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January 21, 2016

The Honorable Gina McCarthy
Administrator
U.S. Environmental Protection Agency
1200 Pennsylvania Avenue, NW
Washington, DC 20460

Attn: Docket ID No. EPA-HQ-OAR-2015-0199

Dear Administrator McCarthy:

The Midcontinent Independent System Operator, Inc. (MISO) submits the following comments on the U.S. Environmental Protection Agency's proposed rule to adopt federal plan requirements and model trading rules for carbon emissions from existing electric generating units.

MISO is an independent, not-for-profit organization established to promote the common good and general welfare through reliable and efficient delivery of electricity. We maintain reliable operation of more than 65 thousand miles of electric transmission lines in 15 U.S. States and the Canadian province of Manitoba. We provide open access to all users of the electric transmission system on a non-discriminatory basis. MISO ensures reliability through coordinated regional economic dispatch of power plants and forward-looking planning.

As a reliability coordinator for a large area in North America, MISO has a responsibility to assess how environmental compliance and other requirements could impact electric system reliability. It is for this reason that MISO submitted comments on EPA's proposed rule to establish carbon emission guidelines for existing electric generating units. We acknowledge EPA's efforts to address electric system reliability in the final carbon emission guidelines rule. However, reliable implementation of the final rule still requires swift action and ongoing coordination with multiple parties in order to plan for and install new infrastructure necessary for compliance within the tight timelines outlined in the final rule. We also urge EPA to establish the same reliability features in the final federal plan rules as it provided in the final carbon emissions guidelines rule.

Significant Action is Needed to Accomplish Reliable Implementation

The Clean Power Plan will drive substantial changes to the energy resources used across our footprint. In our comments on EPA's proposed rule to establish carbon emission guidelines

for existing electric generating units, MISO urged EPA to provide sufficient time and to give States flexibility to design compliance strategies that preserve reliability and ensure efficient outcomes. While not every state may require a major infrastructure build out, for those that do, it will take time to plan, approve, construct and place into service the new generation, electric transmission facilities and natural gas infrastructure necessary to support electric system reliability. For example, MISO's experience indicates that installation of new electric system transmission often requires lead times of six to ten years. Larger regional transmission projects focusing on cost-effective delivery of renewable generation can take more than ten years due to the scope and scale of the planning, approval and construction efforts. New natural gas infrastructure may be needed and could demand comparable timeframes for construction (four to six plus years).

Even with the final rule's additional time and more gradual glide path, the timeline to prepare for compliance is very tight between when State or federal plans are in place and when the interim compliance period begins. States, utilities, and reliability and planning authorities could be significantly challenged to undertake this immense effort in the time necessary to achieve compliance while maintaining reliability. We urge EPA to work with a variety of entities – State environmental and economic regulators and policy makers, utilities, environmental and electric reliability federal agencies, and regional electric reliability and planning authorities – to quickly identify and remove obstacles standing in the path to reliable implementation of the carbon emission guidelines. Concurrently, MISO will work with its stakeholders to explore ways to expedite the process of identifying and ultimately placing into service the transmission infrastructure needed for continued reliable operation of the grid.

Consider Reliability When Proposing to Issue a Federal Plan for a State

The final federal plan rules should incorporate a reliability review process prior to imposing a federal plan on a State. The final carbon emission guidelines rule requires States to demonstrate that the reliability of the electrical grid has been considered as part of the development of State plans. In the preamble to the proposed federal plan rules, EPA states that it is considering reliability in development of the federal plan. However, it appears that EPA is limiting its reliability consideration to issuance of the federal plan rules. MISO requests that EPA establish a process in the final federal plan rules to consider reliability at the time it proposes to impose a federal plan on a State. Such a process would allow a meaningful case-specific review of reliability that is comparable to the State plan requirement.

EPA is proposing to allow itself up to 12 months to issue a federal plan for a State. During this time, EPA should work with the relevant planning authorities for the State to review federal plan impacts on reliability at the local, State and regional levels. Maintaining reliability is a sensitive undertaking, involving case-specific and localized factors that may not respect State boundaries. A reliability review during the process of issuing a federal plan will allow consideration of the interactions of that plan with the approaches in the surrounding States and region. This approach will minimize the potential for unanticipated consequences.

Additionally, EPA should consider the availability of functioning carbon trading markets. A trading ready plan is only as good as the trading options that exist to facilitate the ability to obtain allowances or credits, especially if they are needed to manage a reliability issue. Appropriate considerations include the accessibility and liquidity of carbon trading products. The success of a federal plan to reliably achieve compliance will depend upon the ability to broadly trade allowances or credits. To facilitate the broadest possible market, EPA also should not foreclose the opportunity to develop methods to allow trading between rate-based and mass-based plans while still achieving compliance objectives. This would increase the potential for a robust trading market, which should reduce costs to consumers and facilitate reliable implementation of the rules.

Authorize Use of the Reliability Safety Valve in the Federal Plans

At the urging of many commenters, including MISO, EPA included a reliability safety valve provision in the final carbon emission guidelines rule. Although EPA stated its expectation that the circumstances warranting use of the reliability safety valve would be “extremely rare,” it agreed that such a mechanism is prudent. For these same reasons, MISO requests that EPA allow use of a reliability safety valve in the final federal plan rules.

EPA did not include a reliability safety valve in the proposed federal plan rules because the federal plans are trading ready. However, the ability of a particular electric generating unit to obtain allowances or credits at all times and in all circumstances is dependent upon broadly available and liquid carbon trading markets. In the event a reliability issue arises, the ability to manage the situation should not hinge upon whether allowances or credits are available. If allowances or credits are not available, the electric generating unit should be able to use the reliability safety valve. Just as the reliability safety valve is prudent in the case of State plans, it is likewise prudent for inclusion in the final federal plan rules.

Establishment of a process to consider reliability when proposing to issue a federal plan and authorization of a reliability safety valve would enable the federal plan rules to have the same reliability safeguards as State plans. MISO advises EPA to make these additions to the final federal plan rules as reasonable electric system reliability measures.

Sincerely,

A handwritten signature in black ink, appearing to read "JRB" with a stylized flourish extending to the right.

John R. Bear
President and CEO