

153 FERC ¶ 61,230  
UNITED STATES OF AMERICA  
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Norman C. Bay, Chairman;  
Cheryl A. LaFleur, and Tony Clark.

Midwest Independent Transmission System  
Operator, Inc.

Docket No. ER11-4081-002

ORDER ON COMPLIANCE

(Issued November 20, 2015)

1. On July 11, 2012, Midwest Independent Transmission System Operator, Inc. (MISO)<sup>1</sup> filed proposed revisions to its resource adequacy construct (July 11 Filing), as set forth in its Open Access Transmission, Energy and Operating Reserve Markets Tariff (Tariff)<sup>2</sup> in compliance with the order issued by the Commission on June 11, 2012.<sup>3</sup> We accept MISO's filing, subject to condition, as discussed below.<sup>4</sup>

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<sup>1</sup> Effective April 26, 2013, MISO changed its name from "Midwest Independent Transmission System Operator, Inc." to "Midcontinent Independent System Operator, Inc."

<sup>2</sup> Midcontinent Independent System Operator, Inc., FERC Electric Tariff, Fourth Revised Vol. No. 1.

<sup>3</sup> *Midwest Indep. Transmission Sys. Operator, Inc.*, 139 FERC ¶ 61,199 (2012) (June 11 Order).

<sup>4</sup> The Commission can revise a proposal filed under section 205 of the Federal Power Act as long as the filing utility accepts the change. *See City of Winnfield v. FERC*, 744 F.2d 871, 875-77 (D.C. Cir. 1984). The filing utility is free to indicate that it is unwilling to accede to the Commission's conditions by withdrawing its filing.

## I. Background

2. The Commission conditionally approved MISO's initial resource adequacy construct in March 2008.<sup>5</sup> In the March 2008 Order, the Commission generally accepted MISO's plan to create a mandatory Planning Reserve Margin for each Load Serving Entity (LSE) and to require each LSE to bilaterally procure capacity to satisfy its Planning Reserve Margin.<sup>6</sup> In the March 2008 Order, the Commission required MISO to propose financial settlement provisions for the resource adequacy construct, which would assess a Financial Settlement Charge on LSEs that are deficient in meeting their resource adequacy requirements.<sup>7</sup> Observing the importance of resource deliverability, the Commission also required MISO to "clarify the method it [would] use to 'establish additional planning zones . . . to address regional issues,'" such as transmission constraints, and to include the details of its zonal methodology in the Tariff.<sup>8</sup>

3. MISO submitted a compliance filing with proposed financial settlement provisions in June 2008. At that time, MISO proposed to assess Financial Settlement Charges against LSEs that failed to satisfy the resource adequacy requirement.<sup>9</sup> In addition, MISO proposed to establish a voluntary capacity auction "to allow LSEs with insufficient capacity to satisfy their resource adequacy requirements with planning resources from market participants that have excess planning resources."<sup>10</sup> In support of the voluntary construct, MISO argued that its proposal represented "a reasonable compromise position between those stakeholders that opposed any type of capacity auctions and those that advocated mandatory capacity auctions."<sup>11</sup> In the Financial Settlement Order, the

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<sup>5</sup> *Midwest Indep. Transmission Sys. Operator, Inc.*, 122 FERC ¶ 61,283 (March 2008 Order), *reh'g denied*, 125 FERC ¶ 61,061 (2008).

<sup>6</sup> March 2008 Order, 122 ¶ 61,283 at PP 360, 365, and 376.

<sup>7</sup> *Id.* P 179.

<sup>8</sup> *Id.* P 169.

<sup>9</sup> *Midwest Indep. Transmission Sys. Operator, Inc.*, 125 FERC ¶ 61,060, at P 9 (2008) (Financial Settlement Order), *order on reh'g and compliance*, 127 FERC ¶ 61,054 (2009) (Financial Settlement Rehearing Order), *order on reh'g and compliance*, 137 FERC ¶ 61,213 (2011) (Financial Settlement Second Rehearing Order).

