



# **SPP Assessment of EPA's Proposed Federal Plan**

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## Revision History

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Date or Version Number	Author	Change Description	Comments
11/24/2015	Sam Ellis	Initial draft	
12/4/2015	Sam Ellis	Feedback from CPPTF	
12/9/2015	Sam Ellis	Document title change	
12/21/2015	Sam Ellis	CPPTF and other feedback	

One of the goals of the Clean Power Plan Task Force of the Strategic Planning Committee (“CPPTF”) is to perform a qualitative assessment of the EPA’s proposed federal implementation plan (“FIP”) for consideration in any comments SPP may file on the proposed FIP. These issues were identified based on discussions with staff, the CPPTF, and other stakeholders, and they focus on revisions to the FIP that would mitigate the CPP impact on electric system reliability in cases where the FIP is implemented in a state(s).

### **The EPA should have a consolidated review process for proposed State and Federal Plans**

SPP proposes that the FIP accommodate and encourage coordinated reviews of compliance plans (state and federal) to mitigate the impact the CPP may have on regional planning and operation of the electric grid. The regional system operators for the relevant regions in the country should perform these analyses, because they are in the best position to understand the impacts on grid planning and operations.

Many regions of the country (organized markets and vertically integrated entities) operate the electric grid on a regional basis. In those regions, the CPP compliance plans for states will impact grid management by changing the capacity portfolio available to system operators that plan and operate the grid. Individual state compliance with the CPP without consideration of the collective impact of all relevant state compliance plans will likely result in greater impact to the system operator functions (transmission planning, operations and markets). This, in turn, will impact electric system reliability and economic benefits to the states in the regions. Conversely, concurrent review of proposed state compliance plans (SIPs and/or FIPs) will facilitate CPP compliance in a manner that mitigates the impact to regional grid operations and planning, which then mitigates the impact to the electric system reliability and economic benefits that inure to the states and their customers.

With respect to the SPP region in particular, states rely on a mix of generation resources from within and outside of their state to provide electricity. In order to fully assess the reliability impacts that the actions of one state may have on another, a consolidated review of all plans should be performed before any of the plans have been submitted for final EPA approval. As noted above, this review should be conducted by SPP, the RTO for the region that performs the relevant planning and operational functions for the grid in the SPP region.

The EPA should establish timelines for issuance and review of FIPs that are conducive to supporting a consolidated review that include both FIPs and state plans. An overall review of both state and federal plans in context would allow transmission planning authorities to present more optimal solutions to address any identified reliability concerns.

## **The EPA should consult planning authorities and reliability coordinators in developing federal plans**

The EPA should work with impacted system operators in developing a federal plan for a specific state prior to submitting the plan for comments. This coordination should align with the requirement in the CPP that states consider electric system reliability in the development of their SIPs. This review of the FIP should also, to the maximum extent possible, be coordinated with other state plans to mitigate the collective impact to regional grid management (discussed in more detail in above section). Consideration of FIP impact on a coordinated basis will mitigate the potential negative impacts from disconnects between plans. For example, EPA may need to consider plans from other states in the surrounding region before determining whether a mass-based or rate-based approach is best for a given state.

Also, system operator analysis will facilitate effective and efficient scoping any established reliability-based allowance pools by facilitating the development of a thorough record and basis for the allocation of such set-asides based on the analysis of the impacted system operators. Furthermore, mitigating reliability concerns (must-run resources, voltage stability, load pockets, etc.) may be addressed with a combination of flexible time-based actions (e.g., borrowing from future periods) in the federal plan and planning actions developed by the planning authority.

Identifying and mitigating reliability issues are the responsibility of the relevant system operators and planners, and in the development/application of any FIP, EPA should coordinate with those entities to develop a FIP that mitigates potential and actual impacts to electric system reliability.

## **Both federal and state plans should require a reliability safety valve**

As contemplated, the reliability safety valve (“RSV”) is to be used for an “unforeseeable . . . extraordinary, unanticipated, potentially catastrophic event.” Although the proposed rules for federal plans are expected to contain market-based flexibility, the RSV should be available in a federal plan for extreme, unforeseen events that require immediate action. The market-based flexibility that is proposed in a federal plan may not be effective to deal with these events if surrounding state plans are not compatible with the federal plan imposed on a state in the same region.

Even if the plans are compatible/coordinated issues may arise that require the use of an RSV to mitigate the impact to grid reliability. SPP recognizes that the approach in the CPP and the FIP rule provide flexibility that can mitigate the potential impact to grid reliability. However, even if the most beneficial, coordinated regional compliance approaches are implemented, situations can arise where a unit is needed for grid reliability and the flexibility under approved plans is not adequate to allow that unit to operate without resulting in a violation of CPP compliance. This is because the grid is extremely complex and sensitive to the particularities of each respective region. For example, the loss of a line or generator may result in the need to operate one or more generators to address local issues. In unanticipated cases like this there may not be adequate time for market mechanisms available in CPP compliance plans to enable those units to run without violating the rules. In these circumstances an RSV would be needed to coordinate grid reliability with CPP compliance.

SPP believes the RSV approach in the CPP is most likely suitable for inclusion in the FIP. SPP looks forward to working with EPA to ensure an appropriate RSV is included in the FIP to provide the insurance needed to mitigate unanticipated events that cannot be addressed via more structural forward looking reliability reviews.

Since RSVs are intended for the catastrophic and unforeseen circumstances, there should be a provision to deploy the RSV whenever such action is warranted by a justifiable reliability situation, regardless of whether an RSV had been utilized previously.

### **FIPs should include an incremental reliability allowance reserve**

For states coming under a federal plan, the EPA should provide a reserve for reliability-based deployment of resources. These allowances would be incremental to market allowances, and would be allocated to resources required to run for reliability purposes where the operation of such resources would result in non-compliance with CPP obligations.

The allocation of the reliability allowances would be subject to appropriate reliability analyses and determinations. The process for identifying, justifying and resolving the reliability issue(s) would be similar to the RSV process adopted in the CPP. Unlike the RSV rules related to SIPs, the use of the allowances would not be subject to offsetting prospective reductions if the resource is required to run beyond 90 days.

The justification for the proposal is based on equity principles and differences between what EPA requires in state plans versus what it has proposed in its FIP rules—the SIP has several reliability review processes, whereas the FIP has none. Therefore, there is less opportunity to proactively identify and address reliability issues under the FIP.

### **Regional precedent should be considered in formulating a federal plan**

The EPA should defer consideration of a blanket mass-based or rate-based approach for FIPs until it is apparent whether there is a predominant regional preference for a particular approach. Furthermore, if a state has expressed a particular approach in a plan that was rejected by the EPA, the EPA should give consideration to that state's preferences in formulating a FIP for that state. Given that different areas of the country rely on different fuel sources and have varying capacity for installation of renewable energy (such as wind or solar), there may be strong indications that a rate-based plan might be more appropriate than a mass-based plan, or vice versa. This issue should be addressed in the coordinated reviews during FIP development that were discussed earlier in this document.

### **Resource owners should continue to retain allowances for retired resources under the proposed mass-based plan**

Under the proposed mass-based plan, allowances associated with retired resources are reallocated to provide incentives for additional renewable energy. This approach could have a detrimental impact to market efficiency, particularly for states that are served by multiple system operators. As resources retire, it is possible allowances, and their associated economic benefit, would shift to

markets associated with different system operators. This could result in a significant cost shift between utilities in states operating within multiple regions as well as between the regions themselves. To mitigate this problem, resource owners should be allowed to retain the allowances for retired resources under the federal plan.