

149 FERC ¶ 61,196
FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, DC 20426

December 2, 2014

In Reply Refer To:
Midcontinent Independent System
Operator, Inc.
Docket No. ER15-35-000

Midcontinent Independent System
Operator, Inc.
Attention: Kari A.E. Bennett, Attorney
P.O. Box 4202
Carmel, IN 46082-4202

Dear Ms. Bennett:

1. On October 3, 2014, pursuant to section 205 of the Federal Power Act,¹ Midcontinent Independent System Operator, Inc. (MISO) submitted proposed revisions to its Open Access Transmission, Energy and Operating Reserve Markets Tariff (Tariff) in order to specify the circumstances under which External Resources,² including power purchase agreements (External Resource PPA), can qualify as Capacity Resources for inclusion in MISO's Resource Adequacy Requirements (October 3 Filing). As discussed below, we conditionally accept MISO's proposal, to become effective on December 2, 2014, as requested, subject to a compliance filing.

¹ 16 U.S.C. § 824d (2012).

² An External Resource is a generator located outside the metered boundaries of the MISO Balancing Authority Area. MISO, FERC Electric Tariff, Module A, § 1.E (31.0.0).

2. Under Module E-1 in the current Tariff, an External Resource PPA may qualify as a Planning Resource,³ in part, if it is only interruptible as a last resort under Requirement 6.3 of North American Electric Reliability Corporation (NERC) Standard EOP-002.⁴ Interruption of exports by a Balancing Authority in which an external resource is located is among the remedies that a Balancing Authority could take under NERC Standard EOP-002.

3. MISO states that a number of factors have changed since the implementation of the External Resource PPA provisions, raising concerns regarding their continued effectiveness. Specifically, MISO expects tightening reserve margins and, consequently, MISO must ensure that the resources it relies on for its reserve calculations will, in fact, be available if called upon. Moreover, MISO represents that it recently learned that an external Balancing Authority would treat External Resource PPAs as non-firm, cutting these schedules prior to shedding its own native load. MISO states that as currently drafted, the Tariff's reference to NERC standards does not specify the order for implementing remedies, meaning that export limitation could be the first action taken. Accordingly, MISO initiated a review that focused on whether External Resource PPAs that could be interrupted by the host Balancing Authority can satisfy MISO's resource adequacy requirements.⁵

4. MISO proposes revisions in a new subsection 69A.3.1.c.4 that identify four categories under which an External Resource PPA can qualify as a Capacity Resource. Each category provides details on the circumstances under which external Balancing Authorities can interrupt External Resource PPA schedules.

5. The first three categories relate to External Resource PPAs that were executed after April 3, 2014.⁶ The first category, applicable to unit specific sales, precludes

³ A Planning Resource is a Capacity Resource, Energy Efficiency Resource, or Load Modifying Resource that can be used to satisfy Planning Reserve Margin Requirements. MISO, FERC Electric Tariff, Module A, § 1.P (33.0.0).

⁴ October 3 Filing at 1.

⁵ *Id.* at 2.

⁶ MISO states that April 3, 2014 is the date on which MISO first presented to stakeholders its intention to revise the Tariff as proposed in the October 3 Filing, and stakeholders thereafter had notice of these revisions when they negotiated new External Resource PPAs. *Id.* n.4.

interruption of External Resource PPA schedules when the MISO Balancing Authority Area is experiencing an Energy Emergency unless the generator being used to serve the unit specific sale has a forced outage. The second and third categories are applicable to slice-of-system sales when the external Balancing Authority and the MISO Balancing Authority are simultaneously experiencing an Energy Emergency. The second category provides that the external Balancing Authority may only interrupt a PPA schedule on a pro rata basis with the shedding of firm end-use load in the external Balancing Authority Area. The third category is applicable to slice-of-system sales sourced from an external Balancing Authority that (1) is located within MISO's Reliability Coordination Area, (2) participates in a contingency reserve sharing group with MISO, and (3) has a qualifying Seams Operating Agreement with MISO. Under this category, the external Balancing Authority and MISO will share load shedding on a pro rata basis, determined as the respective ratio of each Balancing Authority's end-use load in the Energy Emergency Area divided by the sum of the end-use load of each Balancing Authority in the Energy Emergency Area.

6. The fourth category relates to External Resource PPAs that were executed prior to April 3, 2014, which would be subject to the existing Tariff requirements. MISO states that this subset of External Resource PPAs can only be interrupted when the external Balancing Authority has exhausted the remedies of NERC Standard EOP-002. MISO also proposes other clarifying revisions to Tariff sections 69A.3.1.c and 69A.3.1.f. Finally, MISO proposes the addition of Energy Emergency, Energy Emergency Area, PPA Schedule, and Seams Operating Agreement to the list of defined terms in Module A of its Tariff. MISO requested a December 2, 2014 effective date for these revisions and submitted proposed Tariff sheets reflecting that effective date. MISO also included in its filing at Tab C certain Tariff sheets that contain both revisions from a pending docket and revisions requested in this docket.⁷

7. MISO states that it discussed its proposed revisions with stakeholders at several Supply Adequacy Working Group meetings starting on April 3, 2014, and that a motion to move forward with the amendments was passed by general consent of the Supply Adequacy Working Group on September 4, 2014.

