146 FERC ¶ 61,105
FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, DC 20426

February 19, 2014

In Reply Refer To:
Midcontinent Independent
System Operator, Inc.
Docket No. ER14-801-000

Midcontinent Independent System Operator, Inc.
720 City Center Drive
Carmel, Indiana 46032

Attention: Michael L. Kessler

Reference: Resource Adequacy Revisions

Dear Mr. Kessler:

1. On December 20, 2013, Midcontinent Independent System Operator, Inc. (MISO) filed proposed revisions to Module E-1 of its Open Access Transmission, Energy and Operating Reserve Markets Tariff (Tariff). Specifically, MISO proposes to modify the deadline for Market Participants to provide MISO with Generator Verification Test Capacity[1] (GVTC) test results so that their Specified Resources[2] that have never been tested, have increased their Installed Capacity from the previous year, or have experienced a Catastrophic Outage,[3] will be able to participate in MISO's Planning Resource Auction (PRA) or serve as part of a Load Serving Entity's (LSE) Fixed

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[1] Capitalized terms not otherwise defined herein have the meanings ascribed to them in the MISO Tariff.

[2] Specified Resources are Generation Resources that are not Dispatchable Intermittent Resources, qualified Behind-the-Meter Generation, Demand Response Resources that use behind-the-meter generation, and External Resources. MISO Transmittal Letter at 2.

[3] In this filing, MISO proposes a new Tariff definition for Catastrophic Outage as "[a] forced outage that results in a resource being unavailable for a minimum of one hundred eighty (180) consecutive days, which is not the result of a planned outage." *Id.* at n.5.

Resource Adequacy Plan (FRAP) to satisfy resource adequacy requirements. MISO also proposes to assess a charge for those Specified Resources that do not meet the modified deadline and to revise its credit requirements for Specified Resources. As discussed below, we conditionally accept MISO's proposed Tariff revisions, subject to revisions and a compliance filing discussed below, to become effective February 21, 2014, as requested.

2. On June 11, 2012, the Commission conditionally approved MISO's proposal to modify its resource adequacy provisions by establishing an annual Resource Adequacy Requirement construct that required LSEs to meet reliability requirements on a locational basis.[4] Under MISO's Resource Adequacy Requirement construct, LSEs can meet their reliability requirements through several means, including participation in the PRA or by demonstrating that they have rights to sufficient capacity through a FRAP. MISO began implementing the annual Resource Adequacy Requirement construct for the 2013-2014 Planning Year that commenced on June 1, 2013.

3. Currently, in order to provide megawatts of planning resources that are eligible to be offered into the PRA or to be submitted in an LSE's FRAP as Zonal Resource Credits (ZRCs), MISO states that Market Participants must provide GVTC test results to MISO for new Specified Resources that have never been tested or Specified Resources with increased Installed Capacity by March 1 prior to the Planning Year. Additionally, MISO states that existing Specified Resources that have experienced a Catastrophic Outage must complete GVTC testing by the Tariff deadline of October 31 prior to the Planning Year. MISO states that some Specified Resources are unable to complete such testing until after these respective deadlines, even though the Specified Resources will be able to provide Installed Capacity by the June 1 start of the Planning Year.[5]

4. MISO proposes that Market Participants be able to offer ZRCs from such Specified Resources provided that they give notice to MISO no later than February 15 of the expected number of ZRCs to be provided by the resource and that Market Participants commit to complete the GVTC testing by the last business day of May prior to the Planning Year. MISO states that the Resource Adequacy Requirement administrative procedures will be enhanced if the Tariff is modified to permit such Specified Resources to participate in the applicable Planning Year Resource Adequacy Requirement procedures.[6]

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[4] *Midwest Indep. Transmission Sys. Operator, Inc.*, 139 FERC ¶ 61,199 (2012).

[5] MISO Transmittal Letter at 2.

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

5. In order to incent Market Participants to complete GVTC testing, MISO proposes to assess GVTC Deferral Non-Compliance Charges on Market Participants that cleared ZRCs in the PRA and have not completed GVTC testing by the last business day of May prior to the Planning Year or have submitted GVTC results that show fewer ZRCs available than the number cleared in the PRA. The charge would be assessed starting on June 1 of the Planning Year and continue until GVTC results are submitted and verified or replacement ZRCs are registered, whichever is earlier. This daily charge would equal the sum of the Zonal Auction Clearing Price plus the applicable daily Cost of New Entry (CONE) value (i.e., 1/365 times CONE) for the zone in which the cleared, untested ZRC is located. MISO explains that the CONE was chosen as the basis for this charge because it is the maximum amount that LSEs would have to pay to meet their Planning Reserve Margin Requirement and therefore it represents a reasonable financial incentive for LSEs to avoid shortage conditions and to incent Market Participants to complete testing prior to the Planning Year.[7] MISO proposes that the revenues from such charges will be allocated pro rata to all LSEs that meet their Planning Reserve Margin Requirement based on the LSEs' respective shares of the total MISO Planning Reserve Margin Requirement.

6. MISO also proposes Tariff credit provisions to ensure that Market Participants that defer GVTC testing will be able to cover obligations incurred as a result of FRAP submittal or clearing ZRCs in the PRA. Specifically, the Market Participant must provide credit coverage in an amount equal to the number of untested ZRCs that the Market Participant intends to submit offers from multiplied by 90 days of daily CONE values (i.e., 90/365 times CONE) for the zone where the resource is located. MISO explains that 90 days corresponds to the MISO summer peak, when the coincident peak demand has historically occurred, resulting in the highest capacity needs.[8]

7. Notice of MISO's December 20, 2013 filing was published in the Federal Register, 79 Fed. Reg. 126 (2014), with interventions and comments due on or before January 10, 2014. Timely motions to intervene were filed by American Municipal Power, Inc., Consumers Energy Company, NRG Companies, Exelon Corporation, Wisconsin Electric Power Company, Ameren Services Company, and Wisconsin Public Services Corp. and Upper Peninsula Power Company. MidAmerican Energy Company (MidAmerican) filed a timely motion to intervene and comments. On January 20, 2014, MISO filed an answer to MidAmerican's comments.

