

UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

Public Citizen, Inc. v. Midcontinent Independent System Operator, Inc.	Docket Nos.	EL15-70-000
The People of the State of Illinois By Illinois Attorney General Lisa Madigan v. Midcontinent Independent System Operator, Inc.		EL15-71-000
Southwestern Electric Cooperative, Inc. v. Midcontinent Independent System Operator, Inc., Dynegy, Inc., and Sellers of Capacity into Zone 4 of the 2015-2016 MISO Planning Resource Auction		EL15-72-000
Illinois Industrial Energy Consumers v. Midcontinent Independent System Operator, Inc.		EL15-82-000

ORGANIZATION OF MISO STATES
POST-TECHNICAL WORKSHOP COMMENTS

On October 1, 2015, the Federal Energy Regulatory Commission (“Commission”) in dockets EL15-70-000, EL15-71-000, EL15-72-000, and EL15-82-000 announced a technical conference for October 20, 2015. The notice stated that post-technical conference comments would be considered if submitted to the Commission before November 4, 2015. The focus of the technical conference, as hosted by the Commission Staff was the 2015-2016 Midcontinent ISO (MISO) Planning Resource Auction (PRA) results.

The Organization of MISO States (OMS) is a non-profit, self-governing organization of representatives from each retail regulator with jurisdiction over entities participating in the Midcontinent ISO (MISO) and serves as the regional state committee in the region. The purpose of the OMS is to coordinate regulatory oversight among the states; to make recommendations to the MISO, the MISO Board of Directors, the Commission, other relevant government entities and state

commissions as appropriate; and to intervene in proceedings before the Commission to express the positions of the OMS member agencies.

OMS appreciates the opportunity to offer comments on the important topic of the MISO PRA. The comments offered here are in response to discussion in Session 4 of the October 20, 2015, technical conference and specifically comments made by Dr. David B. Patton of Potomac Economics and Mr. Henry Jones of Dynegy. Both panelists promoted the implementation of a downward sloping demand curve (DSDC) in the MISO auction.

OMS has previously stated its opposition to the implementation of a downward sloping demand curve to both the Commission and the MISO Board of Directors. OMS reiterates its continuing position on the subject. The OMS Board of Directors in February 2015, commented to the MISO Board of Directors that a DSDC impairs state and local resource decisions, lacks supportive empirical data, mismatches a short run pricing device to guide long-term multi-factor resource decisions, and ignores the heterogeneous character of generation resources.¹

OMS opposes the introduction of a DSDC in the PRA. A DSDC would hinder, limit, and otherwise subvert state and local regulators' resource adequacy authority by effectively negating their decisions regarding the optimal capacity level and capacity resource mix within their respective borders. Furthermore, OMS is unaware of any empirical data that would support the claims made by many that DSDCs improve price efficiency and stability and reduce generator incentive to withhold capacity. Moreover, OMS questions whether the DSDC can deliver the benefits promised. It is impossible for a contrived short run auction to have perfect foresight, and absent a MOPR (a mechanism OMS opposes), the auction would drive long-term generation decisions towards the lowest cost generation. Generation is not homogeneous. Most of the available capacity in the MISO footprint is based on long-run vertically integrated generation. Long-run investment in power generation requires careful consideration of many factors not a short-run price signal in a short-run capacity auction.

¹ OMS response for the State Regulatory Sector on the MISO Advisory Committee Hot Topic on February 25, 2015. <http://misostates.org/images/stories/Filings/HotTopics/2015/HotTopic-Feb15-ResourceAdequacy.PDF>

OMS submits these comments because a majority of its members has agreed to generally support them. The Michigan Public Service Commission is not advocating for changes in the MISO resource adequacy construct but does not have adequate information to take a position for or against a sloped demand curve at this time. The Mississippi Public Service Commission joins this filing but will also file separate joint comments with the Mississippi Public Utility Staff.

The Public Utility Commission of Texas and the Manitoba Public Utilities Board abstain from this filing. The Public Utility Commission of Texas is not advocating for changes in the MISO resource adequacy construct because it does not have adequate information to take a position on a sloped demand curve and, more importantly, is skeptical of the usefulness of any system-wide economic capacity construct in an organized market comprised overwhelmingly of vertically integrated utilities. The Illinois Commerce Commission did not vote on this filing.

Individual OMS members reserve the right to file separate comments regarding other issues discussed at the technical conference.

Respectfully Submitted,

Tanya Paslawski

Tanya Paslawski
Executive Director
Organization of MISO States
100 Court Avenue, Suite 315
Des Moines, Iowa 50309
Tel: 515-243-0742

Dated: November 4, 2014

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon each person designated on the official service list compiled by the Secretary in these proceedings.

Tanya Paslawski