Capacity Deliverability Issues Between PJM and MISO

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Introduction

- Capacity deliverability is essential because the boundaries of the RTOs should ideally have no effect on:
  - The use of the network to dispatch the system in the operating timeframe; or
  - Decisions regarding where to invest or retire units on the long-run.
- These objectives can only be satisfied if:
  - Inefficient barriers to trading capacity between areas are eliminated to allow the markets to develop capacity in the lowest-cost areas; and
  - The obligations assigned to external capacity suppliers are reasonable and do not distort the efficient dispatch of the system.
- We have substantial concerns in both of these areas, and have recommended the ISOs work to resolve the issues since 2008.
The use of transmission to support capacity transactions needed to satisfy the ISOs’ planning needs is among the highest value uses of the network (as indicated by capacity price differences).

We have identified a variety of barriers that prevent full, economic utilization of the transmission capability in the planning horizon:

- Understated firm ATC into PJM;
- Use of a Capacity Benefit Margin;
- Unit-specific deliverability testing; and
- Ability of participants to hold firm capability that precludes efficient capacity sales.
External Capacity Obligations

- Inefficient operating requirements on external capacity suppliers can raise additional economic barriers to capacity trading.

- Capacity markets should recognize how energy is transferred between the ISO areas in reality.
  - The ISOs’ dispatch in each area is adjusted to effectuate energy transfers (output is not delivered from specific units);
  - Hence, the ISOs should have operating procedures to ensure external capacity will be delivered on a firm basis
    - this is both more efficient and reliable than imposing resource-specific dispatch obligations.
• Capacity deliverability substantially effects the efficiency of the long-term decisions made to satisfy the ISOs’ planning needs.

• We have been raising these issues for five years and virtually no progress has been made.

• Although they have been discussing these issues, the RTOs have not agreed on:
  ✓ Whether a problem exists;
  ✓ What potential solutions may be reasonable for addressing it if there is one;
  ✓ What the priority should be to implement a solution.

• For this reason, I continue to believe these issues will only be resolved if the Commission issue a reasonable deadline for the ISOs to work with their stakeholders on a solution.