

FILED

JUN 25 2021

**MISS. PUBLIC SERVICE
COMMISSION**

June 25, 2021

Ms. Katherine Collier
Executive Secretary and Acting General Counsel
Mississippi Public Service Commission
P.O. Box 1174
Jackson, MS 39215-1174

RE: MPSC Docket No. 2021-AD-52
ORDER ESTABLISHING DOCKET TO INVESTIGATE THE MEMBERSHIP OF
ENTERGY MISSISSIPPI, LLC. IN THE MIDCONTINENT INDEPENDENT SYSTEM
OPERATOR

Dear Ms. Collier:

Attached are the Comments provided by Flora Real Estate & Development, LLC in the above-captioned proceeding and pursuant to the Mississippi Public Service Commission ("MPSC") "Order Establishing Docket" statement on page 5, paragraph (1), which states "... *other interested parties and stakeholders are invited to become parties and submit written testimony or comments.*"

Thank you for your assistance in this matter, and please contact me should you have any questions or need additional information.

Respectfully,

Bryan W. Estes
Managing Director
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CERTIFICATE OF SERVICE

I hereby certify that the parties listed below have been served via e-mail with an electronic copy of the filing:

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An electronic copy of this filing has been filed with the Commission via e-mail to the following address:
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This the 25th day of June, 2021.

Overview:

The genesis of Regional Transmission Organizations (“RTOs”) is the Federal Energy Regulatory Commission’s (“FERC” or “Commission”) Order 2000, and the Final Rule was issued on December 20, 1999. Order 2000 states that ***“On May 13, 1999, the Commission proposed a rule on Regional Transmission Organizations (RTOs) that identified and discussed our concerns with the traditional means of grid management. In that Notice of Proposed Rulemaking (NOPR), the Commission reviewed evidence that traditional management of the transmission grid by vertically integrated electric utilities was inadequate to support the efficient and reliable operation that is needed for the continued development of competitive electricity markets, and that continued discrimination in the provision of transmission services by vertically integrated utilities may also be impeding fully competitive electricity markets.”***

It is a rebuttable presumption that the only reason Entergy Mississippi, LLC (“EML”) is in an RTO (currently Midcontinent Independent System Operator or “MISO”) in the first place is due to a remedy prescribed by the United States Department of Justice Antitrust Division (“DOJ”). This remedy was stated in the DOJ’s November 14, 2012 press release entitled ***“JUSTICE DEPARTMENT STATEMENT ON ENTERGY CORP.’S TRANSMISSION SYSTEM COMMITMENTS AND ACQUISITION OF KGEN POWER CORP.’S PLANTS IN ARKANSAS AND MISSISSIPPI; Department Will Not Challenge Entergy’s Proposed Acquisitions of Hinds and Hot Spring Power Plants; Investigation into Alleged Exclusionary Conduct Remains Open”***.

The DOJ states ***“Entergy’s commitments to obtain membership in an RTO and divest its transmission system to a third party with the incentive to make efficient transmission investments are significant steps towards restoring competition in the Entergy service area. If Entergy follows through on its commitments, these measures will address the Antitrust Division’s concerns by eliminating Entergy’s ability to maintain barriers to wholesale power markets, ensuring that all Entergy service area generation is dispatched independently and at lowest cost, increasing market transparency and oversight, and properly aligning incentives for the construction of transmission. Such measures will also directly benefit consumers, who will ultimately enjoy lower electricity prices and improved reliability as a result of RTO integration and the transmission system divestiture. The division does not endorse any particular RTO or independent transmission company. “The division will closely monitor developments, and in the event that Entergy does not make meaningful and timely progress, the division can and will take appropriate enforcement action, if warranted.”***

These remedies were stated to be in parallel- ***“...obtain membership in an RTO AND (emphasis added) divest its transmission system to a third party...”***. Unfortunately, Entergy Corporation (“Entergy”) offered as a third party a fatally flawed proposal that the MPSC rejected in its FINAL ORDER in Docket 2012-UA-358. The Final Order states ***“2. While the Transaction would produce clear benefits to ITC, EMI and its shareholders, benefit to the Mississippi ratepayers is dubious. In fact, reasonable estimates place the value of the Transaction to***

Entergy shareholders at approximately \$2.5 billion in net benefits, while Mississippi ratepayers, at a conservative estimate, would pay an additional \$348 million over thirty years due to IRC's ownership of EMI's transmission assets."

