



RICK SNYDER
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF LICENSING AND REGULATORY AFFAIRS
PUBLIC SERVICE COMMISSION
GREG R. WHITE JOHN D. QUACKENBUSH SALLY A. TALBERG
COMMISSIONER CHAIRMAN COMMISSIONER

STEVE ARWOOD
DIRECTOR

Memorandum

DATE: March 26, 2014
TO: OMS Board
FROM: Sally Talberg, Commissioner, Michigan PSC
SUBJECT: Independent load forecast by MISO

As the OMS Planning Advisory Committee Representative, I wanted to update the board on the stakeholder dialogue regarding MISO's effort to conduct an independent long-term load forecast and seek the board's input on this matter. As I mentioned at the last OMS board meeting, this MISO forecasting effort is now underway with the contractor (Purdue University's State Utility Forecasting Group) in place and stakeholder workshops being planned. At this time, I recommend that OMS: 1) request that MISO provide written answers to the Planning Advisory Committee on the process and substantive questions raised by OMS staff and stakeholders; and 2) work collaboratively with MISO and other stakeholders over the coming year to make the effort as productive and informative as possible.

Background

MISO has raised high-level concerns regarding the accuracy of load forecasts developed by load serving entities (LSEs) and their ability to rely on such bottom-up forecasts when examining long-term resource adequacy. Accordingly, MISO began initial high-level discussions at the PAC last fall as part of a new internal project, Transparent Resource Adequacy Assessment Consolidation (TRAAC). Only a verbal overview was provided about the forecast, and MISO stressed that it would not replace LSE forecasting. Based on my staff's perspective, MISO had not explained clearly enough its objective for this long-term forecast during these initial discussions. Thereafter, in December, the MISO Board of Directors approved the 2014 budget with \$1.2 M allocated for an independent load forecast. This took some stakeholders by surprise and triggered correspondence between MISO management and stakeholders on the subject.

In January 2014, the PAC requested MISO to provide an update on the project, including any RFP that was issued to select the load forecasting contractor. MISO indicated that the RFP had been released and a contractor was selected. In February 2014, MISO presented to the PAC on the selection of Purdue University's SUFG as well as the scope and timeline for the load

forecast. In March 2014, following a round of written comments from stakeholders on the merits of MISO engaging in load forecasting and the technical parameters, MISO provided an additional status report. MISO did not directly respond to the comments, including those from the OMS Regional Planning Work Group. The PAC chair, recognizing the strong interest from stakeholders and the need to move on with the agenda, asked for an additional round of comments on the subject despite objection by MISO staff (suggesting that an additional round of comments would result in “busy work”).

Process Concerns

Based on my understanding of the process to this point, it seems that the issue of whether to do the forecast was never adequately vetted, or even teed up, through the stakeholder process. The lack of resolution over this threshold question may have created some of the pent-up frustration now being exhibited. This could present a learning opportunity for MISO because such situations—particularly if repeated—threaten the integrity of the stakeholder process.

Recommendation

Notwithstanding these process concerns, the load forecasting effort is well underway. While it is not clear how MISO will use this forecast to reconcile it with the various LSE forecasts, I recommend that we work collaboratively with MISO to make the effort as successful and informative as possible. Forecasting presents significant risk for the market and system reliability so efforts to better understand the methods and results should help manage that risk as we enter into a more resource-constrained environment in MISO. In order to get beyond some of the initial concerns by stakeholders, it seems incumbent on MISO to actually answer the questions that have been raised through the PAC as a next step. I recommend that OMS make such a request of MISO so that the PAC and individual stakeholders can be better prepared as this topic is discussed during the next PAC meeting, one-on-one meetings with specific sectors in April, and the MISO workshops on load forecasting beginning in April. This request could come in the form of a communication from me as the PAC representative or, if the board prefers, a letter from OMS.

I also encourage OMS board members and/or staff to attend the **special sector meeting** between MISO and the OMS on this topic on **April 10** at 10 a.m. central.

If you have questions or concerns related to this issue or other matters related to the PAC, please contact me at (517) 241-6195 or talbergs@michigan.gov.