at 124.9 GW. The active queue represents 110% of the average demand and 73% of the expected peak demand for the summer of 2019. See MISO Markets Committee, Presentation on the Fall Outlook and Summer Operations (2019), at <https://cdn.misoenergy.org/20190917%20Markets%20Committee%20of%20the%20BOD%20Item%2004%20Fall%20Outlook%20and%20Summer%20Operations381166.pdf>.

<sup>5</sup>*Midcontinent Indep. Sys. Operator, Inc.*, Filing of Amendments to MISO's Generator Interconnection Procedures, Docket No. ER20-41 (Oct. 4, 2019).

proposal included provisions to: (1) require that interconnection customers have exclusive use of the site for the generator and associated facilities, 100 percent site control for the generator in the application, and 50 percent site control for all interconnection facilities by Decision Point 2; (2) make the M2 milestone payment variable based on three-year rolling average of network upgrade costs to serve as a price signal to interconnection customers; and (3) revise milestone refund procedures to make each milestone payment partially at-risk and to only issue at-risk refunds at the commercial operation date of the new facility.

While the Commission rejected this proposal from MISO without prejudice, finding certain aspects were not shown to be just and reasonable, it recognized the problem that MISO sought to mitigate and provided guidance to “assist MISO in developing a new proposal.”<sup>6</sup> The Commission’s March 2019 Guidance Order was considered extensively by MISO and stakeholders in the development of the current proposal, which does not contain or has restructured the provisions the Commission found to be unsupported or unjust and unreasonable.

### **III. Comments**

The MPSC has long been supportive of MISO’s efforts to improve its GIP both in the MISO stakeholder process and before the Commission through the

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<sup>6</sup>*Midcontinent Indep. Sys. Operator, Inc.*, 166 FERC ¶ 61,187 (2019) (“Guidance Order”).

Organization of MISO States (OMS).<sup>7</sup> While MISO has expended considerable effort over the years to improve its GIP, it remains a cumbersome barrier to bringing new energy generation online. Significant inefficiencies in the MISO GIP are caused by an overwhelming and infeasible amount of interconnection requests for speculative and non-ready projects. The MPSC believes MISO's current proposal will address an urgent need in Michigan for a more efficient GIP for interconnection customers. Furthermore, the MPSC agrees with the Organization of MISO States (OMS) comments in this docket that MISO's current proposal incorporates the Commission's Guidance Order and has been adequately supported as just and reasonable.

The issues with the MISO GIP are becoming increasingly problematic for the MPSC to carry out its responsibilities to ensure adequate supplies of electricity are available in Michigan to meet peak demand, now and in the future, during this period of rapid evolution in the generation mix. Though Michigan utilities are predominately MISO members, Michigan's unique peninsular geography limits the ability of utilities to access electricity supplies outside MISO Local Resource Zone (LRZ) 7 (most of Michigan's lower peninsula) or LRZ 2 (including Michigan's upper peninsula) for purposes of meeting MISO's capacity requirements under Module E of its tariff. That generally means that when a generation resource is retired in the

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<sup>7</sup>See, e.g., Comments of the Organization of MISO States, Inc., Docket No. ER08-1169-000 (filed July 17, 2008); Notice of Intervention and Initial Comments of the Organization of MISO States, Docket No. ER17-1156 (filed Nov. 14, 2016); Notice of Intervention and Comments of the Organization of MISO States, Docket No. ER19-637 (Jan. 18, 2019).

state a new resource located in Michigan must replace it, absent changes to the import capability. And the limited ability to import capacity into Michigan,<sup>8</sup> declining reserve margins, and accelerating retirements of traditional baseload power plants makes Michigan particularly sensitive to the efficiency of the MISO GIP. The urgency for a more efficient GIP is compounded further by the retirement of aging power plants and the increased reliance on natural gas and renewable energy for electricity generation as well as increasing frequency and strength of extreme weather events in Michigan and elsewhere throughout the United States.

These issues came into sharp focus earlier this year when a combination of extreme weather during the Polar Vortex of 2019 (PV 19), major equipment failure at a large natural gas storage facility, and regional electricity constraints within MISO due to generator outages, stressed the natural gas and electricity systems in Michigan on January 30 and 31, 2019.

