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SOAH DOCKET NO. 473-21-0538
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APPLICATION OF SOUTHWESTERN ELECTRIC POWER COMPANY FOR AUTHORITY TO CHANGE RATES	§ § § §	STATE OFFICE OF ADMINISTRATIVE HEARINGS

CROSS-REBUTTAL TESTIMONY
of
KIT PEVOTO

on behalf of

EAST TEXAS SALT WATER DISPOSAL COMPANY

April 23, 2021

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CROSS-REBUTTAL TESTIMONY
OF
KIT PEVOTO

I. <u>WITNESS IDENTIFICATION AND QUALIFICATIONS</u>

Q. Please state your name and business address.

A. My name is Kit Pevoto. My business address is 13436 Athens Trail, Austin, Texas 78737.

Q. On whose behalf are you testifying in this proceeding?

A. I am filing testimony on behalf of East Texas Salt Water Disposal Company ("ETSWD"). ETSWD takes service from SWEPCO under the Oilfield rate schedule.

Q. Are you the same Kit Pevoto who previously filed direct testimony in this proceeding?

A. Yes. I filed direct testimony in this case on Mach 31, 2021 on behalf of ETSWD.

II. <u>PURPOSE OF CROSS-REBUTTAL TESTIMONY</u>

Q. What is the purpose of your Cross-Rebuttal Testimony?

A. The purpose of my rebuttal testimony is to respond to testimony filed by:

- Public Utility Commission of Texas Staff ("PUCT Staff") witness Mr. Adrian Narvaez;
- Texas Industrial Electricity Consumers ("TIEC") witness Mr. Jeffry Pollock; and,
- Eastman Chemical ("Eastman") witness Mr. Ali Al-Jabir.

Q. Please summarize the issues addressed in your Cross-Rebuttal Testimony.

A. My testimony first addresses whether it is appropriate for intervenors to use SWEPCO's cost allocation studies that do not reflect sufficient COVID-19 pandemic impacts as its starting point to establish their proposed rates. I will address the base rate revenue distribution proposals by witnesses for PUCT Staff and TIEC on two issues: (1) how the 19 rate classes should be bundled into rate groups for base rate revenue distribution purposes; and (2) how rate moderation adjustments should be applied.

My testimony also addresses TIEC's and Eastman's proposal of excluding Eastman's Behind the Meter Generation ("BTMG") load in the allocation of SWEPCO's transmission costs.

Q. Did you prepare the documents that you are sponsoring and are they true and correct?

A. Yes. The workpapers I sponsor were prepared by me, and are true and correct.

III. <u>SWEPCO CLASS COST ALLOCATION STUDIES</u>

Q. Please summarize intervenors' positions on SWEPCO's cost allocation studies.

A. TIEC is the only party to take issue with SWEPCO's proposed cost allocation studies and the underlying allocation methodologies and load information. TIEC also modifies SWEPCO's class cost allocation studies to reflect its recommended changes to the studies' underlining allocation methodologies. Some of the intervenors use SWEPCO's class cost allocation studies and incorporate their own recommended cost adjustments in the studies to determine the costs allocated to rate classes reflecting their revenue requirement recommendations.

Q. In your opinion, should SWEPCO's proposed cost allocation studies as filed be used by the intervenors as the starting point to determine costs allocated to rate classes?

A. No, SWEPCO's proposed cost allocation studies as filed should not be used because they do not reflect needed load and customer adjustments related to COVID-19 pandemic impacts. As discussed in detail in my Direct Testimony, SWEPCO does not reflect needed pro forma adjustments to reflect the broader impact across all customer classes to account for COVID-19 pandemic impacts. In the cost allocation study that PUCT Staff relies on to set the base rate revenues, SWEPCO includes only pro-forma load information adjustments to reflect the closure of three industrial customers (one industrial customer in Texas Retail service area). However, the COVID-19 pandemic has dramatically changed customers' electricity usage patterns in the various customer classes. According to the actual data collected by SWEPCO, the COVID-19 pandemic has caused SWEPCO's Texas Retail overall electricity sales to drop by 3.2 percent in 2020, *increased* Residential electricity sales by 3.3 percent, and *reduced* Commercial and Industrial electricity consumption by 5.0 percent and 6.9 percent, respectively. Without incorporating all known and measurable adjustments related to the impact of the COVID-19, SWEPCO's proposed cost allocation studies do not accurately represent the cost relationship among rate class and should not be used as a starting point to set rates for Texas Retail customers.

Q. After reviewing intervenors' testimony, have you observed more evidence of the COVID-19 pandemic's impact on SWEPCO's customers that confirms what the actual 2020 electricity sale data SWEPCO collected shows?

A. Yes, I have. Staff witness Mr. Narvaez takes issue with SWEPCO's proposed structural changes to the General Service ("GS") rate schedule. In its proposal, SWEPCO separates the rate schedule into an energy only option and a demand-based option and also removes the 50kW maximum demand for the rate schedule. In her testimony,[1] SWEPCO witness Ms. Jackson explained that SWEPCO's proposed changes provide rate options that could help customers reduce their electricity bills. Small businesses have asked SWEPCO to address their concerns that the current GS rate schedule has few ways to help them to reduce their electricity costs. This shows the reality of the financial pressure on SWEPCO's small commercial customers' abilities to pay their electricity bills. The

[1] Direct Testimony and Exhibits of Jennifer L. Jackson, page 17 lines 15-16, page 18 lines 3-4, page 19, lines 4-5.

concerns from customers are strong enough to propel SWEPCO to take measures to help its customers. In its response to RFI ETSWD No. 5-1, attached as Attachment 1, SWEPCO identified the current trends and realities in SWEPCO's service area that electricity usage for commercial (small and large) customers is declining (due to closure or load reduction) and the financial pressure on customers' abilities to pay their bills is increasing (due to the slow economy). And SWEPCO does not deny that the COVID-19 crisis may have contributed to closures or load reductions for businesses in 2020.

The actual load data shows that the COVID-19 pandemic has caused a reduction of commercial electricity consumption by 5.0 percent in 2020.

Q. What is your conclusion after your review of intervenors' testimony regarding SWEPCO's proposed class cost allocation studies?

A. The COVID-19 pandemic impacts on all customers' (not just commercial) electricity usage are real and can be measured with the actual load data collected by SWEPCO. SWEPCO's proposed class cost allocation studies as filed do not capture this reality and therefore do not reflect the current cost relationship among rate classes. Any cost allocation studies used by intervenors to form their rate setting recommendations should be revised to incorporate all known and measurable adjustments related to the COVID-19 pandemic impacts.

Q. Has the Commission previously allowed making known and measurable changes of the post-test year actual data to billing determinants?

A. Yes, the Commission has in prior SWEPCO rate cases made known and measurable changes to account for actual post-test year data related to billing determinants as proposed in my Direct Testimony. Specifically, in Commission Docket No. 40443, the Commission found "[b]ecause SWEPCO has actual data for the first 11 months showing that the weather-normalized residential sales have come in at 5% below the forecast that was used in the post-test-year adjustment, it is reasonable to replace the forecasted residential sales post-test-year adjustment with the actual weather adjusted 2012 sales."[2] Like the situation in Docket No. 40443, in this proceeding, SWEPCO has known and measurable load data for the entirety of 2020 that reflects the impact of COVID-19 and this known and measurable data should be allowed to be used in allocating costs in this case as that allowed by the Commission in Docket No. 40443.

IV. BASE RATE REVENUE DISTRIBUTION PROPOSALS

Q. Please explain SWEPCO's proposed base rate revenue distribution approach.

A. SWEPCO first combines its nineteen rate classes into four groups: Residential, Commercial and Industrial, Municipal, and Lighting. Within the Commercial and Industrial group, SWEPCO assigned each class in the same group the same percentage increase as the overall increase for the entire group. Each class in the Municipal group was also assigned the same percentage increase as the overall increase for the entire Municipal group.

A. PUCT STAFF BASE RATE REVENUE DISTRIBUTION PROPOSAL

Q. What are PUCT Staff's recommendations regarding SWEPCO's proposed base rate revenue distribution approach?

A. PUCT Staff recommends SWEPCO's proposed base rate revenue distribution approach be rejected. In Mr. Narvaez's direct testimony, he proposes to develop four sets of base rate

[2] *Application of Southwestern Electric Power Co for Authority to Change Rates and Reconcile Fuel Costs*, PUCT Docket No. 40443, Final Order at FoF 263 (Oct. 10, 2013)

revenue distribution to set rates for each of the four years starting the effective date of the new rates. The fourth set of base rate revenue distribution would move every rate class' rates to cost. In setting each of the first three sets of base rate revenue distribution, a maximum net percentage increase is set to limit the increases to individual rate classes. The unrecovered costs from the rate classes capped at the maximum net percentage increase would be reallocated proportionally among other classes within the rate groups to which the classes belong. The net percentage increases represent the increases net of changes in TCRF and DCRF revenues.

Q. What are the percentage increase caps used by PUCT Staff to determine the four sets of base rate revenue distribution?

A. For Year One, the net change cap is 43 percent. For both the Commercial and Industrial and the Municipal rate groups, the unrecovered costs from the rate classes capped at 43 percent would be allocated among remaining rate classes within each of these two rate groups.

The net change cap is 86 percent for Year Two, which doubles Year One's cap. Because the net percentage changes at unity cost for all of the classes within the Commercial and Industrial rate group are less than 86 percent, no rate moderation adjustment is needed for this group. The rates for all of the classes in the Commercial and Industrial rate group are therefore set at unity cost in Year Two. For the Municipal rate group, the rate classes not subject to the 86 percent cap would pick up the unrecovered costs from the Public Street and Highway Lighting class capped at 86 percent net percentage increase.

The net percentage change cap for Year Three is 129 percent, which is three times the 43 percent used for Year One. Because the net percentage change at unity cost for the Public Street and Highway Lighting class within the Municipal rate group is larger than 127 percent, a cost reallocation continues to be needed for this group.

The net percentage change for Year Four would be capped at 172 percent, which is four times the 43 percent used for Year One. Because the net percentage change at unity cost for all of the classes are below 172 percent, no cost reallocation is needed for all of the rate classes. Therefore, by Year Four under the Staff proposal, the base rate revenues for all of the classes are set at unity cost resulting from SWEPCO's cost allocation study.