<sup>10</sup> Financial Settlement Order, 125 FERC ¶ 61,060 at P 8.

<sup>11</sup> *Id.* P 32.

Commission accepted the voluntary construct because “[t]he voluntary auction will afford LSEs with an additional mechanism to procure needed capacity and increase transparency in the procurement of capacity.”<sup>12</sup> The Commission further emphasized that its acceptance was based “solely on the reasonableness of the auction mechanism in providing a useful alternative option for obtaining capacity in the [MISO].”<sup>13</sup> The Commission further explained that it did not consider the voluntary auction as a precursor to a mandatory capacity auction.<sup>14</sup> The Commission also rejected arguments that a mandatory auction or a mandatory centralized capacity market is necessary to ensure resource adequacy.

4. With respect to the development of planning zones as required by the March 2008 Order, the Commission conditionally accepted MISO’s May 2008 compliance filing.<sup>15</sup> However, the Commission remained concerned with resource deliverability, as it has throughout the development of MISO’s resource adequacy construct. The Commission observed that, “[a]ny congestion limits the ability of the system operator to import additional resources and those limitations must be reflected in the creation of additional zones.”<sup>16</sup> Specifically, the Commission shared deliverability concerns raised by numerous stakeholders about a possible “disconnect between the deliverability analysis used in the creation of planning zones and the analysis used to evaluate designated capacity resources.”<sup>17</sup> As a result, the 2008 Compliance Order required MISO to further “clarify . . . and/or align the deliverability requirements of planning reserve zones and capacity resources.”<sup>18</sup>

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<sup>12</sup> *Id.* PP 36-38.

<sup>13</sup> *Id.* P 38.

<sup>14</sup> *Id.*

<sup>15</sup> *Midwest Indep. Transmission Sys. Operator, Inc.*, 125 FERC ¶ 61,062, at P 160 (2008) (2008 Compliance Order), *order on reh’g and compliance, Midwest Indep. Transmission Sys. Operator, Inc.*, 126 FERC ¶ 61,144 (2009) (Locational Requirements Order), *order on clarification, Midwest Indep. Transmission Sys. Operator, Inc.*, 135 FERC ¶ 61,081 (2011).

<sup>16</sup> 2008 Compliance Order, 125 FERC ¶ 61,062 at P 160.

<sup>17</sup> *Id.* P 162.

<sup>18</sup> *Id.*

5. The Commission once again expressed its concern that transmission constraints would limit aggregate deliverability in the Locational Requirements Order, which addressed rehearing of and compliance with the 2008 Compliance Order.<sup>19</sup> Despite conditionally accepting MISO's proposed clarification in response to the 2008 Compliance Order, the Commission explained "that a more robust and permanent approach to addressing congestion that limits aggregate deliverability is ultimately required."<sup>20</sup> In order to resolve these deliverability concerns, the Commission directed MISO to evaluate locational capacity requirements in other regions to ensure sufficient capacity is available in import-restricted zones to satisfy the Planning Reserve Margin. Further, the Locational Requirements Order directed MISO to "inform the Commission . . . what steps are being taken to develop a more permanent approach."<sup>21</sup> The Commission subsequently rejected MISO's filing submitted in compliance with the Locational Requirements Order because MISO had failed to address aggregate deliverability in the region.<sup>22</sup> Thus, the Commission clarified that the Locational Requirements Order requires MISO to "develop a plan that details the steps that will be taken to incorporate [locational] market mechanisms into the Resource Adequacy Plan."<sup>23</sup>

6. On July 20, 2011, MISO filed a proposal for a permanent solution to ensure the deliverability of Load Modifying Resources in its Planning Resource Auction and to incorporate locational capacity market mechanisms, in purported compliance with the Locational Requirements Compliance Order.