The failure of Entergy Corporation ("Entergy") to successfully accomplish both of the DOJ actions combined with the voluntary versus mandatory membership of RTOs has resulted in a situation where MISO is either unable or unwilling to perform with Entergy and EML the four minimum characteristics for RTOs:

- Independence from market participants;
- Appropriate scope and regional configuration;
- Possession of operational authority for all transmission facilities under RTO control; and
- Exclusive authority to maintain short-term reliability of the grid.

The MPSC is to be applauded for thoroughly and transparently assessing the past approximate seven and a half years of experiences with MISO South as to the initial claims, assumptions, and deliverables that were included in Docket 2011-UA-376. A "check and adjust" relative to MISO, MISO South, and EML is certainly appropriate for Mississippi in general given the plethora of energy-related matters that are currently underway locally, nationally, and internationally. The MPSC is uniquely and solely able to lead such a task given its statutory authority to obtain all of the information necessary to not only assess the past but to chart the future of energy policies and decisions.

Recommendations:

Flora Real Estate & Development ("FRED") respectfully recommends that the Mississippi Public Service Commission ("MPSC") engage independent firms, consultants, and any other resources necessary to re-study what, if any, Regional Transmission Organization ("RTO"), Independent System Operators ("ISO"), Energy Imbalance Market ("EIM"), Southeast Energy Exchange Market ("SEEM"), or other concept and organization that would potentially obtain functional control of the EML transmission facilities, inclusive of a possible divestiture of a majority ownership of the EML transmission system to an entity acceptable to the MPSC.

Most of the assumptions stated in the justification studies and testimonies on behalf of MISO in MPSC Docket 2011-UA-376 are now able to be measured by factual outcomes. Today, there are numerous alternatives to MISO, and since significant potential costs and reliability concerns exist from remaining in MISO, it is imperative that the MPSC fully conduct and review EML's current status as a Transmission Owning Member.

FRED would also respectfully recommend that the MPSC verify the "savings" attributed by EML to membership in MISO, as operational data contained in Entergy Investor Guides from 2012 forward indicate that the "savings" simply result from the dispatch of more efficient natural gas combined-cycle plants burning less costly natural gas compared to EML's operations of their legacy natural gas plants. The responsibility of running the most efficient plants with the least costly fuel is a matter of prudence and subject to review and oversight of the MPSC.

Additional recommendations are provided in the following Responsive Comments.

Responsive Comments:

a. MISO's evolving transmission planning and cost allocation methodologies; including, but not limited, to MISO's assumptions about future generation resource portfolios and assumed increased demand tied to electrification.

b. Potential changes to generator accreditation, transition to a seasonal capacity auction, implementation of novel, untested market design changes including Available Capacity (ACAP), raising the administratively determined Value of Lost Load (VOLL) to \$10,000/MWh (particularly in light of the excessive prices of natural gas and electricity observed during the February 2021 Polar Vortex MISO's application of VOLL to certain de-energized load busses during force majeure events (e.g., hurricanes) resulting in unreasonably high "uplift costs" and MISO's proposal to revise the recovery of those uplift costs so that they are paid only by the subregion of MISO affected by the force majeure event, and other repercussions that may result from MISO's Resource Adequacy and Need (RAN) initiative.

Comments 5-a/b:

There are several “elephants in the room” relative to these topics that are fraught with peril to Mississippi ratepayers, as the methodologies are “evolving” and MISO’s determinants are “assumptions”. MISO has a number of strategic initiatives underway in an attempt to determine a path forward to maintain resource adequacy, which include the “MISO Reliability Imperative” and the “MISO Forward” documents. In these and other initiatives, MISO is finally acknowledging what the Independent Market Monitor (“IMM”) has been stating in his “State of the Market Reports”- that MISO’s “excess capacity” no longer exists. In fact, the “2020 State of the Market Report” indicates that the “High Temperature Realistic Scenario” Expected Margin is negative 1.3%.

