

Organization of PJM States Inc. (OPSI) and Organization of MISO States (OMS)

Presentation to FERC: Docket No. AD12-16 Capacity Deliverability

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OMS

Organization of MISO States

Presentation Outline

- **Joint and Common Market (JCM)**
- **Capacity Deliverability (AD12-16)**
- **Issues in Proceeding**
- **OMS and OPSI Recommendation**
- **Potential Barriers**
- **Evaluation of Issues**

Joint and Common Market (JCM)

- **Two of the nation's leading Regional Transmission Organizations (RTO), PJM and MISO, share a seam with complex issues that have been managed on a case-by-case basis; often resulting in markets and policy outcomes that some stakeholders find disappointing.**
- **Within the last 18 months and at the urging of stakeholders, PJM and MISO renewed combined efforts to address challenges along the seams, through the Joint and Common Market (JCM) initiative.**
- **State regulators, as well as all PJM and MISO stakeholders, participate in the JCM's comprehensive and collaborative process.**

Capacity Deliverability (AD12-16)

- **Capacity deliverability has become a flashpoint JCM issue since MISO first identified their concerns for the need to ensure efficient delivery of capacity between the two RTOs.**
- **MISO circulated a White Paper in support of capacity deliverability; many JCM Participants and PJM did not agree with the paper's conclusion.**
- **The disagreement evolved and eventually became this FERC Docket, No. AD12-16-000; which was opened prior to the reinstatement of the JCM.**

Issues in Proceeding

- 1. Identifying the progress of efforts to address whether existing market rules and operating protocols concerning the transfer of capacity between MISO and PJM act as barriers to the delivery of capacity between those markets.**
- 2. Identifying any unaddressed barriers to the transfer of capacity between those markets.**
- 3. Identifying the measures that the Commission may take to address those barriers that may result in unjust and unreasonable rates.**

To inform the Commission and stakeholders on potential barriers and alternatives, OPSI and OMS believe that additional fact-finding within the JCM is necessary.

Cooperation, Transparency, and Collaboration

Independent Consultant - If it is determined in the JCM process that the RTOs cannot work together to complete the necessary study, OPSI and OMS suggest bringing an independent consultant into the JCM process, to gather the necessary information, with input from the RTOs and stakeholders.

Joint Fact-Finding

Steps in such a fact-finding include:

- 1. Identifying an agreed upon methodology for determining transfer capability between MISO and PJM, in both directions.**
- 2. Identifying a methodology for determining the magnitude of capacity that can reliably bid into PJM's Capacity Market from MISO and vice versa.**
- 3. Identifying and studying the reliability impacts and the feasibility of potential revisions to existing market rules and operating protocols concerning the transfer of capacity between MISO and PJM.**
- 4. Identifying a methodology for determining a cost/benefit analysis of implementing any necessary solutions.**

Potential Barriers

OPSI and OMS agree that potential barriers to participation in the MISO and PJM Capacity Markets may exist...

But the paramount question in the proceeding should be the appropriateness or reasonableness of those potential barriers.

Questions for Consideration

- **Are any of the asserted barriers to participation in the Capacity Markets unjust or unreasonable?**
- **May some of these barriers be characteristics of each RTO's capacity market necessary to maintain the reliability and economics of each or both capacity markets?**

Questions for Consideration

- **Would the use of remaining transmission capability between MISO and PJM for long term capacity transfers be discriminatory to other parties' ability to otherwise utilize the remaining transmission capability?**
- **Is there potential discrimination against internal RTO generation or external generators to MISO and PJM that would also desire a similar ability to provide capacity to MISO or PJM?**

Fact-Finding to Support the Analysis

OPSI and OMS believe the initial fact-finding must be utilized to evaluate and analyze critical issues.

Evaluation of Issues

- 1. Determine the possibility and significance of cost shifts between MISO and PJM.**
- 2. Consider the impact of any proposed or revised deliverability scheme on reliability.**
- 3. Consider whether further work on capacity deliverability is cost effective.**

Evaluation of Issues (Continued)

- 4. Conclude if there is an overall incremental joint deliverability benefit over that currently occurring.**
- 5. Consider whether the revisions can be cost-effectively and realistically implemented.**
- 6. Determine the long-term rate impact on each RTO's retail customers.**

A fact-finding that provides RTOs and all stakeholders with the requisite information and analysis to take well informed positions is necessary to advance vital coordination, while still allowing RTOs to maintain their unique characteristics.

Without the collaborative involvement from both RTOs the output of any fact finding and subsequent analysis would likely be unreliable.

Prior OPSI and OMS Joint Comments

- **OPSI and OMS filed Joint Comments in AD12-16 on February 5, 2013 and since February, the effectiveness of the JCM process has shown improvement.**
- **State regulators do not want to actively direct or moderate fact finding or technical efforts.**
- **State regulators will continue to be active JCM participants and provide feedback, suggestions and input for the assessment of the capacity deliverability issue, as is expected of all other participants in the JCM.**

OPSI and OMS expect the JCM process to continue to be productive. We also look forward to working with MISO, PJM, and stakeholders in a cooperative examination of capacity deliverability.