## II. June 11 Order

7. In the June 11 Order, the Commission accepted most of the features of the July 11 Filing, including MISO's proposal to allow LSEs to meet their planning resource requirements by: (1) participating in the Planning Resource Auction (auction); (2) self-scheduling resources into the auction; or (3) opting out of the auction by submitting a fixed resource adequacy plan (FRAP). The Commission also accepted the major

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<sup>19</sup> Locational Requirements Order, 126 FERC ¶ 61,144 at P 47.

<sup>20</sup> *Id.*

<sup>21</sup> *Id.*

<sup>22</sup> *Midwest Indep. Transmission Sys. Operator, Inc.*, 131 FERC ¶ 61,228, at P 23 (2010) (Locational Requirements Compliance Order).

<sup>23</sup> *Id.* P 24.

elements of MISO's resource adequacy construct for an annual Planning Year with a two-month forward period and a vertical demand curve. However, the Commission rejected MISO's proposed mandatory auction requirement because MISO had not met its burden that the proposal was just and reasonable. The Commission also rejected MISO's Minimum Offer Price Rule (MOPR) proposal due to the lack of incentives for price suppression in MISO's market and the ineffectiveness of MISO's proposal.

8. In addition, the Commission accepted MISO's locational market mechanism that would provide for auctions in Local Resource Zones and the assessment of Zonal Deliverability Charges to reflect the impact of deliverability constraints between resources and loads. The Commission rejected MISO's proposal to exempt certain LSEs from Zonal Deliverability Charges to the extent these LSEs possess firm transmission service from their resources to their load since such an exemption would mute the locational price signal. However, in recognition of the fact that LSEs that have historically relied on remote generation may need a period of time to adjust resource portfolios and plan for additional resources, the Commission allowed these exemptions, called Grandmother Agreements, to be in effect during a transition period that phases out at the end of the 2014/2015 Planning Year. Finally, the Commission accepted the other elements of MISO's proposal with the exception of its proposal for load forecasting in retail choice regions.

### **III. Notices and Responsive Pleadings**

9. Notice of MISO's July 11 Filing was published in the *Federal Register*, 77 Fed. Reg. 42,716 (2012), with comments and protests due on or before August 1, 2012.

10. Motions to intervene and protests were filed by Dairyland Power Cooperative (Dairyland) and the Retail Energy Supply Association (RESA). Wisconsin Power and Light Company (Wisconsin Power and Light) filed a motion to intervene and comments.

11. Protests were filed by Great River Energy (Great River), Coalition of Midwest Transmission Customers, and Midwest TDUs.<sup>24</sup> Wisconsin Public Service Corporation and Upper Peninsula Power Company (Wisconsin Public Service Company) and Illinois Commerce Commission (Illinois Commission) filed comments.

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<sup>24</sup> Midwest TDUs consist of Indiana Municipal Power Agency, Madison Gas & Electric Company, Midwest Municipal Transmission Group, Missouri Joint Municipal Electric Utility Commission, Missouri River Energy Services, Southern Minnesota Municipal Power Agency, and WPPI Energy.

12. On August 20, 2012, Interstate Power and Light Company (Interstate) filed a motion to intervene out-of-time and comments.

13. On August 16, 2012, MISO filed an answer to the comments and protests. On September 11, 2013, Illinois Commission filed an answer to MISO's answer.

14. On June 23, 2015, Great River filed a motion for expedited action on the compliance filing.

#### **IV. Discussion**

##### **A. Procedural Matters**

15. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2015), the timely, unopposed motions to intervene serve to make the entities that filed them parties to this proceeding.

16. Pursuant to Rule 214(d) of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214(d) (2015), the Commission will grant Interstate's late-filed motion to intervene given its interest in the proceeding, that the motion was filed in the early stage of the proceeding, and the absence of undue prejudice or delay.

17. Rule 213(a)(2) of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.213(a)(2) (2015), prohibits an answer to a protest or answer unless otherwise ordered by the decisional authority. We will accept the answers of MISO and Illinois Commission because they have provided information that assisted us in our decision-making process.

