

**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

**Midcontinent Independent System
System Operator, Inc.**

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Docket No. ER22-495-000

**COMMENTS OF THE MISO IMM ON
MISO DEFICIENCY LETTER RESPONSE**

Potomac Economics, Ltd. respectfully moves to provide additional comments in the above captioned proceedings concerning the April 8, 2022, Response to Deficiency Letter (“the Filing”) by the Midcontinent Independent System Operator, Inc. (“MISO”). MISO filed this response to address questions posed by the Commission in its Deficiency Letter.¹ Potomac Economics previously filed a motion to intervene and protest on January 16, 2022.

I. NOTICE AND COMMUNICATIONS

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

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¹ *Midcontinent Indep. Sys. Operator, Inc.*, Docket No. ER22-495-000, (Deficiency Letter) (March 9, 2022).

II. COMMENTS ON MISO’S DEFICIENCY LETTER RESPONSES

A. Background

On November 30, 2021, MISO submitted proposed revisions of its Open Access Transmission, Energy and Operating Reserve Markets Tariff (“Tariff”)² to establish Resource Adequacy Requirements on a seasonal basis for each of the Summer, Fall, Winter and Spring seasons, and to implement an availability-based Seasonal Accredited Capacity (“SAC”) methodology for Resources participating in MISO’s annual Planning Resource Auction (“PRA”) (“November 30 Filing”). On January 18, 2022, the MISO Independent Market Monitor intervened and provided comments.

On March 9, 2022, the Commission issued a Deficiency Letter requesting additional information necessary to evaluate the November 30 Filing. On April 8, 2022, MISO provided responses to the Commission’s questions. We are in overall agreement with all of MISO’s responses, but provide supporting comments to several of MISO’s responses.

B. Comments on select MISO Responses

In this subsection, we provide comments on MISO’s response to questions 3, 4 and 5 that focus on key aspects of the proposal or the economic justifications for the proposal.

***Question 5:** Questions the justification for use of the proposed SAC to UCAP ratio for Schedule 53 resources, and not also to planning targets and non-Schedule 53 accreditation.*

The foundation of the availability-based accreditation is that it should not fundamentally alter the supply and demand balance in the capacity market. Since the planning model calculates planning resource needs in UCAP terms and resources are accredited in SAC terms, a ratio must be used to adjust the demand into SAC terms or the supply values back into UCAP terms. Initially, we proposed to adjust the demand for capacity into SAC terms. However, we later

realized and recommended that it would be better to adjust the accredited values back into UCAP terms to restore comparability between the supply and demand quantities.

The proposed application of the ratio is superior because of its relative effects on Schedule 53 and non-Schedule 53 resources. If MISO were to adjust the UCAP demand down to SAC terms, this would effectively increase the quantity of demand that can be served by every accredited MW. This would not be appropriate for non-Schedule 53 resources because the proposal does not modify the accreditation of these resources. Only the Schedule 53 resources are affected by the accreditation change. Hence, applying the ratio on the demand side (or applying it on the supply side to all resources) would cause an overall accreditation shift between Schedule 53 resources and non-Schedule 53 resources. In other words, this would produce a relative increase in accredited capacity for non-Schedule 53 resources and provide them an unjustified windfall benefit at an expense of Schedule 53 resources.

As MISO develops changes in the ELCC processes that would improve the accreditation of non-Schedule 53 resources to reflect their true marginal reliability value and all reasons for resource unavailability, corresponding changes would be appropriate to the application of the SAC to UCAP ratio. However, this should be addressed in a future filing.

The proposed application of the SAC to UCAP ratio is also needed to maintain the available accredited capacity consistent with the LOLE planning process. Although the planning study produces requirements in UCAP terms, it considers most of the factors that affect units' availability, not only forced outages. For example, if planned outages were to increase substantially over historical levels, the UCAP level would rise. Therefore, it is necessary to resolve the difference between the UCAP-based demand and the availability-based accreditation in order for the capacity market to achieve its objectives.

The Commission asks whether the LOLE study should be performed in SAC terms, rather than UCAP. We believe that with some changes, the planning models could produce requirements in SAC terms. However, it is important to recognize the model would not be assuming the SAC values for each resource in its modeling. Many of the factors that affect the availability of resources are random factors that must be modeled in the planning model through a monte carlo process that produces thousands of random “draws”. The result of this process indicates the amount of capacity that is needed, which can be denominated in ICAP, UCAP or SAC. While transitioning the LOLE model to produce requirements in SAC terms could have some value, we do not believe it is essential.

***Question 4:** Asks whether SAC better reflects expected future performance during emergencies than UCAP.*

We agree with MISO’s response to question 4 and find the data provided to be compelling. However, aside from the historical data, SAC would have to be more accurate because it comprehensively addresses all reasons for unavailability compared to UCAP that only reflects forced outage rates. Since UCAP only considers forced outages reported in GADS that are not deemed to be beyond management control, it is not possible for UCAP to predict unavailability during emergencies for any other reason. Even typical deratings that constitute a large share of the unavailable capacity in any given hour are ignored under the UCAP metric.

SAC, on the other hand, directly measures what capacity is actually available during tight hours. Except for the proposed planned outage exemptions, this captures capacity that is unavailable for any reason, including non-exempt planned outages, emergency outages not qualifying as forced, all other outages not reported in GADS, all deratings, resources unavailable because of very long start times, and reduction in capacity availability because of fuel supply or quality issues. Hence, it is inconceivable that UCAP could provide a superior indicator of

resource availability during emergencies than SAC, which is confirmed by the data provided by MISO.

Question 3: Asks whether using AAOC is the most reasonable approach under the availability paradigm in cases where the seasonal RA Hour data is deficient:

We agree with MISO's response to question 3. The best predictor of availability during times of need is the history of availability during past times of need, even if it is from a different season. Hence, if a backfill of Tier 2 seasonal hours is necessary, we believe that using data from other seasons' RA hours is preferable to using performance data during the same seasons from non-RA hours (Tier 1 hours). RA hours are not known in advance so resources that perform well must either be running in most hours or have the flexibility to be available on short notice. Since historical data from Tier 1 hours do not capture resource responsiveness to short-notice RA hour events, it would be inferior to MISO's proposal.

III. CONCLUSION

We have reviewed the questions posed by the Commission and reviewed MISO's answers. Additionally, we provided feedback and advice to MISO in the development of the answers. Based on this review, we generally agree with MISO's answers to the other questions that we have not specifically addressed in these comments.

Additionally, we continue to view MISO's proposal for a seasonal construct with availability-based accreditation as a significant improvement over the current construct. Hence, we continue to respectfully recommend that the Commission approve it. As MISO's IMM, we will monitor the efficiency and effectiveness of these changes and recommend improvements to this construct for MISO to consider in the future.

Respectfully submitted,

/s/ David B. Patton

David Patton
President
Potomac Economics, Ltd.

April 29, 2022

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 29th day of April, 2022 in Fairfax, VA.

/s/ David B. Patton