Q. Do you agree with PUCT Staff's proposed base rate revenue distribution?

A. No, I disagree with PUCT Staff's proposed base rate revenue distribution because the proposal is not based on accurate cost allocation information. In addition, PUCT Staff's proposal only provides short term relief for the Commercial and Industrial rate classes and would not help reduce the long term economic burden for customers in these rate classes.

Q. Why is PUCT Staff's proposed base rate revenue distribution not based on cost?

A. PUCT Staff's proposed base rate revenue distribution is not cost based because it relies on results of SWEPCO's cost allocation study that are not accurate and that should not be used to determine future rates for SWEPCO's Texas Retail customers. Additionally, as discussed earlier in this testimony and in detail in my Direct Testimony, SWEPCO's class cost allocation studies do not reflect sufficient load and customer adjustments related to COVID-19 pandemic impacts. Without incorporating all known and measurable adjustments related to the impact of the COVID-19, SWEPCO's proposed cost allocation studies do not accurately represent the cost relationship among rate class and should not be used as a starting point to set rates for Texas Retail customers.

Q. How does PUCT Staff determine the percentage increase caps for the four years?

A. PUCT Staff used the 43 percent net percentage increase as the cap for Year One, the same net percentage increase cap as approved in SWEPCO's last rate case, Docket No. 46449. In Docket No. 46449, the Commission approved the SWEPCO base rate revenue distribution approach that sets the maximum percentage increase (excluding TCRF and DCRF revenues) 1.65 times the system percentage increase and the maximum net percentage increase (including TCRF and DCRF revenues) 2.72 times the system net percentage increase. Based on the final net system percentage increase of 15.7 percent, the maximum net percentage increase for any rate class was about 43 percent (2.72 times 15.7%).

Year Two's net percentage increase cap of 86 percent is double the 43 percent. Year Three's and Year Four's caps are three times and four times 43 percent respectively.

Q. Has PUCT Staff provided any rationale supporting the use of the 43 percent net percentage increase cap as the starting point for determining the caps used in the development of PUCT Staff's four sets of base rate revenue distribution?

A. No, Staff has not provided any rationale other than it was used and approved by the Commission in SWEPCO's last rate case. Staff has not provided any evidence to support the continuous use of the net percentage increase from SWEPCO's last rate case in the current rate case. SWEPCO's Docket No. 46499 rate case and this Docket No. 51415 rate case were filed in October 17, 2016 and October 14, 2020, respectively. The two rate cases represent different costs and load information that result in different cost relationship among rate cases. Therefore, it is not appropriate to adjust allocated costs to rate classes in this case, based on the information developed in SWEPCO's last rate case.

Furthermore, PUCT Staff's development of the proposed net percentage increase caps for Year Two, Year Three, and Year Four does not appear to be cost-based because these caps are simply two, three, four times the 43 percent net percentage increase cap for Year One.

Q. Does PUCT Staff's proposed phase-in base rate distribution mitigate the rate shock concerns for its Commercial and Industrial customers?

A. No, it does not because PUCT Staff's proposed phase-in base rate distribution allows for only a one year rate moderation adjustment for the Commercial and Industrial customers. All of the Commercial and Industrial rate classes would transition to paying unity costs starting with the second year. A one-year rate migration for the rate classes experiencing rate shock would not help to reduce the economic pressure the customers in these rate classes would face on a long term basis. Also, PUCT Staff's proposal also does not address other issues that are unique for the Commercial and Industrial customers served by SWEPCO and are part of the rationale for SWEPCO's proposed base rate revenue distribution. For example, because Commercial and Industrial rate classes have very few customers, any cost transition would significantly increase rates for these rate classes and would create a larger burden for these customers than that for customers in rate classes having a large customer base. The revenues collected from the industrial rate classes with few customers are generally substantial. If the rate impact burden for these customers becomes too large, it can compel them to leave the system and/or cease operations. In such an event, the unrecovered revenue requirement would be eventually borne by the customers remaining in the system. Staff's proposed one year rate moderation for the Commercial and Industrial rate group would not help to reduce the rate impact and rate shock burden for customers of the rate classes having few customers.

Q. Has the Commission previously approved a base rate revenue distribution method like SWEPCO's proposed base rate revenue distribution approach in this proceeding?

A. Yes, the Commission approved a similar SWEPCO base rate revenue distribution method in Docket No. 40443--the SWEPCO rate case in 2013. In that docket, the Commission approved SWEPCO's proposed base rate revenue distribution that first combined its nineteen rate classes into nine rate groups. For the rate groups with more than one rate class, each class in the same rate group received the same percentage increase as the overall increase for the entire group. The Commission found SWEPCO's proposed base rate revenue distribution was reasonable.

B. TIEC BASE RATE REVENUE DISTRIBUTION PROPOSAL

Q. Please describe TIEC's proposed base rate revenue distribution approach.

A. TIEC proposes combining SWEPCO's nineteen rate classes into thirteen rate classes. TIEC's proposal assigns no increase to the Municipal Service. It also proposes to apply a 42.6 percent net percentage increase cap for two rate classes: Cotton Gin and Public Street & Highway. Then the uncovered costs from these two classes would be allocated among the remaining rate classes except for the Municipal Service.

Q. What is the difference between SWEPCO's and TIEC's proposed rate classes grouping?

A. The following table shows a comparison of SWEPCO's and TIEC's proposed rate classes grouping:

Table 1-Comparison of SWEPCO's and TIEC's Proposed Rate Groups	
SWEPCO Proposed Major Rate Group	TIEC Proposed Rate Class Group
RESIDENTIAL	***RESIDENTIAL***
GENERAL SERVICE W/DEM	GENERAL SERRVICE
GENERAL SERVICE WO/DEM	
LIGHTING & POWER SEC	LIGHTING & POWER
LIGHTING & POWER PRI	
COTTON GIN	COTTON GIN
LARGE LIGHTING & POWER PRI	LARGE LIGHTING & POWER
LARGE LIGHTING & POWER TRAN	
METAL MELTING - SEC	METAL MELTING
METAL MELTING - PRI	
METAL MELTING - TRANS	
OILFIELD PRIMARY	OILFIELD
OILFIELD SECONDARY	
TOTAL COMMERCIAL & INDUSTRIAL	
MUNICIPAL PUMPING	MUNICIPAL PUMPING
MUNICIPAL SERVICE	MUNICIPAL SERVICE
MUNICIPAL LIGHTING	MUNICIPAL LIGHTING
PUBLIC STREET & HWY	PUBLIC STREET & HWY
TOTAL MUNICIPAL	
PRIVATE, OUTDOOR, AREA	PRIVATE, OUTDOOR, AREA
CUST-OWNED LIGHTING	CUST-OWNED LIGHTING
TOTAL FIRM RETAIL	**TOTAL FIRM RETAIL**

As seen from this table, TIEC's proposal does not combine different rate classes into rate groups, but consolidates all of the subclasses within each rate class to make it one rate group. The subclasses represent subgroups of customers in the rate class that are served at different voltage levels or with different types of metering. Some of these subclasses have very few customers, such as Large Lighting & Power-Primary (two customers) and Metal Melting-69 kV (one customer). Any changes in electricity usage of individual customers in these low population subclasses may cause significant impacts on cost allocation and revenue assignment on the few customers. TIEC proposes to consolidate the subclasses within each rate class to reduce the impacts caused by load changes because the consolidation creates a larger customer base to absorb these impacts.

Q. **Do you agree with TIEC's proposed rate class grouping?**

A. No, I do not agree with TIEC's proposed rate class grouping because it does not allow any cost movement among rate classes that may be needed to reduce cost impacts for low population rate classes. The cost or revenue impacts some low population rate classes experience may be very substantial for the small group of customers to absorb. To further alleviate the impacts for the low population rate classes, the only way is to move some of the impacts to other rate classes. SWEPCO's proposal allows for reasonable cost movements among rate classes within each major rate group. The following table shows a comparison of the per customer cost increases with TIEC grouping and with SWEPCO grouping for the Large Lighting & Power ("LL&P") rate class[3]:

Table 2-Comparison of Per Customer Cost Increase			
	Customer No	Total Cost Increase ($000)	Cost Increase per Customer ($000)
LL&P with TIEC grouping	8	9,415	1,177
LL&P with SWEPCO grouping	8	7,807	976

This table shows that each customer in the LL&P class would experience $200,000 less in cost increase under SWEPCO grouping proposal than that with TIEC grouping.

[3] Data taken from Exhibit_JLJ-1 and Schedule O-1.

Q. Are there any other rate classes or customers that may encounter a need to share costs with more customers from other rate classes?

A. Yes, one customer (Eastman) in the LL&P rate class who has Behind the Meter Generation ("BTMG") is assigned about $5.7 million in transmission costs under SWEPCO's cost allocation proposal. I will address issues related to BTMG later in this testimony. SWEPCO proposes to recover the cost from this customer of about 150 MW through a new charge (Synchronous Self-generation Load Charge). SWEPCO recognizes the significant bill impact for this customer and proposes to phase-in the recovery of the charge. In his testimony,[4] TIEC witness Mr. Pollock argues for more gradual phase-in of the charge than that proposed by SWEPCO. He also recommends to include other retail customers with distribution generation to share this charge. According to Mr. Pollock, these Residential and Commercial customers have a total capacity of about 2.1 MW solar generation and about 88.7 MW cogeneration and self-generation. Mr. Pollock's proposal would result in customers served in other rate classes sharing part of the cost attributable only to the one industrial customer.

Q. Has TIEC provided any justification supporting its application of the 43% net percentage increase cap in its rate moderation adjustments?

A. No, TIEC has not provided any justification other than it was used and approved by the Commission in SWEPCO's last rate case. Accordingly there is no cost basis for using this same figure from a previous case with a different test year.

[4] Direct Testimony and Exhibits of Jeffry Pollock, page 53, lines 7-13.

Q. Do you agree with TIEC's proposed rate moderation adjustments among its proposed thirteen rate classes?

A. No because TIEC's proposed rate moderation adjustments would spread the unrecovered cost from rate classes subject to the net percentage increase cap classes to all other rate classes. In contrast, SWEPCO's proposed rate moderation adjustment would limit the spread only among rate classes within major rate groups. In addition, because TIEC has not justified the use of the 42.6 percent cap in this case, the cost reallocation resulting from the application of the unjustified cap may not be reasonable. Furthermore, because its proposed rate class grouping, TIEC's proposed rate moderation adjustments do not allow any cost movement among rate classes that may be needed to reduce cost impacts for low population rate classes. On the contrary, SWEPCO's proposal allows for reasonable cost movements among rate classes within each major rate group. Therefore, I believe that SWEPCO's proposed base rate revenue distribution is more reasonable than that proposed by TIEC.