##### **B. Resource Adequacy Construct**

###### **1. June 11 Order**

18. The Commission noted in the June 11 Order that MISO's proposal required that LSEs must obtain their resources in the auction – and pay the auction price – if they are resource deficient. The Commission found, however, that based on MISO's depiction of resource planning in its footprint to be based largely on bilateral arrangements, as well as its intent to only supplement the current resource adequacy plan, MISO had not justified the need for a mandatory auction. The Commission directed MISO to address resource deficiencies without requiring a mandatory auction, and to include these revisions in the compliance filing. The Commission stated that in order to encourage LSEs to procure sufficient resources, one option would be a deficiency charge designed to be similar to the existing Financial Settlement Charge in section 69.9 of Module E, which was based

on the Cost of New Entry (CONE), with modifications to make the proposed charge appropriate for the annual term of the proposed auction that differs from the existing monthly term of the auction.<sup>25</sup>

## 2. July 11 Filing

19. To comply with the Commission's directive that the auction not be mandatory, MISO proposes to amend its Tariff to provide that MISO will assess a Capacity Deficiency Charge on LSEs that it determines are capacity deficient. MISO proposes that the Capacity Deficiency Charge be based on a CONE estimate for each Local Resource Zone that would apply to LSEs that are capacity deficient in that zone. MISO proposes a Capacity Deficiency Charge multiplier equal to 2.748 times the CONE estimate for each Local Resource Zone. MISO states that the proposed Capacity Deficiency Charge multiplier was derived by adjusting the previous monthly Financial Settlement Charge multipliers to an annual value.<sup>26</sup> MISO's proposal would assess the Capacity Deficiency Charge on LSEs that have not demonstrated, through the Module E Capacity Tracking Tool, that they have sufficient capacity resources to meet their Planning Reserve Margin Requirement<sup>27</sup> at the close of the Planning Resource Auction.

## 3. Protests

20. Illinois Commission argues that MISO's proposed Capacity Deficiency Charge does not comply with the Commission's instructions, which encouraged MISO to base the deficiency charge on the CONE, with modifications based on an annual, rather than the current monthly term. Illinois Commission contends that MISO's proposed deficiency charge of 2.748 times CONE is higher than is necessary and could act as a deterrent to market participation, particularly in retail access states. Illinois Commission

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<sup>25</sup> June 11 Order, 139 FERC ¶ 61,199 at P 40.

<sup>26</sup> MISO explains that the monthly Financial Assessment Charge multipliers were 100 percent of CONE in June, 25 percent of CONE for January, February, July, August and December, and 8.3 percent for March, April, May, September, October and November. The sum of these multipliers is 274.8 percent or 2.748 times the capacity deficiency charge. July 11 Filing, Transmittal Letter at n.10.

<sup>27</sup> The Planning Reserve Margin Requirement is the amount of Zonal Resource Credits needed by an LSE to satisfy its resource adequacy requirement. Zonal Resource Credits are the megawatt units of a planning resource that have been converted from a megawatt of unforced capacity to a credit in the Module E Capacity Tracker, which is eligible to be offered in the auction, sold bilaterally, and/or submitted in a FRAP.

asserts that, unlike the current construct, which assesses greater penalties to on-peak than off-peak months, MISO's proposed deficiency charge treats deficient LSEs as though they were deficient in all months. Illinois Commission contends that if the deficiency charge were designed to be similar to the currently effective deficiency charge then it would be either 1.25 or 1.5 times CONE, corresponding to how the current charge would be assessed for deficiencies in peak summer months.<sup>28</sup>

21. Illinois Commission also contends that MISO has not made clear when or how it will determine the portion of an LSE's Planning Reserve Margin Requirement that will be subject to the deficiency charge. Illinois Commission also asserts that MISO has not explained how the Module E Capacity Tracking Tool will enable MISO to identify deficient LSEs and the magnitude of their deficiencies.<sup>29</sup>

