145 FERC ¶ 61,077
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Jon Wellinghoff, Chairman;
Philip D. Moeller, John R. Norris,
Cheryl A. LaFleur, and Tony Clark.

Midcontinent Independent System Operator, Inc. — Docket No. ER13-2298-000

ORDER CONDITIONALLY ACCEPTING FILING

(Issued October 29, 2013)

1. On August 30, 2013, pursuant to section 205 of the Federal Power Act (FPA),[1] Midcontinent Independent System Operator, Inc. (MISO) filed proposed revisions to its Open Access Transmission, Energy and Operating Reserve Markets Tariff (Tariff) to modify its resource adequacy requirements (August 30 Filing). In this order, we conditionally accept the August 30 Filing, to become effective October 30, 2013, subject to MISO's submission of a compliance filing.

I. Background and August 30 Filing

2. On June 11, 2012, the Commission conditionally accepted Module E-1 of the Tariff, which establishes MISO's locational resource adequacy requirements.[2] Pursuant to Module E-1, load-serving entities (LSEs) must satisfy the planning reserve margin requirement of any local resource zone in which they serve load. LSEs may demonstrate resource adequacy by self-scheduling their capacity resources, submitting a fixed resource adequacy plan, or procuring capacity through MISO's annual planning resource auction.

3. In order to achieve its loss of load expectation of 0.1 days per year, MISO calculates the local reliability requirement (LRR) and the local clearing requirement (LCR) for each local resource zone.[3] Under the Tariff, the LRR is the minimum amount

[1] 16 U.S.C. § 824d (2012).

[2] *Midwest Indep. Transmission Sys. Operator, Inc.*, 139 FERC ¶ 61,199 (2012) (Resource Adequacy Order); *see also* MISO, Application, Docket No. ER11-4081-000 (filed July 20, 2011) (July 2011 Filing).

[3] August 30 Filing at 1.

of unforced capacity that must be physically located in a local resource zone to maintain a loss of load expectation of 0.1 days per year, without consideration of access to planning resources located outside of the local resource zone through transmission ties.[4] MISO utilizes the LRR to calculate the LCR, which equals the difference between the LRR and the local resource zone's capacity import limit. The LCR in turn serves as a component in MISO's calculation of each LSE's planning reserve margin requirement.[5]

4. MISO argues that the Tariff revisions proposed in the August 30 Filing are necessary to address a deficiency with respect to the manner in which MISO calculates the LRR. MISO explains that, in accordance with the Tariff, it has previously calculated the LRR and LCR values based upon coincident peak demand in the MISO region without making adjustments to reflect peak demands in local resource zones.[6] MISO states that its current practice inherently reduces its ability to meet its loss of load expectation where zonal peak demand exceeds a local resource zone's demand at the time of MISO's regional peak.[7] MISO estimates that the difference between regional coincident peak demand and zonal peak demand is no more than five percent.[8]

5. MISO, therefore, proposes to modify the manner in which it calculates the LRR to take account of LSEs' and electric distribution companies' demand that coincides with the annual peak demand of their local resource zones. Specifically, MISO proposes to require LSEs and electric distribution companies to submit, where available, forecasts of "Local Resource Zone Peak Demand," which MISO defines to represent an LSE's or electric distribution company's demand in a local resource zone that coincides with the

---

[4] *See* MISO, FERC Electric Tariff, Module A, § 1.365b (0.0.0) ("The minimum amount of [u]nforced [c]apacity that must be physically located in [a local resource zone] to meet the [loss of load expectation], without considering transmission ties to systems outside of the [local resource zone]."); MISO, FERC Electric Tariff, Module E-1, § 68A.5 (1.0.0); July 2011 Filing at 8.

[5] Specifically, the planning reserve margin requirement is calculated by multiplying the LSE's forecasted coincident peak demand times the greater of (i) the LCR over the LSE's forecasted coincident peak demand, or (ii) one plus the planning reserve margin. MISO, FERC Electric Tariff, Module E-1, § 68A.7 (1.0.0).

[6] August 30 Filing at 2. MISO proposes to revise the definition of "Coincident Peak Demand" to mean an LSE's or electric distribution company's demand that coincides with MISO's annual peak demand. *Id.* at 6.

[7] *Id.* at 2.