Q. Do you have any other observations regarding TIEC's proposed base rate revenue distribution as compared to SWEPCO's proposal?

A. Yes, I have one more observation. As shown in Table 3 below, SWEPCO's proposed base rate revenue distribution would produce more modest disparities in rate classes' revenue imparts than those resulted from TIEC's proposed base rate revenue distribution. The following table compares SWEPCO's and TIEC's proposed base rate revenue changes among rate classes:

Table 3-Comparison of SWEPCO's and TIEC's proposed Class Base Revenue Changes							
CUSTOMER GROUP	Present Base Revenue*	SWEPCO Base Revenue Changes At Unity Cost		SWEPCO Proposed Base Revenue Changes		TIEC Proposed Base Revenue Changes	
	$000	$000	%	$000	%	$000	%
RESIDENTIAL	153,228	34,925	22.8%	34.925	22.8%	39,678	25.9%
GENERAL SERVICE	23,514	5,287	22.5%	6.629	28.2%	6,007	25.5%
LIGHTING & POWER	129,140	35,046	27.1%	35,574	27.5%	37,921	29.4%
COTTON GIN	284	226	79.6%	69	24.5%	121	42.6%
LARGE LIGHTING & POWER	29,009	9,415	32.5%	7.807	26.9%	1,108	3.8%
METAL MELTING	3,320	387	11.7%	730	22.0%	389	11.7%
OILFIELD	11,726	3,650	31.1%	3,201	27.3%	3,678	31.4%
MUNICIPAL PUMPING	2,390	290	12.1%	196	8.2%	292	12.2%
MUNICIPAL SERVICE	1,702	(79)	-4.6%	171	10.1%	-	0.0%
MUNICIPAL LIGHTING	2,351	313	13.3%	221	9.4%	314	13.4%
PUBLIC STREET & HWY	33	65	194.3%	0.8	2.4%	14	42.6%
PRIVATE, OUTDOOR, AREA	4,307	595	13.8%	595	13.8%	597	13.9%
CUST-OWNED LIGHTING	324	80	24.7%	80	24.6%	80	24.6%
TOTAL FIRM RETAIL	361,330	90,200	25.0%	90,200	25.0%	90,200	25.0%

* Includes current TCRF and DCRF Revenues

As seen in this table, the percentage base revenue changes produced by SWEPCO's proposal of the Commercial and Industrial rate classes stay around 25 percent, while TIEC's proposed base revenue changes range from 4 percent to 42.6 percent for the same group of rate classes.

Q. Please summarize your findings and conclusions on PUCT's Staff and TIEC's proposed base rate revenue distribution.

A. The following is a summary of my findings and conclusions regarding PUCT's Staff's and TIEC's proposed base rate revenue distribution:

1. Both PUCT Staff's and TIEC's proposed base rate revenue distributions is not cost based because it relies on results of SWEPCO's cost allocation study that are not

accurate and that should not be used to determine future rates for SWEPCO's Texas Retail customers.

2. PUCT Staff and TIEC have not provided any cost-based justification to support their proposed use of approximately 42.6 percent net percentage increase cap in their proposed rate moderation adjustments among rate classes. As a result, both PUCT Staff's and TIEC's proposed rate moderation adjustments are not justified and are not reasonable.
3. PUCT Staff's proposal only provides short term relief for the Commercial and Industrial rate classes and would not help reduce the long term economic burden for customers in these rate classes.
4. TIEC's proposed rate moderation adjustments would spread the unrecovered cost from rate classes subject to the net percentage increase cap classes to all other rate classes. In contrast, SWEPCO's proposed rate moderation adjustment would limit the spread only among rate classes within major rate groups.
5. TIEC's proposed rate class grouping does not allow any cost movement among rate classes that may be needed to reduce cost impacts for low population rate classes. On the contrary, SWEPCO's proposal allows for reasonable cost movements among rate classes within each major rate group.
6. PUCT Staff's and TIEC's proposed base rate revenue distribution would produce more severe disparities in rate classes' revenue than those that would result from SWEPCO's proposed base rate revenue distribution.

In conclusion, based on the findings discussed above, I conclude that SWEPCO's proposed base rate revenue distribution is more reasonable than those proposed by PUCT Staff and TIEC.

V. BEHIND THE METER GENERATION

Q. Please describe TIEC and Eastman's recommendations regarding SWEPCO's treatment of the Behind the Meter Generation ("BTMG") in its jurisdictional and retail cost allocation.

A. In his testimony, TIEC witness Mr. Pollock states that SWEPCO should cease reporting any retail BTMG in determining Load Ratio Shares to the Southwest Power Pool ("SPP"). He recommends a disallowance of $5.7 million of SWEPCO proposed transmission expenses, which is the difference between costs allocated to Texas Retail jurisdiction including and excluding Eastman's BTMG load. Furthermore, Mr. Pollock recommends to exclude the Eastman's BTMG from the Large Lighting and Power ("LL&P") rate class load share in allocating Texas Retail transmission costs if the Commission agrees with SWEPCO on including Eastman's BTMG load in its transmission cost allocation among different jurisdictions served by SWEPCO.

Eastman witness Mr. Al-Jabir recommends that the Commission reject SWEPCO's proposed treatment of Eastman BTMG load, which is to include Eastman BTMG load in in allocating SWEPCO transmission costs in this proceeding.

Q. What is BTMG?

A. BTMG refers to a generation unit that is located behind the meter at a delivery point (or on the load side of the meter at the delivery point). A BTMG load represents the load served by BTMG. Eastman has a combined cycle gas turbine generator behind the meter on its premise which generates electricity for its load of approximately 146 MW for the test year.

Q. What is SWEPCO's proposed treatment of Eastman BTMG load in allocating its transmission costs among jurisdictions and among Texas Retail rate classes?

A. In its proposed cost allocation studies, SWEPCO includes Eastman BTMG load of about 146 MW in determining the allocation of SWEPCO's share of transmission costs among different jurisdictions in SWEPCO's service area. Because Eastman BTMG is located in Texas Retail service area, Texas Retail jurisdiction is assigned the share of transmission costs associated with Eastman BTMG load. For the Texas Retail rate class cost allocation, SWEPCO reflects Eastman BTMG load in the LL&P rate class's load in allocating transmission costs among rate classes.

Q. What is the rationale for SWEPCO's proposed treatment of Eastman BTMG in allocating its transmission costs among jurisdictions and among Texas Retail rate classes?

A. SWEPCO's proposed treatment to include Eastman BTMG load in allocating its transmission costs among jurisdictions and among Texas Retail rate classes is to reflect how SPP bills SWEPCO for Network Integration Transmission Service ("NITS") through the Open Access Transmission Tariff ("OATT") for Eastman BTMG load.[5] SWEPCO reports its monthly peak load data that includes Eastman BTMG load to SPP for calculating the load ratio used to determine SWEPCO's share of SPP transmission costs under the

[5] SWEPCO's response to RFI TIEC No. 1-7, which is attached as Attachment 2.

OATT. SPP's bills to SWEPCO is based on SWEPCO's load ratio share resulting from the calculation.

Q. What is the rationale for SWEPCO to include Eastman BTMG load in its monthly peak load data reports to SPP?

A. Based on SWEPCO's witness Ms. Jackson's direct testimony,[6] SPP's FERC-approved OATT requires that the Eastman BTMG load must be included in SWEPCO's load ratio share allocation. In the two presentations prepared by SPP included in SWEPCO's response to TIEC's RFI TIEC No. 6-3, which is attached as Attachment 3, it appears that SPP requires that all actual load be included for the computation of NITS charges. In her response to TIEC's RFI TIEC No. 1-7, which is attached as Attachment 2, SWEPCO witness Ms. Jackson stated that SWEPCO is aware of TIEC's concern about the SPP OATT's treatment of retail BTMG load. SWEPCO has examined if some BTMG load should be exempted but has found no exemptions allowed under the current FERC-approved SPP OATT.

Q. Do you have any opinion regarding Mr. Pollock and Mr. Al-Jabir's recommendations for SWEPCO's proposed treatment of Eastman BTMG in allocating its transmission costs among jurisdictions and among Texas Retail rate classes?

A. I do not address the potential disparity between the FERC-approved SPP OATT and SWEPCO's ability to recover related costs generally. However, if Mr. Pollock's recommendation to exclude Eastman's BTMG load from the LL&P rate class load share in allocating Texas Retail transmission costs were adopted, this would deviate from the general policy preference to match rates to cost causation principles. Mr. Pollock's

[6] Direct Testimony and Exhibits of Jennifer L. Jackson, page 23, lines 4-7.

recommendation does not follow cost causation principles because it would shift costs incurred as a result of Eastman's presence on the system to other SWEPCO retail customers who do not cause them.

While my recommendation would be that the Commission not deviate from the transmission cost structure that SWEPCO incurs as a result of the SPP OATT, if the Commission allows SWEPCO to include Eastman's BTMG load in its transmission cost allocation, then the share of SWEPCO's transmission costs associated with Eastman's BTMG load should be assigned to the rate class that Eastman BTMG load takes service from SWEPCO. The inclusion of Eastman BTMG load in the load data for LL&P would better assign the transmission costs associated with Eastman's BTMG load to be paid by those causing it. Excluding Eastman's BTMG load from the LL&P rate class load share would result in shifting the transmission costs associated with Eastman's BTMG load to other classes and as a result, other customers would pay for costs that they do not incur.

VI. CONCLUSION

Q. Does this conclude your cross-rebuttal testimony?

A. Yes.

AFFIDAVIT

STATE OF TEXAS §
§
COUNTY OF TRAVIS §

BEFORE ME, the undersigned authority, on this day personally appeared Kit Pevoto, who, having been placed under oath by me, did depose as follows:

My name is Kit Pevoto. I am of legal age and a resident of the State of Texas. The foregoing cross-rebuttal testimony and the attached exhibits offered by me are true and correct, and the opinions stated therein are, to the best of my knowledge and belief, accurate, true and correct.

Kit Pevoto

SUBSCRIBED AND SWORN TO BEFORE ME by the said Kit Pevoto this 23 day of April 2021.