⁷ At the time MISO made the filing in this proceeding, there was pending a MISO filing in Docket No. ER14-2599-000 that requested certain revisions, to be effective March 1, 2015, to some of the same sheets that are the subject of the current filing. Subsequent to the filing in this proceeding, the Commission accepted the revisions proposed in Docket No. ER14-2599-000, effective March 1, 2015. *See Midcontinent Independent System Operator, Inc.*, 149 FERC ¶ 61,067 (2014).

8. Notice of MISO's filing was published in the *Federal Register*, 79 Fed. Reg. 61,857 (2014), with interventions and protests due on or before October 24, 2014. Timely motions to intervene were filed by Manitoba Hydro, Ameren Services Company, Exelon Corporation, Arkansas Electric Cooperative Corporation, Wisconsin Public Service Corporation, NRG Companies,⁸ South Mississippi Electric Power Association, Wisconsin Electric Power Company, Consumers Energy Company, Xcel Energy Services Inc., and ALLETE, Inc. Hoosier Energy Rural Electric Cooperative, Inc. (Hoosier) filed a timely motion to intervene and comment. MISO filed an answer to Hoosier's comment.

9. Hoosier states that it agrees that resources used by Load Serving Entities (LSEs) must be available when called upon and thus does not oppose or protest the October 3 Filing. However, Hoosier asks the Commission to require MISO to clarify certain proposed language in section 69A.3.1.c.4.iii of the Tariff. First, Hoosier asks the Commission to direct MISO to enumerate the processes and criteria that must be included in Seams Operating Agreements under MISO's third category with respect to the planning reserve margin and qualifications for planning resources. Hoosier states that an LSE contemplating entering into an External Resource PPA must be able to ascertain whether it will be able to use the External Resource PPA to meet its resource adequacy requirement obligations.⁹ Second, Hoosier questions the use of "such resource plans" as it is not preceded by any reference to "resource plans" and thus creates additional ambiguity. Hoosier proposes to replace "provide transparency to such resource plans in the form of submittal of" with the word "submit." Alternatively, Hoosier states that MISO should be directed to specify the "resource plans" to which the proposed language refers.¹⁰

10. In its answer, MISO agrees with Hoosier and believes that some limited clarifications could, in fact, improve the proposed amendments. MISO suggests the following changes to Tariff section 69A.3.1.c.4.iii:

The Seams Operating Agreement must (1) ensure that the external balancing authority has established a planning reserve margin and qualifications for planning resources using processes and criteria ~~similar~~ comparable to the Transmission Provider; (2) specify the actions that will

⁸ For purposes of this proceeding, the NRG Companies consist of NRG Power Marketing LLC and GenOn Energy Management, LLC.

⁹ Hoosier Comments at 3.

¹⁰ *Id.* at 3-4.

be taken by both entities during an Energy Emergency prior to implementing firm end-use load shedding, and (3) specify that the external balancing authority will submit end-use load estimates to the Transmission Provider in a ~~similar~~ comparable manner as submitted by Load entities in Module E-1, provide generator GVTC and GADS data for all resources used to serve firm requirements of the external balancing authority, and provide transparency ~~to such resource plans~~ in the form of submittal of fixed resource plans ~~in accordance with~~ comparable to processes used by Market Participants for Fixed Resource Adequacy Plans in the Transmission Provider's Module E-1.¹¹

11. MISO states that it believes that the suggested changes address Hoosier's concerns, while also clarifying the Seams Operating Agreement criteria needed to qualify as an External Resource under MISO's third External Resource PPA category. MISO explains that the expectation is that prior to entering into an External Resource PPA, external Balancing Authorities must plan in a manner that is comparable to MISO's known planning processes.¹²

12. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2014), the timely unopposed motions to intervene serve to make the entities that filed them parties to this proceeding.

13. Rule 213(a)(2) of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.213(a)(2) (2014), 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.

14. We conditionally accept the tariff revisions proposed in this proceeding and as reflected in the Tab C Tariff sheets, effective December 2, 2014, as they reasonably clarify resource adequacy requirements, thereby ensuring that external resources will be available when called upon.

15. With respect to Hoosier's request for an enumeration of the processes and criteria that must be included in Seams Operating Agreements, we consider MISO's proposed revision in its answer that the processes and criteria must be comparable to MISO's Module E-1 processes and criteria applicable to establishing a planning reserve margin and qualifications for planning resources to be sufficiently clear for Hoosier to determine

¹¹ MISO Answer at 2-3.

¹² *Id.* at 3.

if its power purchase agreements subject to Seams Operating Agreements will meet MISO's resource adequacy requirements. Inasmuch as MISO's Tariff and Business Practices Manuals specify the process for establishing planning reserve margins and processes and criteria for the qualification of resources and power purchase agreements, we expect that MISO's revision will provide sufficient guidance to Hoosier. Accordingly, we accept these proposed revisions. We accept MISO's proposed deletion of "such resource plans" since it eliminates a potential ambiguity, as discussed by Hoosier.

16. We direct MISO to submit a compliance filing, within 30 days of the date of this order, making the revisions agreed to by MISO in its answer.

By direction of the Commission.

Kimberly D. Bose,
Secretary.