In response, Governor Whitmer directed the MPSC to conduct a Statewide Energy Assessment to: (1) evaluate whether the design of electric, natural gas, and propane delivery systems are adequate to account for changing conditions and extreme weather events; and (2) provide recommendations to mitigate risk. The MPSC engaged with industry representatives and stakeholders throughout the

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<sup>8</sup>According to the MPSC Staff report on capacity demonstrations, the effective capacity import limit into LRZ 7 for the 2019/20 planning year is 164 MW (PRMR of 21,976—LCR of 21,812 = 164 MW). See Capacity Demonstration Results for Planning Year 2022/23, MPSC Case No. U-20154, 3/28/2019 Report, p 7, at <https://mi-psc.force.com/sfc/servlet.shepherd/version/download/068t00000004PmgNAAS>.

state to gather and review information on the condition, performance, and adequacy of all energy supplies and infrastructure in Michigan. The MPSC issued the Final Statewide Energy Assessment (SEA) on September 11, 2019, in Case No. U-20464, with findings and recommendations to ensure safe, reliable energy for Michigan residents and businesses, and to be prepared to mitigate impacts during potential future emergency events.<sup>9</sup>

The MPSC determined in the SEA that Michigan has sufficient and unique assets to ensure reliable supplies and delivery of energy to meet peak demand. However, to ensure reliable, resilient supplies and infrastructure in a future with increasingly frequent and severe weather and greater dependence on natural gas and renewables for electricity generation, the MPSC recommended a number of actions that should be taken by the MPSC, utilities, policy makers, Regional Transmission Organizations (RTOs) and others. Relevant to this proceeding, the SEA identifies MISO tariff requirements that a majority of electricity generation in Michigan's lower peninsula be located within MISO's Local Resource Zone 7 (Zone 7), as well as limits on importing electricity over the transmission system, which together reinforce the need to have efficient processing of new generation interconnection requests.

Given the quickly evolving energy landscape, the MPSC also observed in the study the need to improve the RTO generation interconnection processes. A GIP

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<sup>9</sup>Michigan Statewide Energy Assessment, MPSC Case No. U-20464, 9/11/2019 Final Report.

process that takes over 500 days, as has been the case in recent DPP cycles,<sup>10</sup> is a constraint to bringing new generation resources online timely enough to ensure resource adequacy requirements are met at a time when aging and inefficient generation resources are retiring at a rapid pace. In this respect, the inefficiency of the current GIP threatens overall system reliability and the MPSC's ability to ensure that adequate capacity supplies are online in time to serve customers during periods of peak demand. This in turn could cost electric customers significant amounts of unnecessary expenditures: both in the form of requiring that inefficient generators remain online, depriving customers of more affordable power supplies (and associated emissions reductions), as well as potentially causing the cost for capacity in Zone 7 to rise (potentially to the Cost of New Entry (CONE)) in the MISO Planning Resource Auction (PRA).<sup>11</sup>

The MPSC determined through the SEA that the GI queue process should be revised to facilitate the timely progression of viable projects through the process. It further found that improvements to the MISO GIP are necessary to ensure safe and reliable electric service to customers, as it would not only improve system reliability and resiliency but would also better reflect the rapid pace of change in Michigan's

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<sup>10</sup>The DPP-2017-AUG cycle for the MISO East (ITC) region is projected to take over two years (approximately 758 days) from the start of the DPP until the GIA Execution date. See [https://www.misoenergy.org/planning/generator-interconnection/GI\\_Queue/](https://www.misoenergy.org/planning/generator-interconnection/GI_Queue/).

<sup>11</sup>The 2019/2020 MISO PRA Auction clearing prices were \$2.99/MW-day for all MISO LRZs except LRZ 7 where the price rose to \$24/MW-day. The 2018/2019 MISO PRA Auction cleared all LRZs at \$10/MW-day. CONE for LRZ 7 in the 2019/2020 MISO PRA is \$243.37/MW-day.

electricity resource mix. Therefore, the MPSC supports MISO's proposed Tariff revisions as they both respond to and incorporate the Commission's Guidance Order, as well as respond to the urgent needs of Michigan's electric ratepayers identified by the MPSC in the SEA.

#### **IV. Conclusion and Recommendation**

The MPSC commends MISO for its extensive efforts to increase the effectiveness of its GIP, engaging in an inclusive stakeholder process to discuss these issues and craft the current proposed reforms. The MPSC agrees with MISO that these reforms will reduce the time interconnection requests spend in the DPP and will provide for greater certainty in potential upgrade costs for interconnection customers. If approved by the Commission, the proposed reforms will assist the MPSC and Michigan's utilities in ensuring adequate electricity supplies are available to customers during this period of unprecedented evolution of the electric generation mix. The ability for new generation supplies to come online in a timely manner is a matter of public health and safety, as well as economics, and the process should not allow for speculative or non-ready projects to delay needed and

viable interconnection requests. For these reasons, the MPSC respectfully recommends that the Commission accept the proposed Tariff revisions.

Respectfully submitted,

**THE MICHIGAN PUBLIC SERVICE  
COMMISSION**

/s/ Daniel E. Sonneveldt

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Dated: October 25, 2019

**CERTIFICATE OF SERVICE**

I hereby certify that I have this day served, via electronic mail or first-class mail, the foregoing document upon each person designated on the official service list compiled by the Secretary in this proceeding.

Dated at Lansing, Michigan this **25th** day of **October, 2019**.

/s/Cherie A. Richie

Cherie A. Richie