Furthermore, the vast majority of MISO’s “Value Proposition” is based on the “Reduced Need for Additional Assets”. Of the gross (exclusive of MISO costs) benefits stated in the 2020 MISO Value Proposition, 73%-76% are attributed to this category. Therefore, if MISO is raising the “need for additional assets”, this results in the reduction of MISO’s primary driver of its Value Proposition. It is particularly concerning that “Maximum Generation Events” and emergency purchases from utilities outside of MISO are occurring with increasing frequency.

c. The categories and relative magnitude of benefits and costs associated with RTO membership, including:

- i. Wide area economic commitment and generation resource dispatch;**
- ii. Effects on the quantity and cost of required capacity reserves;**

- iii. Effects on the quantity and cost of operating reserves;
- iv. The value of transmission planning functions performed by MISO;
- v. Effects on local electric system reliability;
- vi. Effects of MISO Interconnection Queue project application management.

Comments 5-c:

FRED would respectfully suggest that only the MPSC has the resources, statutory rights, and technical ability to adequately and without challenge assess these categories due to the likely declaration of confidentiality by MISO and EML of the information necessary to properly respond.

6. The Commission seeks comments regarding whether Entergy Mississippi and its customers would enjoy greater net benefits and be exposed to less risk in an alternative operational environment, including, but not limited to, joining the newly formed Southeast Energy Exchange Market (SEEM).

Comments 6:

The SEEM concept is currently before the FERC in Docket ER21-1111 et al and is thus still a work in progress. While the “devil is in the details” for what the SEEM ultimately entails, much of the current SEEM footprint is comprised of the initial “South RTO” envisioned by FERC Order 2000. One possible outcome is that SEEM is designed as an Energy Imbalance Market (“EIM”), similar to those that now exist in the western U.S. Other guidance of a “not necessarily an RTO” SEEM could be provided by FERC Docket AD05-13 entitled “Joint Boards on Security Constrained Economic Dispatch”.

The winter event in February 2021 exposed the transmission and generation risks to EML and its customers from the other Entergy operating companies and MISO South. Despite Entergy’s membership in MISO South for over seven years, “load pockets” (Amite South, Downstream of Gypsy, West of the Atchafalaya Basin) still exist in Entergy-served areas in Louisiana and Texas. While rolling blackouts were implemented throughout the MISO South region, neither TVA or Southern/MS Power had similar situations.

Finally, EML, in a properly designed and managed SEEM, would likely benefit from being connected physically to other utilities located in the SERC Reliability (“SERC”) region versus to those located in the Midwest Reliability Organization (“MRO”). As part of the SERC region via a SEEM EIM, EML would conceivably have enhanced access to a much more reliable transmission network and generation fleet comprised of nuclear, natural gas, and renewable resources. This concept would likely even be further beneficial to EML with an overlay High Voltage Direct Current (“HVDC”) transmission system that could be built and operated under rules and regulations somewhat similar to the interstate natural gas pipeline system.

FRED would respectfully suggest that the MPSC should be an active participant in the SEEM proceedings due to the potential membership of Tennessee Valley Authority (“TVA”) and Southern Company/Mississippi Power Company (“Southern”/”MS Power”) combined with the possibility that EML singularly could become a part of the SEEM.

7. The Commission seeks comments regarding factors that may limit Entergy Mississippi's access to benefits from continued membership in MISO, including:

a. The effects of limited transmission capacity (physical and contractual). between MISO South and the rest of the MISO system;

Comments 7-a:

One of the cornerstones of the business model of MISO for MISO South was the utilization without compensation of transmission lines owned and operated by Southwest Power Pool (“SPP”). Obviously, SPP took exception to that intent; and after MISO integrated the South region on December 19, 2013, SPP filed a complaint at the Federal Energy Regulatory Commission (“FERC”) on January 28, 2014.

SPP ultimately prevailed, and as a result, there now exists a limit of power flows from MISO North to MISO South and MISO South to MISO North. Currently, the limits (Regional Dispatch Transfer, or “RDT”) from North-South is 3,000 Megawatts (“MW”) and South-North is 2,500 MW.

The entire footprint of MISO is stated, as of January 2021, to have a total market generation capacity of 184,287 MW and the MISO South approximate capacity is 41,800 MW. With the RDT of 3,000 MW/2,500MW, this relegates the MISO South region to operate as an “island” in the entire MISO footprint.

