



MISO-SPP Market-to-Market Process: Creation of New Flowgates and M2M Resettlements

Presented to:

FERC Technical Conference

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September 22, 2014



Restrictions on New M2M Flowgates

- M2M coordination is essential for efficiency when the neighboring RTO's dispatch causes congestion on another RTO's system.
- M2M provisions do a number of essential things, including:
 - ✓ Specifying economic rights (FFE) and settlements for each RTO to utilize transmission on its neighbor's system.
 - ✓ Establishing a process to coordinate the dispatch of the resources in both areas that affect the same transmission constraint.
- Alternatives to M2M coordination for managing inter-RTO flows are inefficient and ultimately raise costs to electricity consumers.
 - ✓ These alternatives include the Transmission Line-Loading Relief ("TLRs") procedures that SPP and MISO currently utilize.
- Hence, it is very important to identify such flowgates and initiate coordination under the M2M process as quickly as possible.



Restrictions on New M2M Flowgates (Continued)

- Coordination will capture efficiencies that lower aggregate costs, but it can raise settlement costs for one RTO depending on the FFE level.
- Tariff provisions proposed by SPP would allow either RTO to unilaterally block designation of new flowgates that are efficient to coordinate (and satisfy the criteria for coordination under the JOA):

Section 3.1.13. M2M Flowgates should not be permitted to be added outside of mutually agreed-upon scheduling timeframes except in extreme, extenuating circumstances or unless the RTO requesting the additional flowgate is willing to compensate the other RTO for any redispatch provided for that flowgate.

Section 8.1.4. Addition of M2M Flowgates. At times additional M2M Flowgates may be added upon mutual consent of both Parties. If one Party does not agree to the submission by the other Party in 30 days to the new M2M flowgate, that submission is deemed rejected. M2M Flowgates should not be permitted to be added outside of mutually agreeable scheduling timeframes except in extreme, extenuating circumstances or unless the Party requesting the additional M2M Flowgate is willing to compensate the other Party for any redispatch provided for that flowgate.



Restrictions on New M2M Flowgates: Section 3.1.13

- Section 3.1.13 is vague and difficult to interpret.
 - ✓ The meaning of the phrase: “added outside of mutually agreeable scheduling timeframes” is unclear.
 - ✓ It is also unclear what “scheduling timeframes” the provision could be referring to that would relate to the M2M procedures.
- This provision could be clarified such that the new M2M flowgate must be defined in advance of the day-ahead market for the first day in which it will be imposed.
 - ✓ We believe that such a clarification would be reasonable because it would allow the NMRTO to produce a day-ahead commitment and set of schedules that reflect its FFE for the new M2M constraint.
- It is unreasonable to restrict the definition of a new M2M flowgate more than 1 day because coordination on such constraints is efficient and will reduce the aggregate costs of managing the constraint.



Restrictions on New M2M Flowgates: Section 8.1.4

- New M2M constraints would be subject to the approval process in Section 8.1.4, allowing MISO or SPP to withhold its approval.
- Because some new M2M constraints will predictably raise settlement costs for one of the two RTOs, neither should have the unilateral discretion to block coordination of a legitimate M2M constraint.
 - ✓ No legitimate reason to deny the definition of a M2M constraint that has satisfied the M2M criteria has been identified.
 - ✓ Likewise, no criteria for making this determination is specified in the proposed tariff, so the RTOs' discretion would be unlimited.
- The most likely reasons an RTO would refuse to coordinate is because it would increase the settlement costs for its customers:
 - ✓ The NMRTO may refuse to coordinate on a new M2M constraint because it would be required to pay for the congestion it is causing.
 - ✓ The MRTO may refuse to coordinate because it would be required to make payments to the NMRTO for relief.
 - ✓ These are not valid reasons to not define a new M2M flowgate.



Restrictions on New M2M Flowgates: Section 8.1.4

- This provision is important because new M2M flowgates arise frequently.
 - ✓ While most M2M flowgates are defined well in advance, new M2M constraints can arise because of changes in the topology of the system and changes in the definitions of constraints.
 - ✓ If the contingent element changes for an existing M2M flowgate, it is considered a new M2M flowgate. This is a very common occurrence.
 - ✓ Even though this new flowgate would electrically be very similar to the existing M2M flowgate, it would need to be tested and approved under the process proposed in Section 8.1.4.
- Even if an RTO did not exercise its discretion to preclude the definition of new M2M flowgates, Section 8.1.4 will still substantially delay initiating the coordination, which is inefficient.
- Hence, the Commission should deem Section 8.1.4 unreasonable and order it deleted, or modify it to establish clear criteria and require the agreement of both RTOs that coordination would be inappropriate.



Settlement Discretion: Section 8.1.2

- The MISO-PJM JOA also includes a provision that is ambiguous and has resulted in contested M2M resettlements between PJM and MISO. This provision is replicated in the SPP-MISO JOA:
Section 8.1.2: Minimizing Less than Optimal Dispatch. The Parties agree that, as a general matter, they should minimize financial harm to one RTO that results from M2M coordination initiated by the other RTO that produces less than optimal dispatch, which can lead to revenue inadequacy for FTR/TCR and impose the burden for such revenue inadequacy on one or both RTOs.
- This provision was developed through a settlement. We argued that it was nebulous and provided unreasonable discretion to the RTOs.
 - ✓ FERC found that this after-the-fact review was reasonable because it is intended to address only the issue of whether an RTO has activated a flowgate that does not meet the M2M tests (a “substitute flowgate”).
- MISO and PJM have interpreted this provision much more broadly and validated our concerns.



Settlement Discretion: Section 8.1.2

- There problem with Section 8.1.2 is the vague references to “less than optimal dispatch” and to the obligation to “minimize financial harm”.
- In reality, there our countless reasons why an RTO’s dispatch may be “less than optimal”.
 - ✓ To the extent that this results in increased congestion, such costs are borne by all that use the network, including the NMRTO.
 - ✓ There is no reason to discriminate in favor or the NMRTO and shift those costs to the MRTO’s customers.
- The key clarification we seek is that the “less than optimal dispatch” is *caused by* “M2M coordination initiated by the other RTO”.
 - ✓ This is the most reasonable and literal interpretation of this provision and is consistent with FERC’s prior determination regarding after-the-fact review of M2M settlement.
 - ✓ Expanding the provision to include all RTO actions that cause “less than optimal dispatch” leads to unreasonable discretion because such actions occur every day.



Settlement Discretion: Section 8.1.2

- To better specify the objective of this provision and impose appropriate limits on the RTOs' discretion in applying it, we recommend the following modification:

Section 8.1.2: Conditions Under Which the RTOs may Revise M2M Settlements. The Parties agree that they will revise M2M settlements to minimize financial harm to either RTO that results from an error or flaw in the initiation or implementation of M2M coordination, including: a) errors that affect FFEs or calculated market flows, or b) initiating coordination on a flowgate that does not qualify as a M2M constraint.

- This revision clarifies the authority being delegated by the RTOs to revise M2M settlements and clearly specifies the conditions under which M2M resettlements are warranted.
- Hence, we encourage the Commission to require these modifications to this Section of the JOA.