

135 FERC ¶ 61,126
FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, D.C. 20426

May 11, 2011

In Reply Refer To:
Midwest Independent Transmission
System Operator, Inc.
Docket Nos. ER10-86-001
ER10-86-002

Midwest Independent Transmission System Operator, Inc.
720 City Center Drive
Carmel, IN 46032

Attention: Arthur W. Iler, Assistant General Counsel

Reference: Resource Adequacy Compliance Filing

Dear Mr. Iler:

1. On January 19, 2010, as amended January 21, 2010, the Midwest Independent Transmission System Operator, Inc. (Midwest ISO) submitted a compliance filing addressing the directives in the Commission's order¹ conditionally accepting, in part, and rejecting, in part, the Midwest ISO's proposed revisions to Module E (Resource Adequacy) of the Midwest ISO's Open Access Transmission, Energy and Operating Reserve Markets Tariff (Tariff).² In its compliance filing, the Midwest ISO proposes revisions to comply with the December 18 Order, including clarification to its definition of "Intermittent Generation," set forth in section 1.328 of the Tariff. As discussed below, we will accept the Midwest ISO's proposed revisions, but require an additional compliance filing, as discussed below, regarding the proposed definition of Intermittent Generation.

¹ *Midwest Indep. Transmission Sys. Oper., Inc.*, 129 FERC ¶ 61,261 (2009) (December 18 Order).

² Midwest ISO, FERC Electric Tariff, Fourth Revised Volume No. 1.

2. Notice of the Midwest ISO's January 19, 2010 filing was published in the *Federal Register*, 75 Fed. Reg. 5310 (2010), with interventions or protests due on or before February 9, 2010. Notice of the January 21, 2010 amendment was published in the *Federal Register*, 75 Fed. Reg. 6197 (2010), with interventions or protests due on or before February 11, 2010, respectively. No interventions or protests were filed in response to either filing.

3. In its initial proposal, the Midwest ISO proposed to modify the definition of Intermittent Generation, as set forth in Module A of the Tariff, to reflect that such generation includes External Resources.³ The Midwest ISO proposed to modify the definition of Intermittent Generation to include: "a Resource or an External Resource that cannot be scheduled and controlled to produce the anticipated Energy." The Midwest ISO asserted that this revision is necessary to include External Resources so that such resources can serve as Intermittent Generation. Additionally, Midwest ISO proposed to require Intermittent Generation to provide historical performance data regarding the type of testing data required for Intermittent Generation to participate in Module E as a Capacity Resource.

4. While the Commission agreed with the Midwest ISO that its proposal ensures that the Intermittent Generation definition would apply to all internal and external intermittent generators, the Commission found that the proposal results in two definitions—Intermittent Generation and Intermittent Resources—that apply to the same resource, i.e., an internal intermittent generator.⁴

5. The Commission found that this redundancy was further confused by the Midwest ISO's intent that both Intermittent Generation and Intermittent Resources be eligible for Capacity Resource status. Although the Midwest ISO proposed that an Intermittent Resource would be eligible to be a Capacity Resource because a Generation Resource is included in the definition of a Resource, the Commission found that the definition of Generation Resource explicitly stated that a Generation Resource must be capable of complying with set-point instructions. The definition of Intermittent Resource, in contrast, only applied to resources that cannot be scheduled or controlled or cannot follow set-point instructions. In other words, a Generation Resource cannot be an Intermittent Resource because an Intermittent Resource cannot follow set-point instructions.

³ Midwest ISO, FERC Electric Tariff, Fourth Revised Vol. No. 1, Proposed First Revised Sheet No. 183, Section 1.328.

⁴ December 18 Order, 129 FERC ¶ 61,261 at P 41.

6. To clarify these ambiguities, the Commission required the Midwest ISO to propose one definition for intermittent resources, which would include both internal and external intermittent resources. The Commission also required that the proposed definition of intermittent resources not be classified as a subset of Generation Resources. In recognition of the fact that the eligibility requirements in Module E do not include a section for intermittent resources, but instead include intermittent resources as a subset of Generation Resources, the Commission required that the Midwest ISO revise its eligibility provisions to set out separate eligibility requirements for intermittent resources that are not a subset of the Generation Resource eligibility requirements. Finally, the Commission required that the Midwest ISO propose a definition of Capacity Resources that explicitly includes intermittent resources.

7. In its compliance filing, the Midwest ISO proposes to revise the definition of Intermittent Generation, as set forth in section 1.328 of the Tariff, to read “[a] Resource or an External Resource that cannot be committed, de-committed, scheduled, or controlled to produce anticipated Energy or Ancillary Services.”

