Organization of MISO States (OMS)
Resources Work Group
Response to September 6, 2023 RASC Feedback Request
Submitted on October 12, 2023

As discussed with the Resource Adequacy Subcommittee (RASC) on September 6, 2023, MISO has released a draft white paper on Reliability Based Demand Curves (RBDCs). The draft white paper is intended to summarize the RBDC design discussed with the RASC since October of 2022. Stakeholders are requested to provide feedback on sections in the draft white paper needing clarification or additional details that may be helpful to develop an appropriate understanding of the proposed RBDC design by October 12.

https://www.misoenergy.org/stakeholder-engagement/stakeholder-feedback/2023/rasc-rbdc-draft-white-paper-feedback-rasc-2019-8-20230908/

The OMS Resources Work Group (OMS RWG) provides this feedback to MISO on the Reliability Based Demand Curve (RBDC) draft white paper. **This feedback is from an OMS work group and does not represent a position of the OMS Board of Directors.**

Timing of White Paper Release

The OMS RWG appreciates the extensive information in the draft RBDC white paper and understands that several key design elements of the RBDC were under development even after the white paper was publicly posted on September 8, 2023. Still, the timing of its release failed to afford stakeholders with sufficient time to review, comment, question, and iterate on the draft prior to MISO's RBDC filing with FERC on September 29, 2023. While MISO welcomed stakeholder questions on the RBDC's proposed design through the Help Portal, the OMS RWG would have preferred the chance to meaningfully contribute to the white paper's development prior to MISO's RBDC filing at FERC.

Additionally, MISO's RBDC filing contains a substantial analysis by Brattle. Stakeholders would have benefited from seeing this analysis included in the white paper – or at least key findings from it – so that stakeholders would have had the opportunity to provide feedback on it.

Executive Summary

On page 6, the white paper states that the excess reserves MISO has historically experienced above required reserve margins are "rapidly diminishing." The OMS RWG observes that excess reserves "have already diminished," based on the 2022-2023 PRA results and that the region's capacity is at or near the Planning Reserve Margin Requirement. Furthermore, the most recent OMS-MISO Survey's depiction of diminished or insufficient reserves over the next five years is also attributable to an increase in the region's aggregate load forecast after several years of little to no expected growth. We note that diminishing excess reserves over time are an expected outcome of

a centralized resource adequacy construct that sets a reserve requirement for its members and pools risk over a vast generation pool. The fact that most LSEs decided not to carry excess capacity is a primary reason members join MISO and the largest portion of MISO's value proposition. However, the diminishing level of reserves means that changes to the existing construct are necessary to appropriately recognize the reliability value of incremental capacity above reserve margin targets.

Also on page 6, MISO identifies overbuilding and underbuilding as potential consequences of using a vertical demand curve. The OMS RWG requests that MISO further explain the threat of overbuilding from use of a vertical demand curve, as this hasn't been the experience in MISO. In PJM, which utilizes a sloped demand curve, reserves have been maintained far in excess of reliability targets. If anything, the overbuilding threat would seem to be associated with a sloped demand curve. It might be more appropriate to refer to over- and under- "procurement" in this section of the white paper.

Section 1.1 – Issue

In the first paragraph, the white paper explains the reasoning behind MISO's historic use of a vertical demand curve. If this paragraph is retained, it should include additional history of why RERRAs opposed a sloped demand curve to fully explain the reasoning behind RERRA opposition. When a sloped demand curve was initially discussed, it was also paired with several other capacity market design characteristics that RERRAs strongly opposed, including a Minimum Offer Price Rule, a forward capacity auction rather than a prompt auction, and a mandatory participation requirement. Several states also stressed their experiences with eastern RTOs whose capacity constructs with sloped demand curves would procure resources well above minimum requirements.

Section 2.2 – MRI Curves

This section should mention at a high level how the change in reliability value is translated to a dollar value for the purposes of developing the final RBDC.

Section 4.2 – Need for Sub-Regional RBDCs

This section does not clearly explain how system-wide and sub-regional curves are co-optimized. The description of maximizing social surplus needs further clarification and justification. The OMS RWG understands that the market objective initially guiding the RBDC conversation was to identify the lowest cost solution for the desired reliability target.

Near the bottom of page 27, the white paper asserts that sub-regional RBDCs provide regulatory flexibility. We request that MISO further explain this concept and how sub-regional RBDCs improve the decision-making ability of regulators and policymakers.

Section 4.3 – Procedure to Derive the RBDCs from the MRI Curves

The OMS RWG is concerned about MISO's brief and high-level description of the scaling factor and its use in establishing RBDCs for each season. MISO must publicly post the $/MW-hour value that it will use to translate the MRI curves to the RBDC curves. Additionally, more explanation about how (and to what degree) the scaling factor is adjusted based on the Monte Carlo simulations would be helpful.

Section 4.5 – Truncation of System-Wide and Sub-Regional Demand Curves

The OMS Board's November 2022 Position Statement on Consideration of a Revised Demand Curve provided that MISO's RBDC design must not lead to overbuilding or over-procurement. To address that concern, MISO proposed to truncate the resources that could clear the PRA with the use of an RBDC at 6% above the PRMR. The OMS RWG recommends that MISO include a description of its consideration of truncating the system-wide and sub-regional demand curves and explain its decision to ultimately not truncate the curves.

Section 6.1 – Need for an RBDC Opt Out

In MISO's explanation for the need for an opt-out mechanism, it should state that the opt-out adder (or X%) was designed to respond to concerns about comparability with those LSEs participating in the PRA.

Section 6.3 – RBDC Opt-Out Alternatives Considered

If MISO retains this section and the description of the original AFRAP opt-out, it should also include a brief description of Entergy's opt-out proposal.

Other Considerations

The OMS RWG recommends that the white paper include a projected timeline of significant events and decision points leading up to the PRA for LSEs choosing to participate as well as those choosing to opt out.