[8] *Id.*

local resource zone's annual peak demand.[9] MISO proposes to apply those forecasts to determine the LRR and LCR values for each local resource zone.[10] According to MISO, utilizing LRR values based upon Local Resource Zone Peak Demand will more effectively ensure that each local resource zone has sufficient local reserves to meet the loss of load expectation.[11]

6. MISO additionally asserts that local balancing area transmission loss percentages should be available to LSEs for use in their demand forecasts.[12] Consequently, MISO proposes to clarify that transmission losses will be calculated for the MISO region, as well as for each local resource zone.[13]

7. MISO further proposes to modify deadlines relating to MISO's analysis of local-resource-zone boundaries and MISO's verification of the planning resource auction results.[14] In particular, MISO proposes to determine whether new local resource zones are required by September 1 of the year prior to a planning year, rather than by November 1, as currently provided. Moreover, MISO proposes to expand the time for MISO to verify the planning resource auction's results and to conduct multi-zone optimization procedures from five to 10 days.[15]

8. MISO notes that it has elected to file the proposed Tariff revisions, rather than waiting to submit a more comprehensive proposal or to allow additional time to study other revisions that would maintain system reliability at the lowest cost, in order to ensure that MISO can implement the proposed changes for the 2014-2015 planning year.[16] Unless its proposed Tariff revisions become effective by November 1, 2013,

---

[9] *See id.* at 3, 5-6.

[10] *Id.* at 3.

[11] *Id.*

[12] *Id.*

[13] *Id.* at 3, 6.

[14] *Id.* at 3.

[15] *Id.* MISO's proposed Tariff revisions indicate that MISO intends to replace its parenthetical explanation of "remaining [d]emand" in section 69A.1.1.1.a of the Tariff with a reference to section 68A.7.a of the Tariff.

[16] *Id.* at 4-5.

MISO states that it will need to delay implementation of its proposal until the 2015-2016 planning year.

II. Notice and Responsive Pleadings

9. Notice of the August 30 Filing was published in the *Federal Register*, 78 Fed. Reg. 55,248 (2013), with interventions, comments, and protests due on or before September 20, 2013. Motions to intervene were filed by: Consumers Energy Company; Duke Energy Corporation; DTE Electric Company; Ameren Services Company; Otter Tail Power Company; Indianapolis Power & Light Company; Wisconsin Public Service Corporation and Upper Peninsula Power Company; Excel Energy Services Inc.; American Municipal Power, Inc.; NRG Companies;[17] and Wisconsin Electric Power Company. Notices of intervention were filed by the Indiana Utility Regulatory Commission and the Arkansas Public Service Commission. Motions to intervene and comments or protests were filed by: Hoosier Rural Electric Cooperative, Inc. and Southern Illinois Power Cooperative (Hoosier); MidAmerican Energy Company (MidAmerican); the Retail Energy Supply Association (RESA); and the Midwest TDUs.[18] On October 4, 2013, Dominion Resources Services, Inc. filed a motion to intervene out-of-time and MISO filed an answer to the protests filed in this proceeding. On October 18, 2013, RESA filed an answer in response to MISO's answer.

10. Midwest TDUs state that reliability is "a paramount consideration" and therefore support the August 30 Filing.[19] Midwest TDUs, however, note that their support is premised on local reserve zones remaining large and not being arbitrarily altered. Similarly, Midwest TDUs "trust that MISO will meet its obligation, as a[] . . . provider of network transmission service, to ensure that network resources are made and kept deliverable across zonal borders."[20]

---

[17] For purposes of this proceeding, NRG Companies are comprised of Louisiana Generating LLC; NRG Power Marketing LLC; GenOn Energy Management, LLC; Bayou Cove Peaking Power LLC; Big Cajun I Peaking Power LLC; NRG Sterlington Power LLC; Cottonwood Energy Company LP; and NRG Wholesale Generation LP.

[18] Midwest TDUs are comprised of Madison Gas and Electric Company, Missouri River Energy Services, Southern Minnesota Municipal Power Agency, and WPPI Energy.

[19] Midwest TDUs Comment at 2-3.

[20] *Id.* at 3.

11. MidAmerican argues that the Commission should reject the August 30 Filing without prejudice to MISO's submission of a similar proposal at a future date.[21] MidAmerican argues that the proposed Tariff revisions create a potentially significant change in capacity requirements without providing reasonable notice to stakeholders. MidAmerican states that the proposed Tariff revisions, "coupled with additional potential [T]ariff changes and annual updates," create a moving target for LSEs that increases volatility and drives up costs.[22] MidAmerican adds that implementation of the proposed Tariff revisions for the 2014-2015 planning year would disrupt forward transparency as well as LSEs' expectations.[23] Furthermore, MidAmerican contends that MISO's request to implement the proposed Tariff revisions for the 2014-2015 planning year would leave LSEs with insufficient time to procure additional capacity.[24]

