Organization of MISO States (OMS)
Resources Work Group
Response to RASC Feedback Request of Feb. 28 / Mar. 1, 2023
Submitted on March 24, 2023

During the Feb. 28 / Mar. 1, 2023 meeting of the Resource Adequacy Subcommittee (RASC), MISO continued discussing the Reliability-Based Demand Curve proposal and certain design elements. Written feedback was initially requested by March 17, which was later extended to March 24, 2023.

https://www.misoenergy.org/stakeholder-engagement/stakeholder-feedback/2023/rasc-rbdc-proposal-and-design-elements-rasc-2019-8-20230228-0301/

Feedback:

The OMS Resources Work Group (OMS RWG) appreciates the opportunity to provide feedback to MISO on the Reliability-Based Demand Curve (RBDC) proposal and design elements. **This feedback is from an OMS work group and does not represent a position of the OMS Board of Directors.**

Marginal Reliability Impact (MRI) Curves

The inclusion of the graphs depicting the seasonal demand curves within the RBDC materials helped enhance the OMS RWG's understanding of key concepts and design changes from the current PRA based on a vertical demand curve. To that end, the OMS RWG requests that MISO provide the same graphs, depicted on slide 13 of the RBDC material, at a larger scale with granular numerical scaling and an overlay of anticipated supply curves based on either historical data or forward projections. If the graphs on slide 13 are the actual results of a simulation, and not offered for purely illustrative purposes, the OMS RWG would like to understand why MISO's design of the curve appears so steep. Too steep of a demand curve would lead to high levels of volatility in the equilibrium price year-to-year. Relatedly, the OMS RWG would appreciate seeing MISO's estimation of potential auction clearing prices and clearing quantities by season following the close of this year's PRA. The draft estimates MISO shared for summer have been helpful, but a look at fall, winter, and spring are needed for a more complete understanding of the RBDC's impact.

The OMS RWG is concerned that MISO's use of the Expected Unserved Energy (EUE) metric in establishing the MRI curves without changing how the Planning Reserve Margin Requirement is determined will result in unnecessary variability in the year-to-year requirement. In OMS's Position Statement regarding Consideration of a Revised Demand Curve, the OMS Board expressly requested that any changes to the demand curve must be durable to reduce the need for future design changes. MISO could accomplish this objective by establishing a stable EUE metric that will not need to be adjusted every year. Additionally, there is a limit for the value of reliability, and the design of the demand curve must reflect that reality. Otherwise, as the IMM has stated, the incremental value of reliability continues ad infinitum.

The OMS RWG understands that MISO has engaged with the Brattle Group to assist in the design of the MRI-curves. The OMS RWG requests that MISO provide the study details that were used in designing these curves.

Seasonal Co-optimization with Annual Commitment Model

Like those raised during the RASC by several stakeholders, the OMS RWG has concerns about MISO's proposed annual commitment model. The OMS RWG understands that MISO proposed the annual commitment model to provide Market Participants additional optionality, but MISO's model appears to interject unnecessary complications and variability into a construct that's already experiencing substantial change. Would MISO be willing to state which, if any, Market Participants requested such an offering? Knowing which participant requested such an action and why could lead to better understanding of the reasoning thereof.

The OMS RWG also supports further discussion and explanation regarding who pays for uplift provided to those resources that clear annually. Would LSEs that opted out of the PRA be subject to uplift? If an annual commitment model is implemented, the OMS RWG questions why a similar model isn't available for resources to offer in two or three seasons.

Net Cost of New Entry (CONE)

While the OMS RWG generally supports the methodology MISO proposes for the Net CONE calculation, we request that MISO explore its continued reliance on a single reference technology (peak CT unit) in determining CONE. Given the increasingly dynamic nature of the resource portfolio, it appears to be the time to consider multiple technologies.

Lastly, the OMS RWG continues to reiterate the seventh bullet point on OMS's Position Statement on Consideration of a Revised Demand Curve, which reads:

> Revising the PRA's demand curve is just one tool to improve the RAC. MISO must continue to work on enhancements to its energy and ancillary services markets and coordinate those market reforms with the RAC.

It is imperative that MISO work on enhancements to the energy and ancillary services markets, including enhancing scarcity pricing and reevaluating the ORDC and VOLL, in addition to working on all of the above because implementing an RBDC alone will not be sufficient to incentivize new generation.