

UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

Revision to Electric Reliability Organization)	Docket Nos. RM12-6-000
Definition of Bulk Electric System)	RM12-7-000
And Rules of Procedure)	
_____)	

REPLY OF MIDWEST ISO TO COMMENTS
OF CONSUMERS ENERGY COMPANY

Midwest Independent Transmission System Operator, Inc., (“MISO”) hereby submits this limited reply to the comments submitted by Consumers Energy Company (“Consumers”) in this Docket.

On September 4, 2012, Consumers submitted its comments in response to the June 22, 2012, Federal Energy Regulatory Commission (“Commission”) Notice of Proposed Rulemaking (“NOPR”) in which the Commission proposes to approve the North American Electric Reliability Corporation’s (“NERC”) revised definition of the term “bulk electric system” (“BES”).

I. DESCRIPTION OF MIDWEST ISO AND ITS INTERESTS IN THIS PROCEEDING

Midwest Independent Transmission System Operator, Inc. is a Delaware non-stock, not-for-profit corporation whose business address is 701 City Center Drive, Carmel, Indiana, 46032.

MISO is a FERC-approved RTO providing transmission service and administering the day-ahead, real-time, and financial transmission rights markets in the Midwest region. MISO is the Reliability Coordinator for the region in which Consumers distributes energy to its retail customers, and has a direct interest in the correct definition of BES facilities used to deliver

energy to Consumers, and the correct classification of facilities owned by Consumers and others with regard to the definition of the BES. Accordingly, MISO has an interest in the outcome of this proceeding that cannot be adequately represented by any other party.

All correspondence and communications in this matter should be addressed to:

Gregory A. Troxell
Midwest Independent Transmission
System Operator, Inc.
P. O. Box 4202
Carmel, IN 46082-4202
Telephone: (317) 249-5400
gtroxell@misoenergy.org

II. PREVIOUS COMMENTS OF CONSUMERS

At pages 3 through 8 of its Comments, Consumers argues for a bright line exemption from the BES definition for facilities that have been previously classified as local distribution facilities using the Commission's seven factor test. Consumers argues that this approach, among its other virtues, "would actually streamline NERC's analysis by avoiding redundant determination of whether the BES includes facilities (particularly when FERC and Congress have already made such a determination)."¹

Consumers submits comments on other aspects of the proposed BES definition, but MISO's reply is limited to Consumers suggestion that facilities previously found to be local distribution should be excluded from the BES definition.

¹ Comments of Consumers, page 6.

III. MISO LIMITED REPLY TO COMMENTS OF CONSUMERS

MISO believes there is a need for coordination and continuity in the BES. Perfect continuity may be difficult, but MISO respectfully submits that FERC can do better than Consumers' proposal.

Specifically, MISO does not believe that the criteria used by the Commission to indicate which facilities a transmission owner must make available for open access service (the seven factor test) are the same criteria that identify which transmission facilities may affect the reliability of the interconnection (the BES facilities). While it may be true that in most cases, these local distribution facilities will not be part of the BES, or have an impact on the BES, the case cited by Consumers illustrates the dangers of creating an automatic exemption for facilities identified as local distribution under the seven factor test.

MISO does not contest the factual background presented by Consumers on page 4 of its comments, describing the previous Michigan PSC and FERC orders that classified certain facilities as local distribution. Consumers, however, does not provide sufficient detail for the Commission to understand exactly how that local distribution determination has been applied to facilities still owned and operated by Consumers, and how those facilities impact other facilities that are clearly BES facilities.

Specifically, MISO is aware of certain facilities in the Consumers' distribution system that raise concerns. For example, the Amber Substation has two 138kV circuits, one to Pere Marquette, the other to Donaldson Creek. The terminal facilities at Pere Marquette and Donaldson Creek are owned by ITC and are transmission facilities under MISO's functional control.

Connected to the 138kV bus at Amber are two 138/46kV transformers to serve the 46kV sub-transmission network, plus a 98MW wind farm connected at 138kV.² The 138kV lines entering the substation were classified as Transmission, but the remaining facilities were classified as local distribution in the dockets cited by Consumers in its comments. Consequently, the Amber bus and associated line terminal equipment is not under MISO's functional control and it would not be part of the BES (using Consumers' definition) monitored by MISO as the Reliability Coordinator.

