

MISO Draft Resource Adequacy Principles

Comments by the Organization of MISO States

April 17, 2014

The Organization of MISO States (OMS), by its Board of Directors, has the following comments and concerns related to the MISO Draft Resource Adequacy Principles, first presented to the MISO stakeholders at the April 3, 2014, Supply Adequacy Working Group (SAWG) meeting.¹

Resource adequacy is a foundational concern of state utility regulators. Whether appointed or elected, we are placed in these roles with an expectation that we will make sure the lights stay on. That the MISO stakeholders and MISO continue to dialogue on resource adequacy is appropriate, but OMS questions both the need for MISO to develop principles in this area, and the draft that has been circulated. Our broad concerns lie in three areas.

1. Process - Stakeholders were given only 12 calendar days (April 3 through April 14) to review the draft. That is a wholly inadequate period in which to respond, and is fundamentally at odds with MISO's stakeholder process. Issues of much less import and controversy spend months in the MISO stakeholder review process. OMS requests that if MISO continues to support the creation of its own resource adequacy principles, it finalizes them only after a much more rigorous and open stakeholder process.
2. Continued MISO Misunderstanding of MISO's Role in Resource Adequacy – MISO maintains grid reliability and runs relevant markets. The states, and those they regulate, maintain resource adequacy. If the resources built under state authority are not available as expected, then MISO has an obligation to take appropriate action up to and including ordering firm load shedding and penalty assessment. But it is the states that have the sole authority to get capacity resources built. This distinction is an important one – a jurisdictional line in the sand – and that line is occasionally crossed in MISO's draft principles.²

¹ OMS has its own "Revised Principles for Resource Adequacy," adopted most recently on August 12, 2010. See <http://www.misostates.org/files/OMSPinciplesforResourceAdequacyAug2010.pdf>. These comments are not meant to supplant or modify those principles.

² The Mississippi Public Service Commission further notes that it is within the retail regulator's sole jurisdiction whether transmission is constructed to address resource adequacy within that state. The Mississippi Public Service Commission supports MISO's efforts to conduct studies to determine where transmission could be built to address resource adequacy and provide that information to retail regulators and market participants for their decision making process.

3. Specific Concerns with the Draft Principles – Individual OMS member states have a variety of concerns with the specific draft principles, and the time allotted for review is not adequate to allow the OMS Board to reach consensus on the full plate of problems. Generally, however, the following troubling themes recur throughout the draft principles (and the stated “Desired Business Outcomes”):
 - a. Statements that MISO has a responsibility for resource adequacy. This is not accurate, as noted above.
 - b. Statements that MISO must achieve resource adequacy in all time horizons. This muddles evaluation (which may be appropriate by MISO in longer time frames) with a compliance obligation, which is squarely on the shoulders of LSEs and states. It also hints at a construct that is mandatory and binding, something that OMS and the vast majority of stakeholders in MISO have resisted with good reason.
 - c. Just and reasonable rates. Surely important, but not something that is under MISO’s authority.
 - d. Lowest possible cost. Resource adequacy is about more than lowest cost planning, though that is certainly a key concern. Resources may well come at a cost above lowest, particularly if they are to be adequate at all times and they are to take into account state-specific matters of public policy.

Despite these criticisms, we remain a full partner in this area, as evidenced by our long-term involvement in the development of the current MISO capacity construct and our willingness to participate with MISO in the ongoing resource adequacy assessment. We look forward to a more open and full debate on MISO’s proposal.

Approved by the OMS Board of Directors
April 17, 2014