KEVIN S EASTIN
Notary ID #131803155
My Commission Expires
November 20, 2022

Notary Public, State of Texas

ATTACHMENT 1

SOAH DOCKET NO. 473-21-0538
PUC DOCKET NO. 51415

SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO EAST TEXAS SALT WATER DISPOSAL COMPANY'S FIFTH REQUEST FOR INFORMATION

Question No. ETSWD 5-1:

Referring to page 26 of Ms. Jennifer Jackson's direct testimony, please answer the following:

a. Please explain in detail why SWEPCO proposes updating its existing Experimental Economic Development Rider (EDR) to include two options to attract loads from a variety of different businesses with different load requirements.
b. Please identify the types of businesses whose loads SWEPCO attempts to attract and please explain why these businesses are the targets for SWEPCO to attract loads. Please also identify the rate classes in which these businesses would take service from SWEPCO.
c. For each of the types of businesses identified in (b), please provide the average load and demand (kwh and kW) of these businesses.
d. For each of the types of business types identified in (b), please provide the number of the businesses within SWEPCO's Texas service territory that have been closed at the end of 2020. Please also identify the rate classes under which these businesses took service from SWEPCO.
e. For the businesses identified in (d), please indicate if the closure of the businesses is due to the COVID-19 impact.
f. Please confirm or deny that the COVID-19 crisis has resulted in closure or load reduction for businesses in 2020.
g. Please provide all of the schedules and workpapers supporting the response.

Response No. ETSWD 5-1:

a. SWEPCO is creating two options to attract load due to current trends and realities. From an electric utility's perspective, economic development is more important today than ever. The business environment has changed significantly from just 5 or 10 years ago. The need for investment continues to rise due to an aging system, environmental requirements, and advancing technologies, while at the same time load has tapered off or declined. Consequently, there is pressure on customer bills to increase because load growth is not available in between rate cases to help absorb cost increases. Economic development creates opportunities to help mitigate this impact on our customers. Energy costs can be a critical factor in siting new business and for SWEPCO's Texas service territory to be competitive with other utilities in the south, it is essential that new qualifying customers have access to the same or similar benefits.
Two options allow us to grow our small business customers and attract new ones while also modifying our existing EDR to include more mid-size companies for growth. The existing EDR isn't as competitive for mid-size customers that are bringing in new load of

1.0 MW or less. In East Texas many of our manufacturers are headquartered from another state and those companies have choice for where to expand. Expanding the eligibility for customers under 1.0 MW will help SWEPCO Texas communities to be more competitive in retaining existing companies as well as attracting new ones. For SWEPCO this will lead to customer growth and retention as well as residential customer prosperity that comes when a company deploys additional capital investment in a community. Small businesses are the backbone of our communities.

b. SWEPCO's proposed Economic Development Rider for Small Customers (Option 2) is targeted at customers that are too small to participate in the traditional SWEPCO EDR but instead are proposing to employ a large number of employees and are considered beneficial to SWEPCO's service territory from other perspectives. Customers under this tariff could be small distribution centers, start-up manufacturers, big box or other retail stores, data centers and other technological-focused customers, and other industries deemed important to the region and SWEPCO. The proposed minimum level of participation under this tariff is a monthly demand of 200 kW up to a maximum monthly demand of 500 kW.

   SWEPCO's proposed Economic Development Rider for larger Customers (Option 1) is targeted for our more traditional manufacturing customers plus larger server farm data centers, distribution centers, and other value added technology based industries deemed important to the region and SWEPCO for economic development. The proposed minimum level of participation under this tariff is a monthly demand of 500 kW. In both cases, the rate class would be LP and LLP classes.

c. The commercial customers identified in (b) will have a monthly demand ranging from 200 kW to several MW. The annual load-factor for commercial customer can very between 40% and 75% depending on the hours of operations. The manufacturing or industrial customers identified in (b) will have a monthly demand ranging from 500 kW to several MW. The annual load-factor for industrial customers can very between 40% and 99% depending on the number of shifts of operations and equipment characteristics.

d. Please see SWEPCO's response to ETSWD 3rd set, questions 3-1, 3-2, and 3-3.

e. We did not track or document business shut downs due to COVID-19.

f. SWEPCO cannot confirm or deny.

g. not applicable

Prepared By: Earlyne T. Reynolds — Title: Reg Pricing & Analysis Mgr

Prepared By: Robert D. Gladman — Title: Regulatory Case Mgr

Sponsored By: Jennifer L. Jackson — Title: Reg Pricing & Analysis Mgr

Sponsored By: Paul E. Pratt — Title: Dir Customer Svcs & Mktg

ATTACHMENT 2

SOAH DOCKET NO. 473-21-0538
PUC DOCKET NO. 51415

SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO TEXAS INDUSTRIAL ENERGY CONSUMERS' FIRST REQUEST FOR INFORMATION

Question No. TIEC 1-7:

Referring to page 23, lines 4-10, please provide all documents supporting the assertion that SPP requires load of customers having self-generation that is synchronized with the SWEPCO transmission system to be included in SWEPCO's load ratio share allocation by the SPP

Response No. TIEC 1-7:

The statement on page 23, lines 4-10 of Ms. Jackson's testimony is supported by the fact that SPP is billing SWEPCO for Network Integration Transmission Service through SPP's FERC-approved Open Access Transmission Tariff (OATT) for the behind-the-meter retail load being served by Eastman Chemical Company. SWEPCO is aware that TIEC has taken issue with SPP's application of its OATT to retail behind-the-meter load. SPP has subsequently evaluated whether some behind-the-meter load should be exempted in certain circumstances, but the SPP stakeholders and/or FERC have not approved any changes to the SPP OATT to support any exemptions.

Prepared By: C. Richard Ross	Title: Mgn. Dir. RTO Policy & FERC
Sponsored By: Jennifer L. Jackson	Title: Reg Pricing & Analysis Mgr

ATTACHMENT 3

SOAH DOCKET NO. 473-21-0538
PUC DOCKET NO. 51415

SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO TEXAS INDUSTRIAL ENERGY CONSUMERS' SIXTH SET OF REQUESTS FOR INFORMATION

Question No. TIEC 6-3:

Referring to SWEPCO's response to TIEC 1-7:
a. Please provide all SPP documents, including FERC Orders, supporting SPP's decision to bill SWEPCO for NITS service for behind-the-meter retail load being served by Eastman Chemical Company effective in October 2018.

b. Please confirm that, prior to October 2018, SWEPCO was not billed by SPP for retail behind-the-meter load.

c. Please provide all documents prepared by AEP that address the appropriateness or inappropriateness of SPP's decision to bill SWEPCO for NITS service for behind-the-meter retail load.

Response No. TIEC 6-3:

a) Please see TIEC 6-3 Attachment 1 which is a report delivered to the SPP Market and Operations Policy Committee in March 2018. In addition, please see Attachment 2 for a presentation delivered more recently to the MOPC on this issue.

b) Confirmed. At this time SWEPCO has not been billed prior to that date.

c) Although AEP participated in discussions with SPP & other SPP Members concerning SPP's practice regarding behind-the-meter load as identified in Attachments 1 and 2, no responsive documents prepared by AEP have been located.

Prepared By: Earlyne T. Reynolds Title: Reg Pricing & Analysis Mgr

Prepared By: C. Richard Ross Title: Dir Trans RTO Policy

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SPP Southwest Power Pool
HELPING OUR MEMBERS WORK TOGETHER
TO KEEP THE LIGHTS ON... TODAY AND IN THE FUTURE.

SPP Southwest Power Pool

Network Load Reporting

March 28, 2018

Purpose of Presentation

- Review of current requirements for reporting of Network Load
  - Focus on Behind-the-Meter Generation (BTMG) requirements

- Discussion of results from the survey of Network Load reporting in SPP

Tariff Provisions

FERC Pro Forma Definition of Network Load

The load that a Network Customer designates for Network Integration Transmission Service under Part III of the Tariff. The Network Customer's Network Load shall include all load served by the output of any Network Resources designated by the Network Customer. A Network Customer may elect to designate less than its total load as Network Load but may not designate only part of the load at a discrete Point of Delivery. Where a Eligible Customer has elected not to designate a particular load at discrete points of delivery as Network Load, the Eligible Customer is responsible for making separate arrangements under Part II of the Tariff for any Point-To-Point Transmission Service that may be necessary for such non-designated load.

SPP Tariff Definition of Network Load

The load that a Network Customer designates for Network Integration Transmission Service under Part III of the Tariff. The Network Customer's Network Load shall include all load served by the output of any Network Resources designated by the Network Customer. A Network Customer may elect to designate less than its total load as Network Load but may not designate only part of the load at a discrete Point of Delivery. Where an Eligible Customer has elected not to designate a particular load at discrete points of delivery as Network Load, the Eligible Customer is responsible for making separate arrangements under Part II of the Tariff for any Point-To-Point Transmission Service that may be necessary for such non-designated load.

SPP Tariff Definition of Resident Load for Schedule 11 Billing - Section 41(b) only

(b) Transmission Owners providing transmission service to: (i) bundled retail load for which such Transmission Owners are not taking Network Integration Transmission Service or Firm Point-To-Point Transmission Service under the Tariff; and (ii) load being served under Grandfathered Agreements for which such Transmission Owners are not taking Network Integration Transmission Service or Firm Point-To-Point Transmission Service under the Tariff...

Losses in Network Service Load - SPP Tariff Attachment M, Sec. II(a)

The Network Customer shall be responsible for real power losses associated with Network Integration Transmission Service to its Network Load for each Zone in which its Network Load is located for the purposes of determining charges under Schedule 9 and Schedule 11 to this Tariff. The Network Customer's loss responsibility . . . shall be included when calculating that Network Customer's Load Ratio Share, Base Plan Zonal Load Ratio Share and Region-wide Load Ratio Share.

FERC Orders

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FERC Order in FMPA v. FP&L - Docket Nos. TX93-4 & EL93-51

Page 23: FMPA argues that Florida Power's local resources should be treated differently because all are connected to the grid, while FMPA's generating units can meet local loads without first entering the Florida Power grid. This is not a meaningful distinction. . . If FMPA has a load and resource that it does not want to integrate, it can isolate the load and resource from Florida Power's transmission system and eliminate it from the request for full integration

Order 888

Page 297: . . . if a customer wishes to exclude a particular load at discrete points of delivery from its load ratio share of the allocated cost of the transmission provider's integrated system, it may do so. Customers that elect to do so, however, must seek alternative transmission service for any such load that has not been designated as network load for network service. This option is also available to customers with load served by "behind the meter" generation that seek to eliminate the load from their network load ratio calculation.