Consumers owns no facilities that have been classified as transmission, under the seven factor test, and is therefore not a MISO Transmission Owner. Ironically, had Consumers sold the Amber bus to ITC as a part of the initial sale of its transmission system, the MISO Transmission Owners Agreement would have required ITC, as a Transmission Owner, to place the Amber facilities under MISO's functional control. The TOA defines the Transmission System as all facilities committed to the operation of the Midwest ISO, which "shall include (i) all networked transmission facilities above 100 kilovolts . . . and (ii) all networked transformers where the two highest voltages qualify under the voltage criteria of item (i) above." (Emphasis added).

First, it is not logical that two lines would be BES facilities but the terminal equipment (e.g., substation breakers and disconnects) that actually control whether or not flow can occur on the lines would not be BES facilities. Power flows into and out of the Amber substation. Those breakers and relays are the very equipment that is most critical to the protection of the line – and the remainder of the system – when a fault occurs on the system. Using Consumers' seven factor test as the demarcation, the breaker and relays on one end of each line (Pere Marquette/Donaldson Creek) would be subject to maintenance requirements as part of the BES (e.g., the PRC standards), but the breakers and relays on the other end (Amber) would not.

² This is not the only facility that would be exempted by applying the seven factor test to define BES facilities in Michigan, but is illustrative. MISO believes there may be as many as 30 such "local distribution" facilities that ought to be monitored as part of the BES.

Second, the operators of this equipment need to be well-trained on interconnected system operations (e.g., the PER standards), but if it is not part of the BES, they will have no such training requirements. MISO objects to Consumers' solution, to modify the applicable reliability standards to accommodate Distribution Providers who own BES facilities

Third, the operation of the system needs to be coordinated. Agreements between TOPs, required by the standards, are the appropriate way to address the reliability needs of the system – outage coordination, emergency response, switching/tagging, voltage control, etc. This is equally true of the Consumers' facilities given their electrical and physical proximity to lines already considered BES by ITC, but using the exemption sought by Consumers, no such agreements will be necessary.

Fourth, the operation of the system needs to have oversight – that is the primary purpose of placing the Reliability Authority in the Reliability Coordinator function. Having gaps in the Reliability Coordinator footprint, however small, can impair the ability of the RC to issue directives that it deems necessary to address System Operating Limits or IROLs.

Finally, if the Commission adopts Consumers' suggested litmus test, the characteristics of the specific facilities cited by MISO in this example, and their electrical and physical integration with the 138kV BES facilities, raise the question whether these facilities are correctly classified as local distribution. Because MISO frequently observes power flowing into and out of the Amber Substation bus,³ it is not clear whether the original determination was not aware of this, or whether the topology and use of the system has altered the status of the facilities so that they more properly should be reclassified as Transmission facilities, and thus BES facilities.

³ As noted previously, Amber is one of many that exhibit similar characteristics.

IV. CONCLUSION

WHEREFORE, the Midwest Independent Transmission System Operator, Inc. respectfully requests that the Commission consider MISO's limited reply to the September 4th comments of Consumers Energy Company submitted herein, and reject Consumers' proposal to automatically exclude from the BES definition those facilities that have been determined to be local distribution facilities solely by applying the Commission's seven factor test.

Respectfully submitted,

/s/ Gregory A. Troxell

Gregory A. Troxell
Midwest Independent Transmission
System Operator, Inc.
P.O. Box 4202
Carmel, Indiana 46082-4202
Telephone: (317) 249-5400
Facsimile: (317) 249-5912

Attorney for the
MIDWEST INDEPENDENT TRANSMISSION
SYSTEM OPERATOR, INC.

Dated: September 21, 2012

CERTIFICATE OF SERVICE

I hereby certify that I have this day e-served a copy of this document upon all parties listed on the official service list compiled by the Secretary in the above-captioned proceeding, in accordance with the requirements of Rule 2010 of the Commission's Rules of Practice and Procedure (18 C.F.R. § 385.2010).

Dated this 21st day of September, 2012 in Carmel, Indiana.

/s/ Gregory A. Troxell
Gregory A. Troxell