8. MidAmerican states in its comments that it generally supports MISO's filing. It is concerned, however, that the proposed Tariff provisions in section 69A.7.9.c.i, related to

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[7] Kevin A. Vannoy Test. at 8.

[8] MISO Transmittal Letter at 4.

the GVTC Deferral Non-Compliance Charge, only apply to Market Participants that cleared ZRCs in the PRA. MidAmerican contends that these provisions should also apply to resources that miss the GVTC deadline after being included in the FRAP. MidAmerican notes that other elements of the filing apply to both the PRA and the FRAP.[9]

9. MISO responds in its answer that it agrees with MidAmerican's comments, and clarifies that the GVTC Deferral Non-Compliance Charge provisions that MISO proposes to add to Module E-1 apply to Market Participants regardless of whether they participate in the PRA or submit a FRAP. MISO acknowledges that additional changes should be made to clarify the applicability of section 69.A.7.9.c.i, consistent with MidAmerican's comments, as MISO inadvertently omitted a reference to FRAPs in this subsection. MISO proposes to add this reference to this section and make other corresponding changes, if so directed by the Commission.[10]

10. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2013), the timely, unopposed motions to intervene serve to make the entities that filed them parties to this proceeding. 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 unless otherwise ordered by the decisional authority. We will accept MISO's answer because it has provided information that assisted us in our decision-making process.

11. We find that MISO's proposed Tariff revisions, which provide additional flexibility to Market Participants whose Specified Resources need GVTC testing, are reasonable. We agree with MISO that the proposed Tariff revisions will eliminate an obstacle that would exclude otherwise qualified resources from participating in the Resource Adequacy Requirement construct and may result in less efficient, more costly outcomes to the extent that the resources subsequently are able to complete their testing requirements prior to the Planning Year.[11]

12. At the same time, we recognize that the additional flexibility provided by MISO's proposal should not be at the cost of resource adequacy and long-term reliability. For this reason, it is important to have a significant and effective penalty for not completing testing in a timely manner or to otherwise replace untested ZRCs. Accordingly, we find that the proposed provisions relating to the GVTC Deferral Non-Compliance Charge are

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[9] MidAmerican Comments at 4-5.

[10] MISO Answer at 2-3.

[11] MISO Transmittal Letter at 3.

a reasonable basis to incent owners of Specified Resources to complete GVTC testing in a timely manner and to fully qualify such resources to the ZRC quantities cleared in the PRA or submitted in the FRAP. Finally, we consider reasonable and therefore accept the proposed distribution of revenues from the GVTC Deferral Non-Compliance Charge to LSEs that are in compliance with Resource Adequacy Requirements. This proposed distribution is similar to the distribution of Capacity Deficiency Charge revenues.

13. We agree with MidAmerican and MISO that section 69A.7.9.c.i should be revised to clarify that the GVTC Deferral Non-Compliance Charge applies to Market Participants whose Specified Resources are included in a FRAP and miss the GVTC deadline. The penalty provisions should apply equally to Specified Resources in the PRA and Specified Resources whose ZRCs are included in a FRAP. Accordingly, we direct MISO, in a compliance filing to be made within 30 days of this order, to propose Tariff revisions consistent with this finding.

14. We also find the proposed 90-day credit coverage requirement to be reasonable. As discussed by MISO and stakeholders at the Supply Adequacy Working Group, shorter time-frames for credit coverage could be too low to mitigate the risk of a Market Participant defaulting and a longer time-frame requirement could be overly burdensome for Market Participants with a high level of confidence that they will be able to complete the GVTC requirements prior to the start of the Planning Year.[12]

15. With respect to the proposed credit provisions, we note that MISO's proposal has two different calculations for the 90-day credit requirement. In the GVTC Deferral Credit Requirements provision, the calculation is based on CONE values.[13] In the Attachment L Credit Policy provisions, the calculation is based on the GVTC Deferral Non-Compliance Charge. It is not possible to base the calculation of a potential credit exposure on the GVTC Deferral Non-Compliance Charge since this charge includes the auction clearing price in the PRA, which has not yet occurred when the credit requirements are calculated on March 1 prior to the Planning Year. Accordingly, we require MISO to revise the credit requirement in Attachment L to reflect a calculation based on the CONE value. We also require that the Attachment L provision include the full specification of the calculation, i.e., untested ZRCs multiplied by 90 days of daily CONE value to conform to the GVTC Deferral Credit Requirement calculation. We also note that the proposed Attachment L provision only applies to Tariff customers providing notice that they will submit offers in the PRA. Similar to the discussion above, we require MISO to revise this provision so that the credit requirements apply equally to Market Participants whose Specified Resources are included in the FRAP. Accordingly,

[12] Kevin A. Vannoy Test. at 7.

[13] MISO Tariff, Module E-1 § 69A.7.9.b.

we direct MISO, in a compliance filing to be made within 30 days of this order, to propose Tariff revisions to the credit provisions consistent with these findings.

By direction of the Commission.

Nathaniel J. Davis, Sr.,
Deputy Secretary.