Order 888-A

Page 245:. . . the Commission will allow a network customer to exclude the entirety of a discrete load from network load, but not just a portion of the load served by generation behind the meter.

Page 247: Quite simply, a load at a discrete point of delivery cannot be partially integrated – it is either fully integrated or not integrated.

Order in Occidental Complaint against PJM - Docket No. EL02-121

PJM's practice of adding back the amount of load reduction during curtailment was rejected by FERC:

¶ 27: . . . the Commission found that PJM's practice of adding back curtailed load to its calculation appeared inconsistent with the underlying rationale of reducing a customer's costs when it reduces load during system peaks. The October 10 Order further noted that relying on curtailed loads to allocate PJM's access charge costs may create a disincentive for load serving entities (LSEs) to implement load response programs on their own systems, since LSEs would be charged for system costs regardless of whether they curtail load during system peaks.

Order 890

- ¶ 1619: The Commission is not persuaded to require transmission providers to allow netting of behind the meter generation against transmission service charges to the extent customers do not rely on the transmission system to meet their energy needs . . . We believe it is most appropriate to continue to review alternative transmission provider proposals for behind the meter generation treatment on a case-by-case basis, as the Commission did in the PJM proceeding cited by the commenters.

Order 890-A

¶ 965: The Commission declined to require transmission providers to allow netting of behind the meter generation against transmission service charges to the extent customers do not rely on the transmission system to meet their energy needs, stating that commenters had not provided any different arguments not fully addressed in Order No. 888. . . The Commission concluded it is most appropriate to continue to review alternative transmission provider proposals for behind the meter generation treatment on a case-by-case basis.

Order 890-B

¶ 216: In Order No. 890-A, the Commission reiterated that the pro forma OATT permits transmission customers to exclude the entirety of a discrete load from network service and serve such load with the customer's behind the meter generation and through any needed point-to-point service, **thereby reducing the network customer's load** ratio share. In other situations, use of point-to-point service by network customers is in addition to network service and, therefore, does not serve to reduce their network load . . .

Order in Ameren Complaint against Prairieland – Docket No. EL09-69

¶ 27: Prairieland failed to comply with the Tariff by not designating its total load as Network Load . . . Prairieland had the responsibility under its Service Agreement and the Tariff to designate the necessary behind-the-meter generation when taking Network Service. As the Commission has explained in Order Nos. 888 and 890, the responsibility for load served by behind-the-meter generation is with the transmission customer

Summary of Network Load Reporting Requirements

For network service at a discrete delivery point, SPP understands FERC's general policy as requiring all actual load to be reported

Since only actual load is to be counted, there should be no add-back of load that has been reduced by utility curtailment or interruption

The load is to reflect adjustment for losses across the transmission system in accordance with the SPP Tariff

Summary of Network Load Reporting Requirements

A customer can have discrete delivery points, some of which are served by network service (100%) and others of which are served by either point-to-point or a combination of point-to-point and BTMG

For a discrete delivery point under network service, SPP has identified no generally applicable exemptions for partial load served by:

- Behind-the-Meter Generation
- Point-to-point service

Does FERC Allow Exceptions?

Yes. Exceptions to the general requirements have been approved by FERC when requested and justified on a case-by-case basis

Order 890-A

¶ 970: . . . Any alternative transmission provider proposals for behind the meter generation treatment will be reviewed on a case-by-case basis.

PJM's Policy for BTMG

In Docket No. ER04-608, FERC conditionally accepted PJM's proposal to allow netting of load that is served by BTMG at the same electrical location as the load.

- The transmission and distribution systems would not be utilized by such BTMG
- This change allowed for netting of BTMG for retail load

In Docket Nos. ER04-608 and EL05-127, FERC accepted PJM's proposal to expand the netting program to include a limited amount of non-retail BTMG serving load without using the transmission system

PJM's Current Definition of BTMG

"Behind The Meter Generation" shall refer to a generation unit that delivers energy to load without using the Transmission System or any distribution facilities (unless the entity that owns or leases the distribution facilities has consented to such use of the distribution facilities and such consent has been demonstrated to the satisfaction of the Office of the Interconnection); provided, however, that Behind The Meter Generation does not include (i) at any time, any portion of such generating unit's capacity that is designated as a Generation capacity Resource; or (ii) in an hour, any portion of the output of such generating unit[s] that is sold to another entity for consumption at another electrical location or into the PJM Interchange Energy Market.

California ISO Stakeholder Process

The Transmission Access Charge (TAC) "is currently assessed at end use customer meters on gross load" and is an energy-based (MWh) charge rather than a peak demand charge

In recent months, CAISO has been undertaking a review of the TAC rate structure with its stakeholders and is considering multiple alternatives

MISO Stakeholder Process

In recent months, the Planning Advisory Committee has been discussing and gathering stakeholder comments regarding treatment of BTMG in network load reporting

MISO staff's presentation at the March 14 PAC meeting included a proposed schedule to finalize Tariff language regarding BTMG in October 2018

Results of the Load Reporting Survey Requested by MOPC

Network Customer Outreach

- Original Survey sent to 62 Transmission Customers with Network Load
- Intended to gain understanding of footprint reporting practices for MOPC discussion
- Asked about Grandfathered Loads and MW Behind-the-Meter with regard to Network Loads reported for Transmission billing
- Some follow-up questions were sent to gain clarity on answers given
  - All surveys have been returned
- Recently, a 2nd survey specific to MW behind the retail meter was sent to the same audience
  - Half have been returned

Grandfathered Loads

- Most responses showed no "non-standard" treatment, with GFA MW included in Resident Load
- Reported exceptions:
  - "GFA load not Resident Load due to "Load is pseudo-tied to XXXX who is also the power Supplier" or "Load is Pseudo-Tied to XXXX " - creating dependency that each respective Zone is reporting those loads in Resident Load.
  - "The full reservation is used as the CP, not the actual schedule"
  - GFA loads don't count toward Resident Load due to either "sinking in another Zone", or "being associated with another TSR that's paying Schedule 11"
  - Some "...relate to PTP transactions that sink in a different transmission pricing zone within SPP, and are therefore, excluded in determining...Schedule 11 charges pursuant to Section 41(b) of the SPP tariff."

Grandfathered Loads – Discussion Points

- What would exempt GFA from a Resident Load amount?
  - Pseudo-Tied to another Zone?
  - GFA Sinking in another Zone or exiting the region?
  - SPP PTP in the continuous transmission path of the GFA?
  - Other?

- What MW to report?
  - Reserved amount vs. Schedule amount

Behind-The-Meter (BTM) MW

- Multiple responses showed "non-standard" treatment, with BTM MW not being included in Network Load amounts
- Reported exceptions:
  - "At this time, we are not adding in generation consumed behind a retail meter."
  - "XX has interpreted the combination of btmg registration requirements in SPP Protocols 6 and in OATT Attachment AE, Section 2.2(6), and the definition of Network Load in NITSA Section 2.0 and in OATT 34.4 to be such that small (loads)...are netted against Network Load."
  - "XX is netted against Network Load, but is behind a retail meter and should be ignored no matter what."
  - "We do not add the solar farm gen into our peak because it's a BTM, unregistered, and undispatchable resource. In real time when it operates, it will reduce our SPP load by its output, and it also reduces our reported NITS one-hour peak load by the solar farm output. We use the same number for both the monthly number and the PYCP. We only add the solar farm generation back in when reporting our total load for the month on the Net Energy for Load form, and also in the Resource Adequacy Workbook."

Behind-The-Meter (BTM) MW

- Reported exceptions continued:
  - "This unit is not registered in the Marketplace because of the aforementioned inability to feed into the transmission system(s). This unit is strictly used for two purposes: offset usage and allow for emergency load support during outages."
  - "However, the BTM generators that are not registered with the market do reduce down the load before it is reported."
  - "XX does not currently include end-use customer-owned generation that is behind the retail meter in the TC NITS Load calculation."
  - "With regards to NITS, no, we do not currently add BTM generation to our reported NITS load, per our internal interpretation of "BTM"."
  - "All behind the Meter Gen if running at the peak is included in NITS reporting. An exception to this is retail customers that have generation behind the retail meter. We have no way of metering solar panels for example behind retail meters."
  - "Awaiting final determination and establishment of rules/guidance from SPP"

Behind-The-Meter (BTM) MW

- Reported exceptions continued:
  - "All BTM generation is netted against NITS Load."
  - "...XX references SPP's ongoing discussion about 1MW threshold - looking for agreed upon guidance."
  - "XX and the XX have numerous small backup generators at our plants, control centers and microwave sites. These backup generators are never synchronized to the power system so we did not include them in our response."

Behind-The-Meter – Discussion Points

- What would exempt BTM MW from a Network Load amount?
  - Behind the retail meter vs. wholesale meter?
  - Generator not synchronized to the Transmission System?
  - BTM MW < X MW?
  - Can BTM MW net against Network Load reported?
  - Does market registration affect whether the generation is reported?

