



IMM Presentation to FERC VLR Technical Conference Session 3: Mitigation *(2:00 p.m. – 4:00 p.m.)*

Presented by:

David B. Patton, Ph.D.
Independent Market Monitor

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Question 19: Determining VLR commitments?

Question 19: The IMM's testimony describes voltage support commitments and reasons for those commitments, stating that "local reliability and voltage support needs generally pertain to a very limited geographic area where the resources available to satisfy the reliability needs are owned by a very small number of suppliers, often only a single supplier."

How will the IMM determine which units are VLR commitments?

- MISO will flag those resources committed for VLR.

How will the IMM monitor for units committed for VLR and for economics (and which mitigation thresholds will apply)?

- Units committed for economics would not be flagged as committed for VLR.



Question 20: Effects of VLR mitigation on RSG costs?

Question 20: To what extent do MISO and/or the IMM expect VLR mitigation to stem increasing Revenue Sufficiency Guarantee costs?

- Suppliers with resources committed for VLR have recently been offering consistent with offer reference levels.
 - ✓ Tariff provisions would establish enforceable thresholds to the extent they do not.
- A large share of the real-time RSG incurred in late 2010 was directly related to a supplier with resources committed for VLR offering substantially above its reference levels.



Question 21: Potential application of multiple mitigation measures?

Question 21: Explain the interplay between VLR mitigation and existing mitigation measures within Broad Constrained Areas (BCAs) and Narrow Constrained Areas (NCAs). Could a resource be mitigated under both sets of mitigation thresholds? If so, under what circumstances?

- BCA and NCA offer mitigation would continue as currently specified.
- Units committed for VLR would be mitigated pursuant to the proposed mitigation measures applied to RSG payments.
- Resources mitigated under the VLR mitigation, cannot be further mitigated under BCA or NCA mitigation (all mitigation measures result in the same mitigation , i.e., replacing the unit's offer with its reference level).
- Although resources may qualify for different mitigation under the alternative mitigation thresholds (based on the application of the thresholds to the incremental energy range), there is no conflict in the mitigation.
 - ✓ The tighter mitigation remains warranted regardless of the outcome of other mitigation tests



Question 22: Determining Initial Reference Levels?

Question 21: Please describe how MISO will determine reference levels for units committed for VLR. Given the specific market power concerns associated with VLRs, is it appropriate to use historical offer information to determine their initial reference levels?

- Reference levels would be determined in the same manner as specified in the MISO tariff.
- It would be appropriate to exclude offers from resources that are frequently committed for VLR as potentially non-competitive.
 - ✓ This would generally cause Reference levels to be based on production cost information.