8. We continue to find that the Midwest ISO’s proposed definition of Intermittent Generation to be unclear. In particular, we are concerned that the Midwest ISO’s proposal to define Intermittent Generation as a Resource, even though the definition of Resource does not include Intermittent Generation, but does include Generation Resources,⁵ continues to categorize Intermittent Generation as a subset of Generation Resources contrary to the directives of the December 18 Order.

9. To remedy this error, we direct the Midwest ISO to submit a compliance filing to make clear that Intermittent Generation is a separate category of resource that falls within the definition of Resource, as set forth in section 1.579 of the Tariff, as follows:

Resource – Either a Generation Resource, a Demand Response Resource-Type I, a Demand Response Resource-Type II, Intermittent Generation, a Stored Energy Resource or an External Asynchronous Resource.

This revision must be made within 30 days of the date of this order.

10. We find the proposed revisions to the eligibility requirements for intermittent resources and the definition of Capacity Resources to be in compliance with the requirements of the December 18 Order, and accordingly, we accept them.

⁵ Section 1.579 of the ASM Tariff defines a Resource as “[e]ither a Generation Resource, a Demand Response Resource-Type I, a Demand Response Resource-Type II, a Stored Energy Resource or an External Asynchronous Resource.”

11. In the December 18 Order, the Commission generally accepted the Midwest ISO's proposed revisions regarding External Resources, but required the Midwest ISO to make several clarifications on compliance. Specifically, the order required the Midwest ISO to clarify section 69.5 of the Tariff to address the availability of External Resources in the event of full or partial forced or scheduled outages.⁶ The December 18 Order also required the Midwest ISO to explain how it evaluates operational parameters in offers from internal resources and External Resources.

12. The Midwest ISO's compliance filing clarifies and proposes Tariff language to make clear that the must offer requirements for all Capacity Resources, which includes External Resources, will take into account partial and full, forced or scheduled outages. The compliance filing also explains that there are differences in the way that the Midwest ISO monitors operational parameters for internal resources and External Resources. The Midwest ISO explains that these differences are due, in part, to the manner in which internal resources and External Resources participate in the Midwest ISO's markets and how they are dispatched. Whereas the Midwest ISO monitors internal generation resources through increases or decreases in generation, the Midwest ISO monitors External Resources—at least those committed through the day-ahead markets—through changes in the Net Actual Interchange. If the External Resource is not committed in the day-ahead markets, then the Midwest ISO relies on manual procedures to get access to energy from External Resources under emergency conditions.

13. In addition, the December 18 Order required the Midwest ISO to make several agreed upon revisions to its Tariff. The Midwest ISO makes the following revisions in response to these requirements: (1) it revises section 69.3.c.vii to make clear that a firm power purchase agreement with a liquidated damages clause could qualify as a Capacity Resource; (2) it revises the definition of Use Limited Resources to indicate that such resources must be able to operate for a minimum of four consecutive hours; (3) it revises the resource plan deadline to March 1 of each year; (4) it clarifies the term "applicable state authorities" in section 69.6 of the Tariff to mean "state authorities charged with establishing resource adequacy standards with respect to a Load Serving Entity subject to its jurisdiction; and (5) it clarifies that the disqualification provisions for Load Modifying Resources that fail to respond to Scheduling Instructions would extend for the entire Planning Year. The Midwest ISO also proposes additional changes to section 69.3.5 of the Tariff (i.e., eligibility provisions for Load Modifying Resources) to ensure that the eligibility provisions for Load Modifying Resources are consistent with the performance requirements for those resources, as set forth in section 69.3.9. Finally, the Midwest ISO's compliance filing clarifies that its calculation of the forced

⁶ December 18 Order, 129 FERC ¶ 61,261 at P 41.

outage rate for behind-the-meter generation would be based on the class average for the type of generation, not the average performance for all behind-the-meter generation.

14. As part of its compliance filing, the Midwest ISO also provides further explanation regarding its proposed 50 percent probability threshold for forecasted demand and how that probability may impact system reliability. The Midwest ISO explains that its 50 percent forecasted demand threshold is consistent with the probability thresholds used or proposed by two regional reliability organizations located within the Midwest ISO's service territory. Moreover, the Midwest ISO argues that even with a 50 percent probability, the Midwest ISO's calculation of the Planning Reserve Margin accounts for this lower forecasted demand threshold and still meets the requirement to have sufficient Capacity to meet the 1 day in 10 year planning standard.

15. We have reviewed the Midwest ISO's proposed clarifications and explanations and find the Midwest ISO has complied with the December 18 Order. We accept the proposed revisions as set forth in the compliance filing.

By direction of the Commission.

Nathaniel J. Davis, Sr.,
Deputy Secretary.