- Different Treatment for:
  - Transmission Billing
  - Resource Adequacy / Planning
  - Integrated Marketplace Billing

DISCUSSION

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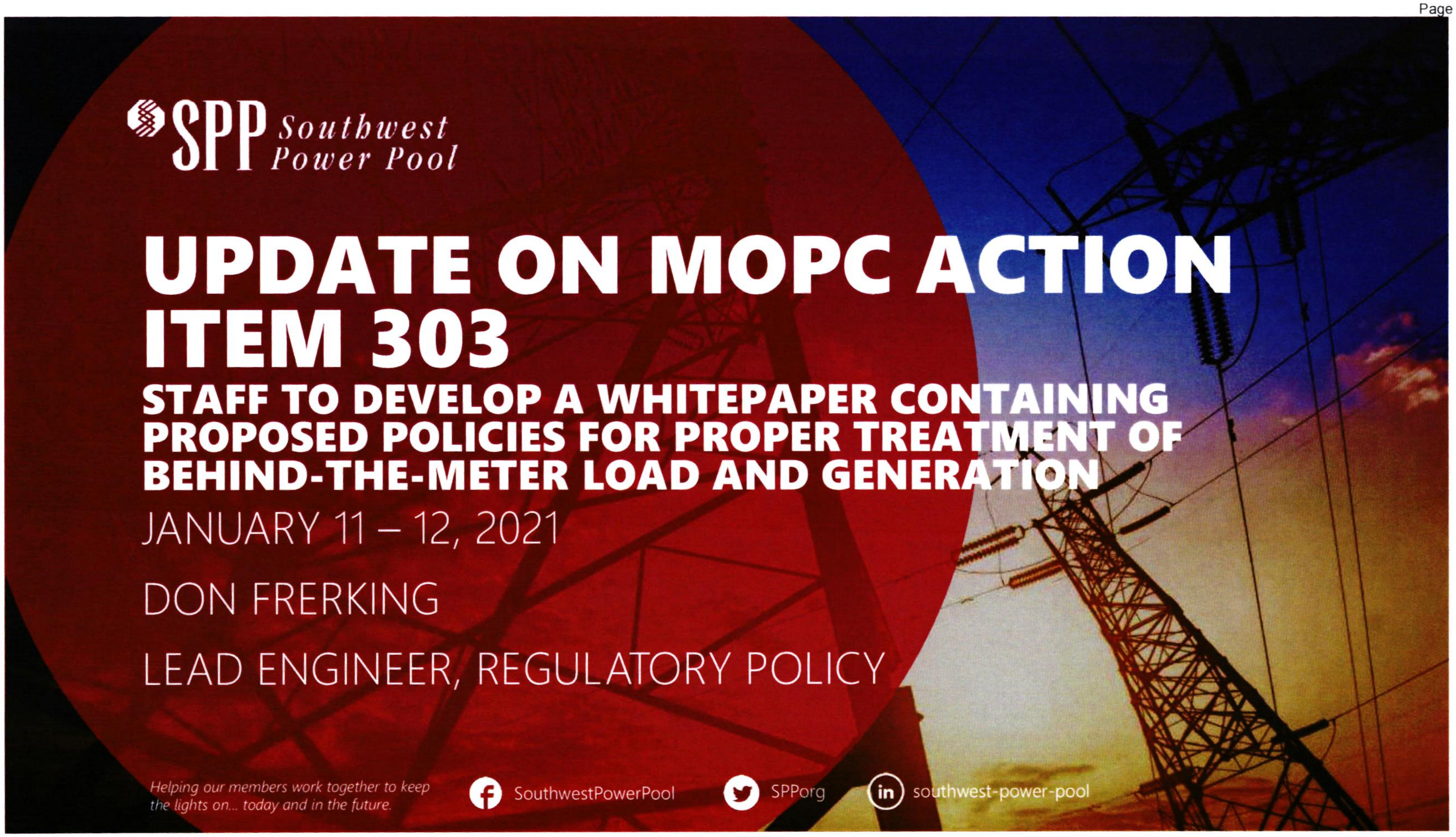
SPP Southwest Power Pool

PURPOSE

Update on MOPC Action Item 303
Staff to develop a whitepaper containing proposed policies for proper treatment of behind-the-meter load and generation

ESSENTIAL POINTS

- SPP staff will provide information on behind-the-meter generation (BTMG) /Network Load reporting issues & efforts
- SPP staff will seek MOPC direction on next steps


SPP Southwest Power Pool
UPDATE ON MOPC ACTION ITEM 303
STAFF TO DEVELOP A WHITEPAPER CONTAINING PROPOSED POLICIES FOR PROPER TREATMENT OF BEHIND-THE-METER LOAD AND GENERATION
JANUARY 11 – 12, 2021
DON FRERKING
LEAD ENGINEER, REGULATORY POLICY
Helping our members work together to keep the lights on... today and in the future.
SouthwestPowerPool
SPPorg
southwest-power-pool

PURPOSE

- Provide information on Behind the Meter Generation (BTMG) / Network Load reporting issues & efforts
  - Recap of past **SPP efforts** (Revision Requests (RRs) & surveys)
  - Recap of efforts in **other RTOs**
  - Discussion of **future related issues** (ESRs, Order No. 2222, etc.)
- Request for MOPC direction on next steps. Options may include:
  - **Maintain status quo** – continue policy of no netting
  - **Develop new exception language** for stakeholder process and eventual filing
  - **Pause exception efforts** pending resolution of related issues (e.g. ESRs, Order No. 2222, etc.)

DESCRIPTION OF ISSUE

"NET" VS "GROSS" LOAD REPORTING

- Load as metered at a delivery point is **"net of"** (i.e., reduced by) the output of any generation behind (i.e., on the load side of) the meter at the delivery point.
- Thus, to determine the **"gross"** Network Load at a delivery point, the output of any behind-the-meter generation would need to be added to metered load at that delivery point.

Stated another way, metered load at the delivery point must be grossed up by the output of the BTMG to determine the delivery point's Network Load.

SPP

BTMG REPORTING ISSUE & IMPLICATIONS

- There is a continuing **lack of clarity and/or difference of understanding** regarding the treatment of BTMG in the context of Network Load reporting
  - This leads to **inconsistencies in the amount of load** reported by Network Customers

Inconsistent load reporting leads to improper allocation of costs to Network Customers – with some paying more than they should and others paying less

FERC PRO FORMA DEFINITION OF NETWORK LOAD

The load that a Network Customer designates for Network Integration Transmission Service under Part III of the Tariff. The Network Customer's Network Load shall include all load served by the output of any Network Resources designated by the Network Customer. **A Network Customer may elect to designate less than its total load as Network Load but may not designate only part of the load at a discrete Point of Delivery.** Where an Eligible Customer has elected not to designate a particular load at discrete points of delivery as Network Load, the Eligible Customer is responsible for making separate arrangements under Part II of the Tariff for any Point-To-Point Transmission Service that may be necessary for such non-designated load.

FERC definition of Network Load does not allow partial designation (e.g., load netted by BTMG)

SPP's Network Load definition mirrors the FERC definition

FERC ORDERS 888 & 888-A REINFORCE THAT "NETTING" OF BTMG IS NOT GENERALLY ALLOWED FOR NETWORK LOAD REPORTING

Order 888
Page 297: *. . . if a customer wishes to exclude a particular load at discrete points of delivery from its load ratio share of the allocated cost of the transmission provider's integrated system, it may do so. Customers that elect to do so, however, must seek alternative transmission service for any such load that has not been designated as network load for network service.* ***This option is also available to customers with load served by "behind the meter" generation that seek to eliminate the load from their network load ratio calculation.***

Order 888-A
Page 245:*. . . the Commission will allow a network customer to exclude the entirety of a discrete load from network load,* ***but not just a portion of the load served by generation behind the meter****.*
Page 247: *Quite simply, a* ***load at a discrete point of delivery cannot be partially integrated*** *– it is either fully integrated or not integrated.*

FERC ORDERS 890, 890-A & 890-B ALSO REINFORCE THAT "NETTING" OF BTMG IS NOT GENERALLY ALLOWED BUT ALLOW FOR EXCEPTIONS ON A CASE-BY-CASE BASIS

Order 890

*¶ **1619**: **The Commission is not persuaded to require transmission providers to allow netting of behind the meter generation against transmission service charges** to the extent customers do not rely on the transmission system to meet their energy needs . . . We believe it is most appropriate to continue to **review alternative transmission provider proposals for behind the meter generation treatment on a case-by-case basis, as the Commission did in the PJM** proceeding cited by the commenters.*

Order 890-A

*¶ **965: The Commission declined to require transmission providers to allow netting of behind the meter generation against transmission service charges** to the extent customers do not rely on the transmission system to meet their energy needs, stating that commenters had not provided any different arguments not fully addressed in Order No. 888. . . The Commission concluded it is most appropriate to continue to **review alternative transmission provider proposals for behind the meter generation treatment on a case-by case basis**.*

Order 890-B

*¶ **216**: In Order No. 890-A, the Commission reiterated that **the pro forma OATT permits transmission customers to exclude the entirety of a discrete load from network service and serve such load with the customer's behind the meter generation and through any needed point-to-point service**, thereby reducing the network customer's load ratio share. In other situations, use of point-to-point service by network customers is in addition to network service and, therefore, does not serve to reduce their network load . . .*

SPP

HISTORY OF STAKEHOLDER EFFORTS AND FAILED RR'S 158, 232, & 241

SPP 10

STAKEHOLDER BTMG RR HISTORY

RR158

Developed by RTWG/BDTF during 2014-2017

Not approved by RTWG, sent to MOPC for policy guidance

RR232

Based on Jan 2017 SPC guidance to allow <1MW BTMG exclusion

Not approved by RTWG, sent to MOPC for policy guidance

RR241

Based on July 2017 MOPC guidance to allow <1MW retail BTMG

Not approved by MOPC in Oct 2017

RTWG/BDTF RR 158 PROVISIONS

Specific Inclusions

- Any **Designated Resource**
- Any generator **owned by Network Customer**
- **QFs** whose outputs are **purchased by Network Customer**
- Any generator **registered in Integrated Marketplace**
- Any **generator or combinations of generators greater than ?? MW(s)** not included above

Exclusions

- Any generator where **load is shed automatically with loss of generator**
- Any generator of **individual retail customer** involved in regulatory body approved **net metering**

SPC-DIRECTED RR 232 PROVISIONS

Specific Inclusions	
Exclusions	• Any generator or group of generators totaling 1 MW or less • Any generator related to an **individual retail customer** where **net metering** is required by the appropriate regulatory body • Any generator where **load is shed automatically with loss of generator**

MOPC-DIRECTED RR 241 PROVISIONS

Specific Inclusions	• Any generation unit(s) located behind the meter at a Discrete Delivery Point and **in front of a retail end-use customer's meter** • Any generation unit with a **nameplate rating greater than 1.0 MW**, or the sum of the output from generation units with a **combined nameplate rating greater than 1.0 MW**, located behind a retail end-use customer's meter
Exclusions	• Any generation unit behind a retail end-use customer's meter that is **used for emergency back-up operations and is not synchronized to run in parallel** with the Transmission System

MOPC SURVEYS REGARDING EXISTING PRACTICES & DESIRED POLICIES

FERC NETWORK LOAD REPORTING REQUIREMENTS & SURVEY OF NETWORK LOAD REPORTING IN SPP

- Following the failures to approve RRs 158, 232, and 241, MOPC requested that **SPP continue to review the FERC policies regarding the BTMG** in context of Network Load reporting and to review exceptions requested and approved by FERC.
  - SPP's review reinforced that **FERC policy generally requires the reporting of all load at a gross level** – not netted by the output of BTMG.
  - SPP's review also noted FERC may approve requested **exceptions on a case-by-case basis** (e.g., PJM Exception).
- MOPC also requested that SPP survey Network Customers to better understand the **reporting practices actually being employed** by those Network Customers.
  - The survey confirmed that there are **inconsistencies in reporting practices** – especially with regard to BTMG behind retail meters – among the Network Customers in SPP.