12. If, however, the Commission accepts the proposed Tariff revisions, MidAmerican asserts that they should take effect no earlier than the 2015-2016 planning year.[25] MidAmerican contends that MISO should develop a more complete package of anticipated revisions that would take effect sometime after the 2014-2015 planning year in order to permit more reasoned resource planning by LSEs.[26] Additionally, MidAmerican asserts that the proposed Tariff revisions would have no immediate impact on reliability because LSEs "cannot create new resources within their zones" or "respond to new edicts that alter their reserve requirements on a few months' notice."[27]

13. Hoosier argues that MISO has failed to demonstrate that the proposed Tariff revisions are just and reasonable because MISO has presented no testimony, affidavits or studies demonstrating that there is any difference between LRRs based upon MISO's peak demand and the peak demand of the respective local resource zone.[28] Further,

[21] MidAmerican Protest at 4.

[22] *Id.*

[23] *Id.* at 5.

[24] *Id.* at 5-6.

[25] *Id.* at 6.

[26] *Id.*

[27] *Id.* MidAmerican adds that it does not oppose MISO's proposal to alter the schedule for identifying local resource zones or the schedule for conducting the annual planning resource auction. *Id.* at 7.

[28] Hoosier Protest at 2.

Hoosier claims that MISO has not justified the hurried manner in which it has advanced its proposal.[29]

14. Hoosier additionally states that the proposed Tariff revisions would significantly increase the amount of planning resources that LSEs would be required to procure, despite the fact that it would be impossible for such resources to be put in place for the 2014-2015 planning year.[30] Hoosier asserts that adding new generation resources would take at least three years.[31] Moreover, Hoosier claims that MISO's proposal would significantly reduce the ability of its customers to benefit from diversity of weather and resources without any evident consideration of the reduction in benefits to customers that would result.[32]

15. Additionally, Hoosier asserts that MISO's proposal is overbroad and would impose unnecessary burdens on many LSEs without justification.[33] According to Hoosier, "MISO does not explain why a [local resource zone] that is able to import sufficient power to meet its [planning reserve margin requirement]" should be required to procure capacity resources that are located within the local resource zone.[34] Hoosier explains that if a local resource zone has a planning reserve margin requirement of 2000 MW, and a capacity import limit of 2000 MW, the LCR should be zero.[35] "If, however, the zone's LRR . . . is 2200 MW, it appears that MISO would impose an LCR of 200 MW . . . ."[36]

16. Noting that MISO proposes to modify the calculation of LRR values, RESA contends that MISO must also modify the manner in which it determines capacity import limits.[37] Absent such modifications, RESA suggests LSEs may be required to procure

---

[29] *Id.* at 2-3.

[30] *Id.* at 3.

[31] *Id.*

[32] *Id.* at 4.

[33] *Id.*

[34] *Id.*

[35] *Id.*

[36] *Id.*

[37] RESA Protest at 3.

more local resources than are necessary to meet the planning reserve margin requirement. RESA, therefore, proposes a revised adjustment factor to alter MISO's calculation of LCR and requests that the Commission direct MISO to adopt RESA's proposal in a compliance filing.[38]

III. Discussion

A. Procedural Matters

17. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2013), the notices of intervention and timely, unopposed motions to intervene serve to make the entities that filed them parties to this proceeding. Pursuant to Rule 214(d) of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214(d) (2013), the Commission will grant Dominion Resources Services, Inc.'s late-filed motion to intervene given its interest in the proceeding, the early stage of the proceeding, and the absence of undue prejudice or delay.

18. Rule 213(a)(2) of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.213(a)(2) (2013), prohibits an answer to a protest or answer unless otherwise ordered by the decisional authority. We are not persuaded to accept MISO's answer or RESA's answer and will, therefore, reject them.

B. Substantive Matters

19. As discussed further below, we conditionally accept MISO's proposed Tariff revisions, subject to MISO's submission of a compliance filing within 30 days of the date of this order.

20. MISO's proposed Tariff revisions will help ensure that LSEs procure sufficient deliverable resources within the relevant local resource zone in order to satisfy demand when the Local Resource Zone Peak Demand exceeds the local resource zone's demand at the time of MISO's system-wide peak. Further, MISO's proposal to calculate LRR based on Local Resource Zone Peak Demand, rather than LSEs' demand at the time of MISO's system-wide peak demand, will enhance reliability by taking into consideration local peak demand in establishing LSEs' planning reserve margin requirements. As to Hoosier's concerns that MISO should be required to submit additional evidence, in the form of testimony, affidavits, or studies, we find that MISO has adequately supported its proposal.

---

[38] *Id.* at 6.