FRED respectfully suggests that this situation, in conjunction with consideration of the costs to “restore” the original concept of a fully-linked MISO, provides the justification for the MPSC to fully vet the continued membership in MISO and MISO South.

b. The effects of existing and future planning and cost allocation procedures on potential transmission investments to expand interregional transmission capability, including accounting for economic impacts of local generation investment.

Comments 7-b:

MISO stated in a June 2014 presentation entitled *“MISO 2013-2014 Winter Assessment Report; Information Delivery and Market Analysis”* that *“The South Region integration provides the MISO’s Midwest region easier access to natural gas and nuclear generation in the south region, balancing the generation fuel mix and better positioning MISO for future operation challenges.”* The current RDT constraints thus far have stymied MISO from fully implementing this stated strategy.

The RDT limits also bring into question for the MPSC to fully investigate whether the link to “MISO Classic” is fatally flawed. Not only are the transmission costs to properly link the regions likely prohibitive, the shrinking capacity reserve margin of MISO also raises resource adequacy concerns throughout all of MISO.

Additionally, the vast majority of coal plants in MISO are located in the MISO North region, where in excess of 35,000 MW of coal units are often dispatched. EML, on the other hand, will have zero coal-fired generation after the roughly 400 MW of contracted output from the Independence units in Arkansas are shut down. EML, along with the other utilities in Mississippi, are approaching a “coal-free” status by 2030 if not sooner. That outcome will not exist if EML remains a part of MISO.

FRED respectfully suggests that the MPSC consider maintaining the generation capabilities and transmission investment in the EML service area for EML native load and the ratepayers who have and continue to pay for these investments. This need was exemplified in the previously mentioned February 2021 winter event, when, apparently due to membership in MISO, EML implemented rolling blackouts for MS ratepayers for the first time since 1999.

8. The Commission seeks comments regarding any factors limiting benefits to Entergy Mississippi whether and to what extent additional transmission investments would be required for Entergy Mississippi to participate in alternative regional pooling arrangements, such as SEEM.

Comments 8:

The electric transmission systems in general were designed and built to facilitate the generation needs of customers within the respective utilities service areas. In order to facilitate any transmission investments needed to facilitate beneficial alternative regional pooling arrangements, FRED would respectfully recommend allowing for all transmission construction relative to such arrangements above 100 Kilovolts (“kV”) to be competitively bid in addition to owned and operated as part of a SEEM EIM. This concept would include transmission facilities that are both Alternating Current (“AC”) and Direct Current (“DC”).

These concepts would also interject benefits relative to competition in addition to more quickly implementing transmission solutions that would otherwise be constrained due to utility debt/equity balance sheet ratios. In theory, there would ultimately be a “Grid South” outcome that regionally spans from the Mississippi River to the Atlantic Ocean.

9. The Commission seeks comments regarding whether there any identifiable "deal breaker" events or categories of events that would make it unreasonable or cost-prohibitive for Entergy Mississippi to be an RTO member.

Comments 9:

FRED would offer that the experiences of the past seven plus years of EML in MISO provide a history of outcomes that clearly indicate a need for a MPSC-led studies for alternatives to the status quo. MISO alone is not designed to be the answer to the DOJ mandates, and the FERC ruling in favor of SPP are examples of two “deal breakers” for MISO as an option for an RTO.

RTOs are not all the same, however, as PJM, SPP, MISO, and the other “regional operators” are all different in many ways. FRED would respectfully suggest that the designation of an “RTO” not be the only “litmus test” of accomplishing what was envisioned in the Energy Policy Acts of 1992 and 2005 in addition to FERC Orders 888, 889, 2000, etc. relative to creating open, non-discriminatory access to transmission that creates competitive wholesale generation markets and results in lower consumer prices via competition.

The MPSC has a unique opportunity to lead in creating a new concept (SEEM EIM or some other entity) for much of the South given the presence of EML, TVA, and Southern/MS Power in Mississippi. While the SEEM design is not perfect by any means, it will hopefully be implemented as an entity with a critical mass of utility and competitive participants that collectively have the ability to become a juggernaut of energy supply options for consumers in the South. Alternatively, the future for EML ratepayers, due to tsunami of looming costs resulting from the rest of Entergy and MISO as of today, is incredibly bleak.