

Comments to MISO CRSTT  
OMS Resources Work Group  
Submitted March 3, 2016

The OMS Resources Work Group (“RWG” or “work group”) provides this feedback for MISO’s consideration as it develops its Design Paper and makes a final recommendation to the RASC. As MISO indicated in the CRSTT stakeholder participation instructions, participants in the process can submit materials for consideration, but do not have to give a formal presentation at one of the stakeholder solution meetings.<sup>1</sup>

The RWG has assembled this document to: ensure that long-held OMS Principles<sup>2</sup> related to resource adequacy (RA) are a visible part of the process; clarify its concerns with the CRSTT process; and point out proposals, or pieces of the process, that conflict with these principles. In an effort to ensure that these principles are not overlooked, and that state jurisdiction is not improperly diminished, the work group highlights specific key principles that are directly related to the CRSTT subject matter. The document goes on to point out concerns with the process, as well as ideas that have been put forth by stakeholders that are at odds with these key principles.

The work group thanks MISO for requiring that all solutions respect traditional jurisdictional processes through CRSTT Foundational Principle No. 2. To build on this principle, the work group requests that MISO define “minimal impact” and develop a process to assess the impact. Without these two items, it is unclear how solutions will be judged against this metric.

### **OMS Principles:**

The Organization of MISO States regularly adopts documents that define principles to guide OMS participation at both MISO and FERC. The OMS Board of Directors adopted the “Revised Principles for Resource Adequacy” in August of 2010. Since their adoption, these principles have served as guidance for OMS and its work groups for many RA-related discussions at MISO – most recently AC Hot Topic responses in February<sup>3</sup> and June<sup>4</sup> of 2015.

The pillar of these RA Principles is that decisions regarding generation resource planning be left to the states<sup>5</sup>. Therefore, any modifications to the capacity construct in retail choice areas that could potentially have “spill over” impacts upon the generation decisions of surrounding jurisdictions should not be implemented. On a system as interconnected as the MISO footprint, it is understood that impacts cannot be completely isolated. This is why a clear definition of “minimal impact” and the development of a process to measure said impact is needed.

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<sup>1</sup> January 25 presentation materials of the CRSTT.

<https://www.misoenergy.org/Library/Repository/Meeting%20Material/Stakeholder/CRSTT/Stakeholder%20CRSTT%20Participation%20Instructions.pdf>

<sup>2</sup> OMS RA Principles, August 12, 2010. <http://misostates.org/files/OMSPrinciplesforResourceAdequacyAug2010.pdf>

<sup>3</sup> February 2015 AC Hot Topic Response of State Regulator Sector.

<http://misostates.org/images/stories/Filings/HotTopics/2015/HotTopic-Feb15-ResourceAdequacy.PDF>

<sup>4</sup> June 2015 AC Hot Topic Response of State Regulator Sector.

<http://misostates.org/images/stories/Filings/HotTopics/2015/HotTopic-June15-ResourceAdequacy.PDF>

<sup>5</sup> OMS Revised Principle Number 15.

“New OMS Principles 3-5” all relate to the need to maintain an efficient capacity construct that operates with an acknowledgement of the footprint’s regulatory structure. To achieve this, OMS stated that any capacity product must “remain standardized and tradable.”<sup>6</sup> Furthermore, “revenue generation or cost recovery... should be a byproduct of efficient market design, and not a specific goal of resource adequacy.”<sup>7</sup> Principle 5 clearly states the OMS position that a mandatory, centralized forward-based capacity market is not needed in MISO.<sup>8</sup>

Lastly, OMS Revised Principle 13 connects RA to system reliability. The principle highlights how important it is to “protect the adequacy of the system and to prevent jeopardizing system reliability or force parties that are complying with RA requirements from subsidizing non-complying parties.”

### **CRSTT Process:**

The RWG maintains that the process itself lacks an adequate timeline and sufficient meaningful opportunities for stakeholder involvement. In addition to the detriment of rushed timing, the work group submits that the lack of three key elements disadvantages the state regulatory sector: a strawman proposal early in the process; pertinent and clear information regarding the tools that are available within the state of Illinois; and clear definition of metrics used to measure the impacts of any final proposal on the larger footprint.

MISO has not provided sufficient reasons to implement an overly-ambitious timeline for solution development and implementation. Although the work group acknowledges that options to address concerns in LRZ 4 should be considered, the lack of clear reasoning for the timeline calls into question the magnitude of reform that is actually needed. Although MISO has provided an opportunity for stakeholders to submit holistic solutions for consideration, by utilizing a process that doesn’t rely on a strawman proposal, ‘meaningful’ participation is limited. Needed stakeholder questioning, analysis, and debate regarding the features and flaws in inevitably self-interested participant proposals is delayed too far into the process. Any concerns that stakeholders have with how the various solutions are incorporated into the Design Document will not be heard until very late in the process, thereby limiting the effectiveness of any feedback and the potential for melding any worthwhile elements of proposals into a workable solution.

MISO has not presented the tools that exist within Illinois to address the issue for stakeholder consideration. This inherently limits the options that stakeholders can put forth. The work group views this as one of the largest shortcomings of this process, where stakeholders have been effectively asked to “bake a cake,” but have not been informed of what ingredients are in the pantry. The result of this information void, combined with the compressed timeline, is that only a limited number of stakeholders are truly capable of providing a holistic solution.

The final concern that the RWG has with the process at this time is the lack of a clear definition around “minimal impact” to traditional state-regulated jurisdictions. This term needs to

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<sup>6</sup> New OMS Principle 3.

<sup>7</sup> New OMS Principle 4.

<sup>8</sup> New OMS Principle 5.

be defined and MISO should clarify how impacts will be quantified, both for the purposes of evaluating proposals in the present and monitoring implementation into the future.

### **Observations and Conclusion:**

The work group does not intend to present a solution to the issue MISO has identified, so these final thoughts are intended to point out instances where the OMS RA Principles are in conflict with solutions that have been presented to date through the CRSTT process, especially as they relate to reliability and market efficiency.

As discussed earlier, system reliability is one of the key outcomes of maintaining adequate levels of resources. MISO staff and stakeholders have recently gone through a yearlong process to develop a seasonal construct, the end result of which is primarily greater reliability benefits. These benefits come in the form of clarity into the availability of resources on a seasonal basis. Many stakeholders hope to implement an even more granular seasonal construct in the future to achieve greater economic and reliability benefits. Any stakeholder solution that includes an annual capacity product in retail choice areas would inherently be lacking this key reliability benefit, which could threaten reliability of the rest of the footprint and runs counter to several OMS RA Principles. This decreased level of reliability in a certain area could also be perceived as causing a significant impact upon the 91% of the footprint that does not rely on market signals for RA, conflicting with CRSTT Foundational Principle No. 2.

In the process to date, two stakeholder solutions propose a drastically different capacity product for retail choice areas than what is found in the vertically integrated jurisdictions. The proposals differ on time duration of the proposed product as well as on reliability requirements. Having a uniform – or very nearly uniform – product would help to maintain market efficiency and prevent a “capacity island.” Maintaining uniformity of products would allow a solution to comply with OMS RA Principle Number 3, which states a capacity product should “remain standardized and tradable.” A uniform product would also meet the CRSTT Foundational Principle No. 4 requirement that solutions maintain the benefits of being a part of the larger MISO region and “provide consistent treatment of participants regardless of regulatory structure.”

Going forward, the RWG asks that MISO consider these OMS Principles and work group concerns when analyzing stakeholder solutions.