21. The claims of Hoosier and MidAmerican that implementing the proposed revisions in the 2014-2015 planning year would afford LSEs insufficient time to procure new capacity are also unpersuasive. MISO's resource adequacy construct enables LSEs to satisfy their resource adequacy requirements in a variety of ways.[39] While LSEs are permitted to self-supply capacity, which may require them to develop new capacity resources, LSEs can also procure capacity resources either bilaterally or through the annual planning resource auction.[40] Additionally, MISO's proposal will result in a modest—less than five percent—but nevertheless important adjustment to LSEs' planning reserve margin requirements that falls well within the surplus of capacity that was available in the 2013-2014 planning year.[41] Consequently, there is also no merit to MidAmerican's claims that the proposed Tariff revisions will have no immediate impact on reliability but will increase volatility and consequently drive up costs. Although it is possible capacity costs may increase as a result of MISO's proposal, such increases would more accurately reflect the amount of capacity needed to maintain reliability.

22. Protestors have also not persuaded us to require MISO to resubmit its proposal as part of a more comprehensive Tariff filing. As proposed, we find that the Tariff revisions will help ensure that LSEs procure sufficient deliverable resources within the relevant local resource zone in order to satisfy demand and, therefore, will improve reliability. We will therefore accept them, as discussed herein.

23. Hoosier's concerns that MISO's proposal to revise its calculation of LRR would impair an LSE's ability to benefit from "diversity of weather and resources" appear to misconstrue the significance of the LRR in MISO's resource adequacy construct.[42] The LRR is one factor used to calculate the LCR, which represents the minimum amount of capacity resources that LSEs must procure from within their respective local resource zones. The calculation of the LRR, however, is defined to be the minimum amount of unforced capacity that must be physically located in a local resource zone—without consideration of access to planning resources located outside of the local resource zone—and therefore does not limit the amount of capacity that LSEs may procure from

---

[39] *See* Resource Adequacy Order, 139 FERC ¶ 61,199 at P 39.

[40] *Id.* PP 18-19, 37-43.

[41] The 2013-2014 planning year planning resource auction featured 8,157.4 MW of capacity that was offered but did not clear. Midcontinent Independent System Operator, Inc., 2013/2014 MISO Planning Resource Auction Results (2013), https://www.misoenergy.org/Library/Repository/Report/Resource%20Adequacy/2013-2014%20MISO%20Planning%20Resource%20Auction%20Results.pdf.

[42] Hoosier Protest at 4.

resources located in other local resource zones. Thus, MISO's proposal does not affect the ability of LSEs to benefit from diversity of weather and resources. In addition, we note that the Commission has previously approved MISO's use of the LRR in calculating the LCR.[43] The proposed Tariff revisions merely refine MISO's calculation of the LRR to ensure a more accurate assessment of peak demand across the various local resource zones. To the extent that MISO's proposed LRR revisions reduce the portion of LSEs' capacity requirements that can be satisfied by resources from outside of their local resource zones, such reductions appropriately reflect MISO's large geographic scope and transmission constraints between local resource zones.

24. RESA's and Hoosier's assertions regarding MISO's calculation of the planning reserve margin requirement are beyond the scope of this proceeding, which is limited to MISO's proposal to modify its calculation of the LRR and the accompanying Tariff revisions. RESA's arguments that MISO should revise the manner in which it calculates capacity import limits and Hoosier's arguments regarding the calculation of the LCR and its impact on the planning reserve margin requirement are likewise beyond the scope of this proceeding.

25. Our acceptance of the MISO's proposed Tariff revisions is subject to the condition that MISO submit a compliance filing within 30 days of this order. MISO proposes to remove from section 69A.1.1.1.a of the Tariff the parenthetical language concerning "remaining [d]emand" that is procured by providers of last resort in retail-choice jurisdictions.[44] MISO does not explain the basis for this deletion, and the proposed revision inaccurately suggests that section 68A.7.a of the tariff sets forth the manner in which the amount of "remaining [d]emand" is determined. Accordingly, we direct MISO to reinstate the deleted language in its compliance filing.

The Commission orders:

(A) The August 30 Filing is hereby conditionally accepted, effective October 30, 2013, as discussed in the body of this order.

(B) MISO is hereby directed to submit a compliance filing within 30 days of the date of this order, as described in the body of this order.

By the Commission.

---

[43] *See* Resource Adequacy Order, 139 FERC ¶ 61,199 at P 171.

[44] The Commission accepted this provision in November of 2012. *See Midwest Indep. Transmission Sys. Operator, Inc.*, 141 FERC ¶ 61,155, at PP 13, 22 (2012).

(S E A L)

Nathaniel J. Davis, Sr.,
Deputy Secretary.