MOPC BTMG/NETWORK LOAD POLICY SURVEY

- SPP staff later surveyed stakeholders to gather **opinions on desired policies** and practices regarding treatment of BTMG in reporting of Network Load that **could/should be** implemented. This survey was an effort to:
  - determine extent of consensus on policies and direction regarding reporting of load
  - assess potential for developing Tariff language to provide for load reporting exceptions
  - promote reporting consistency through education and outreach

Responses received from 42 separate unaffiliated entities
- **11 Trans-owning**
- **31 Trans-using**

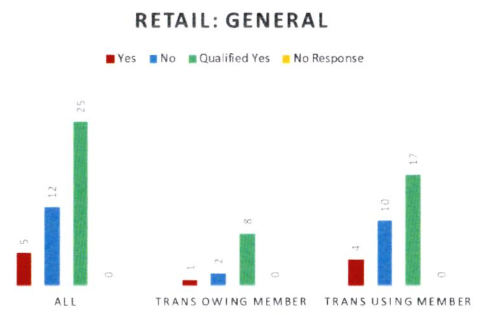
Responses received from most member types

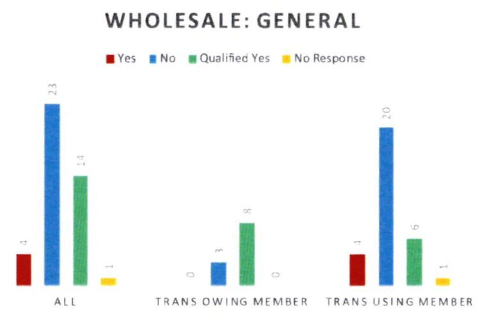
HIGH-LEVEL TAKEAWAY
RETAIL VS WHOLESALE BTMG NETTING

There appears to be interest in netting for generation behind the retail meter under certain circumstances

Retail: General	
For the purposes of reporting Network Load, should retail behind-the-meter generation be netted? In other words, should behind-the-meter generation be exempt from being added back to metered load?	
5	Yes. Netting of all generation behind the retail meter should be allowed regardless of other circumstances.
12	No. All load should be reported as gross (i.e. no netting of "any" behind-the-meter generation, including behind the retail meter).
25	Qualified Yes. Netting should be allowed under some circumstances (further detailed in responses to questions below)
0	No Response

Wholesale: General	
Should wholesale behind-the-meter generation be netted for the purposes of reporting Network Load? In other words, should wholesale behind-the-meter generation be exempted from being added back to the metered load?	
4	Yes. All generation behind the wholesale meter should be netted regardless of any other circumstances.
23	No. All load should be reported as gross (i.e. no netting of any wholesale behind-the-meter generation).
14	Qualified yes. Netting should be allowed under some circumstances (further detailed in responses to questions below).
1	No Response





There is far less interest in netting for generation behind a wholesale meter but in front of a retail meter

HIGH-LEVEL TAKEAWAYS OTHER RELEVANT CIRCUMSTANCES

- Many respondents feel that **Designated Resources** and generators registered in the **Integrated Marketplace** are utilizing the Transmission System and should <u>not</u> be netted
    - Others, however, are concerned about possible discrimination and/or disincentives for resource designation and market registration
- Many respondents indicated a willingness to allow netting of BTMG generators below a **"de minimis" size (kW or MW) threshold**
    - The definition of "de minimis", however, varies among respondents
    - There is less consensus on how netting should be allowed on an aggregate level
- Many respondents feel that netting should be allowed in **situations when load is lost if the generator** is lost or conversely when the **generator is lost when the load is lost**
- Most respondents feel that "if" netting is allowed it should be restricted to load at the **same location as the generator**

OTHER BTMG-RELATED POLICY ISSUES

- Off-Peak Usage
  - Responses were split on whether off-peak usage is a concern if netting is allowed
- Peak Reporting for Other Purposes
  - Most respondents were unconcerned about differences between peak-usage reporting for different purposes/functions under the SPP tariff as long as the relevant load needed for each purpose can be determined and is reported consistently for that purpose.
- Acceptable Level of Transmission System Usage
  - Responses were split on whether or not there is de minimis acceptable level of potential transmission system usage related to BTMG (i.e., pushing onto the transmission system from over-generation or leaning on the transmission system if the generation is offline)
- Reporting Requirement for Netted Generation
  - Most respondents indicated that, if some BTMG is allowed to be netted, there should be a reporting requirement concerning the amounts being netted.

BTMG/NETWORK LOAD EFFORTS IN OTHER RTO'S

BTMG NETTING ISSUE HAS BEEN ADDRESSED AND/OR EVALUATED IN OTHER RTO'S

- PJM's tariff has provisions allowing BTMG netting
  - Allows netting of BTMG behind retail meter and a limited amount of non-retail BTMG

- MISO's tariff does <u>not</u> currently allow BTMG netting
  - MISO evaluated BTMG netting, but has chosen to not implement at this time

- ISO-NE's tariff does <u>not</u> currently allow BTMG netting
  - Recent ISO-NE's Internal Market Monitor report noted that BTMG reporting remains inconsistent, affecting transmission cost allocation

Additional information included in the Appendices of this presentation.

RELATED ISSUES

OTHER RELATED ISSUES

- ESRs
  - May complicate BTMG netting issue going forward - SPP has already received questions about how to treat co-located solar and battery
- Reporting Requirement for Netted Generation
  - Many BTMG Policy Survey respondents indicated a desire for a reporting requirement concerning the amounts being netted - if some BTMG netting is allowed
    - Knowledge of the magnitude ($ and/or MW) of current & future netted amounts may add comfort regarding exemptions
- Order No. 2222
  - Are there any potential conflicts/inconsistencies between any potential BTMG load reporting exceptions and Order No. 2222 requirements?

ORDER NO. 2222 – AGGREGATIONS OF DISTRIBUTED ENERGY RESOURCES

- Adopts reforms to remove barriers to participation of distributed energy resource (DER) aggregations in RTOs and ISOs
- Includes definition for Distributed Energy Resources (DER) that includes behind the meter generation
  - **Distributed Energy Resource (DER)** is defined as **any resource located on the distribution system, any subsystem thereof or behind a customer meter**. These resources may include, but are not limited to, electric storage resources, distributed generation, demand response, energy efficiency, thermal storage, and electric vehicles and their supply equipment.

Order No. 2222 may lead to more BTMG (including retail BTMG) participating in market functions, etc.

ORDER NO. 2222 - TARIFF REQUIREMENTS

1. Allow DER aggregations to participate directly in market and establish DER Aggregators as a type of MP
2. Allow DER Aggregators to register DER aggregations under one or more participation models that accommodate the physical and operational characteristics of the DER aggregation
3. Establish minimum size requirement for DER aggregations that does not exceed 100 kW
4. Address locational requirements for DER aggregations
5. Address distribution factors and bidding parameters for DER aggregations
6. Address information and data requirements for DER aggregations
7. Address metering and telemetry requirements for DER aggregations
8. Address coordination between SPP, the DER Aggregator, the distribution utility and the relevant electric retail regulatory authority
9. Address modifications to the list of resources in a DER aggregation
10. Address MP Agreement for DER Aggregator

Size thresholds, IM participation, etc. are among the BTMG Network Load reporting provisions that have previously been discussed.

It might be helpful to sync such BTMG exceptions with future Order No. 2222 tariff provisions.

POSSIBLE NEXT STEPS

POSSIBLE NEXT STEPS

- Maintain Status Quo – continue policy of no netting
- Develop new exception language for stakeholder process and eventual filing:
  - Exception that resembles PJM's
  - Exception that incorporates previous RR efforts & survey responses (behind retail, <? MW)
  - Other?
- Pause exception efforts pending resolution of related issues (e.g. Order No. 2222 filing, etc.)

MAINTAIN STATUS QUO (NO NETTING)

Description	• No netting allowed for any BTMG
Pros	• No changes required • Avoids potential ligation that may follow any proposed changes
Cons	• Lack of consistency in Network Load reporting with respect to BTMG will likely continue to be an issue

DEVELOP PJM-LIKE EXCEPTION

Description	• Exception that roughly mirrors what PJM has in place • Netting of all retail BTMG • Netting of Non-Retail BTMG up to a **????** MW threshold
Pros	• In place at PJM and accepted by FERC • Netting of retail BTMG is supported by a number of stakeholders
Cons	• Stakeholder survey seemed to support some size threshold – there may not be consensus for netting all retail BTMG • Netting of Non-Retail BTMG not as strongly supported by stakeholders • Netting of Non-Retail BTMG up to a **????** MW threshold complicates administration

DEVELOP EXCEPTION THAT INCORPORATES PREVIOUS RR EFFORTS & SURVEY RESPONSES (BEHIND RETAIL, <? MW)

Description	• Netting allowed for:
	    • Retail BTMG <1? MW
	    • BTMG utilized for emergency back-up operations & not synchronized to run in parallel with the Transmission System?
	    • BTMG where load is shed automatically with loss of generator (and vice versa)?

Pros	• Lines up with interpretation by many that netting behind retail meter is currently appropriate under some circumstances • While it previously failed at MOPC, RR 241 did receive majority (54.6%) support. • Opposition/Abstention concerns may be able to be addressed
Cons	• There may not be consensus on size threshold • Lack of non-retail BTMG may lead to similar complaint(s) that led PJM to added some non-retail BTMG netting

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APPENDICES

PJM BTMG/NETWORK LOAD INFO

PJM TARIFF HAS PROVISIONS ALLOWING BTMG NETTING

- PJM Tariff contains a **definition for BTMG** as well as a **definition for Non-Retail Behind The Meter Generation**.
  - BTMG is defined as "generation that delivers energy to load without using the Transmission System or any distribution facilities."
  - Non-Retail Behind The Meter Generation is BTMG "that is used by municipal electric systems, electric cooperatives, or electric distribution companies to serve load."
- Section 34.2 of the PJM Tariff, which was added to the PJM Tariff in Docket No. ER07-608, contains a specific provision **allowing the netting of BTMG** in the reporting of Network Load.
- Section 34.3, which was added to the PJM Tariff resulting from the Settlement of the complaint in EL05-127, **extended (on a limited basis)** the provision allowing the **netting of BTMG to Non-Retail Behind The Meter Generation** situations.

