



## Organization of MISO States

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May 20, 2013

John Bear  
President and Chief Executive Officer  
MISO  
Carmel, Indiana

Dear Mr. Bear:

On April 24, 2013, Midcontinent Independent System Operator (MISO) management made a resource adequacy presentation to the MISO Board's Markets Committee. Titled "The Next Generation of MISO Resource Adequacy Enhancements, Increasing Forward Transparency for Better Assuring Regional Adequacy and Enable Efficient Planning," the presentation contemplated MISO's imminent reexamination of the nascent MISO capacity construct. The Organization of MISO States (OMS) has concerns about this effort, which appears to be without justification so soon after the capacity construct was recently amended.

As MISO knows, the 17 OMS members have a keen interest in resource adequacy. Each member of OMS takes the subject of resource adequacy seriously, as under both federal and respective state laws, the state Commissions have jurisdiction over resource adequacy, specifically the regulatory authority associated with generation planning, permitting and construction. When MISO first established its resource adequacy construct, OMS did not support a mandatory forward capacity market. Both MISO and the Federal Energy Regulatory Commission recognized the structural difference between the MISO market, comprised primarily of integrated regulated utilities, and other RTOs' markets, and were supportive of the OMS position. OMS continues to support this position.

OMS understands MISO's interest in resource adequacy issues for reliability reasons and looks forward to providing key strategic input into the ongoing assessment of resource adequacy. The states are eager to provide MISO with information pertinent to the requirements each state imposes on its utilities to maintain resource adequacy. MISO appears eager to receive this information. Beyond that mutually beneficial process, any additional need for reevaluation seems premature and unnecessary.

The current resource adequacy processes in MISO are not broken. In fact, MISO's assessments point out that the region is on target for future planning periods. In the MISO region there has not been failure on the part of states or the regulated utilities to ensure resource adequacy. The MISO region currently operates with a healthy surplus of generation capacity. Even if some of the worst case situations presented by MISO on April 24, 2013 were true, no load is shed, and



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the states remain in a commanding position with respect to managing resource adequacy. To put in place a mandatory forward capacity market is to presume state regulatory failure, which has not occurred.

Furthermore, the current resource adequacy construct is barely tried, having just completed its first auction. We don't hear a widespread clamor for change, nor should there be change until the existing model has an opportunity to work. If resources are adequate and there is no broad based push for change, then the only legitimate driver must be the existence of a better model for the provision of resource adequacy. We find that proposition unlikely, based on our observations of models in other RTOs. Transparency exists in the MISO construct, with regulated utilities seeking such pricing information through bilateral negotiations or competitive RFPs. To the extent the current resource adequacy construct needs some fine tuning, OMS looks forward to helping. To the extent MISO is contemplating a major rework of the construct, we ask what problem is MISO trying to solve, how is it not solved (or solvable) by existing MISO and state structures, and how will MISO's proposed solution be more affordable for ratepayers than what is currently in place?

The MISO Board of Directors had a lengthy discussion about resource adequacy at its April 25 meeting. During that discussion, several Board members acknowledged that state Commissions have primary authority and responsibility regarding resource adequacy and planning. Some Board members also advocated that MISO should engage in a transparent, well defined and deliberate process concerning further efforts on resource adequacy, whether focused on markets or regional assessments. OMS appreciates the MISO Board's thoughtful consideration, and agrees that MISO should proceed cautiously to avoid overstepping its role.

We remain committed to working with MISO and all its stakeholders in order to make all its markets efficient and affordable.

Sincerely,

A handwritten signature in black ink, appearing to read "Kari Bennett".

Kari Bennett, President

cc: Richard Doying, Executive Vice President of Operations and Corporate Services  
Clair Moeller, Executive Vice President of Transmission and Technology

*This letter was adopted by the OMS Board of Directors at its May 16, 2013 meeting.*