

Feedback on the MISO Competitive Retail Solution

Provided by: OMS Resources Work Group

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The OMS Resources Work Group (“work group”) appreciates the opportunity to provide feedback to the Resource Adequacy Subcommittee (“RASC”) related to MISO’s Competitive Retail Solution (“CRS”). This feedback is intended to provide specific suggestions to MISO under the assumption that MISO is moving forward with a July 1 tariff filing and does not represent support for the CRS by the work group or any of its members.

A primary concern of the work group is the provision for a non-participating LSEs to opt-in to the new construct. The work group does not want the CRS to spillover into the vertically integrated portion of the footprint. For this reason, MISO should (i) eliminate the opt-in provision and (ii) include language stating that MISO will not permit participation in the CRS by market participants located in any non-retail access or retail competition state that serve load in that state absent written authorization by that state’s agency or commission with retail rate jurisdiction. This provision would not apply to independent power producers that are not under contract with an LSE to supply capacity to satisfy that LSE’s resource adequacy requirement.

The work group would also like to see the current safe harbor provisions maintained, which effectively guarantee that utilities who have not adopted the competitive construct would continue to be able to rely upon resources that they own, or control through contract, located in areas that utilize the CRS.

MISO requested specific feedback in four areas at the April 14 RASC meeting. Responses to those requests are below:

1. Bifurcated procurement: The work group is concerned that by clearing resources in the forward market to a variable level, non-participating load that clears in the prompt year to a different fixed level (i.e., LCR) could be negatively impacted by the remaining variable procurement of participating loads, which may procure to higher reliability levels. The work group requests that MISO show how the auction will be run to clear a zone with both participating and non-participating load at a single price. Please provide an example of how zone 4 and/or zone 7 would have cleared in 2016.

In addition, the work group shares some of the concerns of the IMM related to forward capacity procurement. Since the benefits of forward procurement are unclear and could lead to inefficient decision making, while adding substantial implementation costs, this portion of the proposal should be reviewed to ensure that its supposed benefits are truly worth the cost and potential harm.

2. Congestion Charge Allocation: The work group views this as an issue that would only arise if procuring to a level above the local requirements in the forward auction. For this reason, the work group does not support procuring at a level higher than what is currently proposed. Doing so only adds complexity and leads to multiple cost allocation issues.

3. Demand Curve Design: MISO has indicated that they would prefer to use a previously-FERC approved curve design for the CRS. The work group is concerned about how applicable previously approved curves are for the MISO footprint. Is MISO aware of any potential complications that could arise from the drastically different sizes and structures of the markets that utilize these demand curves and that of the much smaller competitive retail portion of MISO? For example, the supply offer curve is drastically different in MISO than in other markets.
4. Forward FRAP: The work group believes that by allowing participating demand to FRAP, uniform treatment is maintained throughout the MISO footprint under this proposal. This provision is also needed to help ensure bilateral contracting can continue to play the needed and important role in the capacity construct. This would also help accurately reflect MISO's primarily vertically integrated utilities and retail regulators' responsibility for resource adequacy.

Some work group members are concerned that forward FRAP'ing will be to a fixed quantity, which is inherently wrong. It is unclear how this quantity will be "trued-up" in the prompt auction to meet both local and system-wide requirements.

It is also unclear to work group members how participating load could forward contract for their entire forecasted demand when a forward FRAP can only be used to cover local requirements. Would the remaining portion of a unit be required to offer its supply even though it is bilaterally contracted to meet 100% of a participating load's demand?

Again, the OMS Resources Work Group offers this feedback and asks these questions under the assumption that MISO will file tariff language similar to the current CRS proposal. In doing so, no member implies support for the Competitive Retail Solution.