PJM BTMG & NON-RETAIL BTMG DEFINITIONS

BEHIND THE METER GENERATION:
"Behind The Meter Generation" shall refer to a generation unit that **delivers energy to load without using the Transmission System or any distribution facilities (unless the entity that owns or leases the distribution facilities has consented to such use of the distribution facilities** and such consent has been demonstrated to the satisfaction of the Office of the Interconnection); provided, however, that Behind The Meter Generation **does not include** (i) at any time, any portion of such generating unit's capacity that is designated as a **Generation Capacity Resource**; or (ii) in an hour, any portion of the **output of such generating unit that is sold to another entity** for consumption at another electrical location or into the PJM Interchange Energy Market.

NON-RETAIL BEHIND THE METER GENERATION:
"Non-Retail Behind The Meter Generation" shall mean **Behind the Meter Generation that is used by municipal electric systems, electric cooperatives, or electric distribution companies** to serve load.

PJM SECTION 34.2 & 34.3 NETTING PROVISIONS

34.2 NETTING OF BEHIND THE METER GENERATION.
The daily load of a Network Customer **does not include load served by operating Behind The Meter Generation**. The daily load of a Network Customer shall not be reduced by energy injections into the transmission system by the Network Customer.

34.3 NETTING OF NON-RETAIL BEHIND THE METER GENERATION.
Netting of Behind The Meter Generation for Network Customers with regard to Non-Retail Behind The Meter Generation shall be subject to the following limitations: For calendar year 2006, 100 percent of the operating **Non-Retail Behind The Meter Generation shall be netted, provided that the total amount of Non-Retail Behind The Meter Generation in the PJM Region does not exceed 1500 megawatts ("Non-Retail Threshold").** For each calendar year thereafter, the Non-Retail Threshold shall be proportionately increased based on load growth in the PJM Region but shall **not be greater than 3000 megawatts** ...

MISO BTMG/NETWORK LOAD INFO

MISO'S TARIFF DOESN'T CURRENTLY ALLOW BTMG NETTING

- The "Determination of Network Customer's Network Load" provisions in Section 34.2 of the MISO Tariff are similar to those in the FERC Pro Forma Tariff.
- Like the FERC Pro Forma Tariff, the current MISO Tariff does not provide for any netting of BTMG in the reporting of Network Load.

MISO EVALUATED BTMG NETTING, BUT HAS NOT IMPLEMENTED

- In 2019, the MISO Planning Advisory Committee (PAC) solicited stakeholder input to **evaluate potential proposals for netting BTMG** in the reporting of Network Load.
- In April 2019, the MISO PAC developed proposal for:
  - definition of "Retail Behind the Meter Generation ("RBTMG")
  - revision to "Determination of Network Customer's Network Load" provisions in Section 34.2 of the MISO Tariff to allow for the netting of RBTMG in the reporting of Network Load
- In October 2019, however, the MISO PAC **recommended that the April proposal not be implemented**.

APRIL 2019 MISO PAC PROPOSED RBTMG DEFINITION & 34.2 REVISION

RETAIL BEHIND THE METER GENERATION (RBTMG):

Generation resources that **serve a retail customer's load at the same electric location without using the Transmission System**, unless the entity that owns or leases the transmission facilities has consented to such use of the facilities and such consent has been demonstrated to the satisfaction of the Transmission Provider or the retail Tariff provides for such use of the facilities ; provided, however, that Retail Behind The Meter Generation **shall not include** (i) at any time, any portion of such generating unit's capacity that is designated or **registered as a Load Modifying Resource**; or (ii) in an hour, any portion of the output of such generating unit[s] that is **sold to another entity** for consumption at another electrical location or into the MISO Energy and Operating Reserve Market(s).

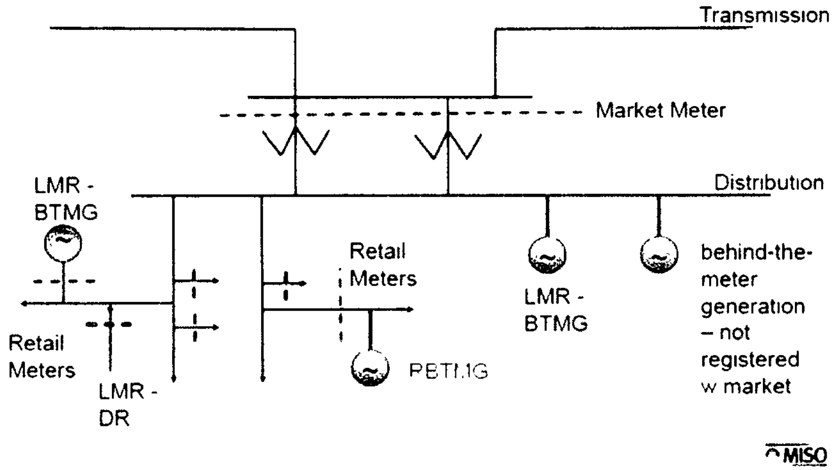
34.2 DETERMINATION OF NETWORK CUSTOMER'S MONTHLY NETWORK LOAD

A Network Customer's monthly Network Load is its hourly Load (60 minute, Hour); provided, however, the Network Customer's monthly Network Load will be its hourly Load coincident with the monthly peak of the pricing zone where the Network Customer's Load is physically located or as otherwise located as defined in Section 31.3 (b) or (c). A Network Customer's monthly **Network Load does not include** Load served at the time of the coincident monthly peak by a **Retail Behind the Meter Generator**, or by any **Behind the Meter Generator to the extent that such load is lost** or cannot be wholly served by the transmission system when that Behind the Meter Generation is not supplying the Load.

MISO GRAPHIC OF PROPOSED NETTING

Netting:
RBTMG

No Netting:
- Unregistered btmg
- LMR – BTMG
- LMR - DR



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OCTOBER 2019 MISO PAC RATIONALE FOR NOT PROCEEDING WITH NETTING PROPOSAL

Purpose & Key Takeaways

Purpose:

- Revisit Last Proposal Discussed in April and MISO concerns with proposal
- Describe Path for NITS billing question and other elements of SC assignment on BTMG

Key Takeaways:

- Case for uniform deviation from "gross rule" is not sufficiently developed
- One approach does not fit all customer circumstances
- MISO to not make changes to tariff or BPM regarding NITS billing and BTMG
- MISO tariff does not impact retail tariffs or external agreements impacting retail load treatment

MISO

Last proposal could result in protracted FERC proceeding if MISO tariff dictates billing treatment of retail load and generation across many jurisdictions

- Allowed netting of retail owned generation at same location as retail load
- Did not allow netting of market registered resources
- Did not allow netting of wholesale unregistered resources
- FERC precedent is not clear as we have debated
- MISO believes best approach on the billing question is to leave status quo – in which MISO tariff does not impact retail tariffs or external agreements impacting retail load treatment

MISO

ISO-NE BTMG/NETWORK LOAD INFO

ISO-NE'S TARIFF SPECIFICALLY DOES NOT ALLOW BTMG NETTING

Regional Network Load is the load that a Network Customer designates for Regional Network Service under Part II.B of the OATT. The Network Customer's Regional Network Load shall include all load designated by the Network Customer (including losses) and **shall not be credited or reduced for any behind-the-meter generation**. A Network Customer may elect to designate less than its total load as Regional Network Load but may not designate only part of the load at a discrete Point of Delivery. Where a Transmission Customer has elected not to designate a particular load at discrete Points of Delivery as Regional Network Load, the Transmission Customer is responsible for making separate arrangements under Part II.C of the OATT for any Point-To-Point Service that may be necessary for such nondesignated load.

ISO-NE'S INTERNAL MARKET MONITOR (IMM) NOTED THAT BTMG REPORTING REMAINS INCONSISTENT, AFFECTING TRANSMISSION COST ALLOCATION

Key Takeaways

1. Regional Network Load (RNL) is the allocator of transmission costs among network customers and is required to be grossed up (or reconstituted) to account for BTM generation
2. BTM generation is not a tariff defined term but is a well understood concept in the industry.
   - We consider it to generally include generation located behind the retail meter, connected to the distribution system and intended to serve host load
3. There is potential widespread non-compliance with this requirement and/or inconsistent application
4. Under-reporting of RNL results in a lower allocation of transmission costs to the under-reporting network customer, and consequently an over-allocation to others
   - The financial impact can be significant for individual projects and network customers, but does not appear to result in significant cost shifting between states (based on BTM photovoltaic estimates)

ISO NE PUBLIC 18

Key Takeaways (cont'd)

5. BTM generation can have positive impacts in terms of reducing peak load levels and potentially transmission investment, but under the current tariff provisions the benefits should not be monetized through under-reporting load
6. A number of recommendations are included to address issues raised in the assessment, including:
   a) Non-compliant PTOs/network customers should change current practices and reconstitute monthly RNL values
   b) Review tariff for potential helpful specificity and clarification [e.g. definitions, determination of peak load hours]
   c) Undertake a wider review of the transmission rate structure for consistency with transmission planning process and benefits due to BTM generation

ISO NE PUBLIC 19

Internal Market Monitor's spring 2020 Quarterly Markets Report: Transmission Cost Allocation Issues for Behind-the-Meter Generation (Markets Committee, August 13, 2020)

SEVERAL ISO-NE TO'S RESPONDED TO THE IMM REPORT BY PROPOSING POSSIBLE TARIFF CHANGES TO CLARIFY THE BTMG ISSUES

New definition of Behind-the-Meter Generation

Behind-the-Meter Generation is, for the purpose of calculating Regional Network Load, 1) an electric generation resource that is not registered as a Generator Asset with ISO-NE or 2) the portion of an electric generation resource that is not reported in the output of the registered Generator Asset associated with the electric generation resource because it serves load located behind the same retail customer meter as the electric generation resource.

Revised definition of RNL

Regional Network Load is the load that a Network Customer designates for Regional Network Service under Part II.B of the OATT. The Network Customer's Regional Network Load shall include all load designated by the Network Customer (including losses) and shall not ~~be credited or reduced for any behind the meter generation~~ include load offset by Behind-the-Meter Generation. A Network Customer may elect to designate less than its total load as Regional Network Load but may not designate only part of the load at a discrete Point of Delivery. Where a Transmission Customer has elected not to designate a particular load at discrete Points of Delivery as Regional Network Load, the Transmission Customer is responsible for making separate arrangements under Part II.C of the OATT for any Point-To-Point Service that may be necessary for such non-designated load.