#### 4. Answers

22. MISO contends that the 2.748 multiplier for the Capacity Deficiency Charge is necessary to strongly encourage LSEs not to be deficient and therefore disagrees with Illinois Commission. MISO explains that its proposed deficiency charge appropriately annualizes the current monthly deficiency charge. MISO adds that the financial penalties cannot properly compensate for potential reliability problems caused by parties that have not met their Planning Reserve Margin Requirements, such that a reduction in the deficiency charge would not be just and reasonable. MISO also contends that, contrary to Illinois Commission's assertion, it will know whether and by how much an LSE has met its Planning Reserve Margin Requirement with Planning Resources by the close of the auction offer window, which is the last business day of March prior to the upcoming Planning Year.<sup>30</sup>

23. Illinois Commission, in its answer, reiterates its contention that MISO's proposed deficiency charge is excessive, adding that any penalty above the CONE is sufficient to encourage compliance. It contends that MISO's argument that "financial penalties cannot properly compensate for potential reliability problems" is not responsive to Illinois Commission's arguments and is a general criticism of the deficiency charge concept. Illinois Commission also argues that actual reliability is based on the resource available to serve peak load and that MISO's proposed deficiency charge is not based on

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<sup>28</sup> Illinois Commission Protest at 3-6.

<sup>29</sup> *Id.*

<sup>30</sup> MISO Answer at 10.



actual demand on the system. Illinois Commission also contends that MISO's proposed deficiency charge would provide a windfall to LSEs receiving a share of the deficiency charge revenues. Further, the magnitude of the deficiency charge could encourage LSEs to under-forecast their peak load.<sup>31</sup>

24. Illinois Commission reiterates its contention that MISO has not explained how it will know how much load and which LSE's load will be participating in the auction and how it will know which LSEs have chosen the deficiency charge option and for how much of the LSE's load. Specifically, it asserts that MISO has not established a timeline for the deficiency charge option.<sup>32</sup>

#### **5. Commission Determination**

25. As noted above, the Commission rejected MISO's proposal for a mandatory auction for deficiencies and directed MISO to address resource deficiencies without requiring a mandatory auction. We find that MISO's proposed Tariff revisions comply with this directive and accept them as such.

26. We also find that MISO's proposed deficiency charge of 2.748 times the CONE complies with the Commission's directives and is a just and reasonable method to maintain the optional nature of MISO's resource adequacy construct while providing a strong incentive for LSEs to be resource sufficient. We disagree with Illinois Commission's assertion that this deficiency charge is unnecessarily high.

27. First, we do not agree with Illinois Commission's conclusion that MISO incorrectly annualized the monthly deficiency charge. As MISO explained,<sup>33</sup> the 2.748 CONE multiplier was derived by summing all the monthly CONE multipliers used in its previous monthly auction for a year. This method assumes an LSE is deficient on the first month of the Planning Year and is deficient for all the remaining months of the Planning Year. As a penalty for being deficient for an entire Planning Year, this derivation is reasonable. Contrary to Illinois Commission's characterization of LSEs being deficient for only a peak season, a deficient LSE in MISO's current annual resource adequacy construct will be considered to be deficient for the entire Planning Year.

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<sup>31</sup> Illinois Commission Answer at 2-6.

<sup>32</sup> *Id.* at 6-8.

<sup>33</sup> July 11 Filing, Transmittal Letter at n.10.

28. Second, the deficiency charge is a penalty. Therefore, to be an effective incentive to discourage resource insufficiency, the penalty charge needs to be significantly higher than the cost of obtaining capacity resources. We agree with MISO – as does Illinois Commission<sup>34</sup> – that the dollars provided by a deficiency penalty do not achieve the desired result, i.e., resource sufficiency.<sup>35</sup> Therefore, a significant penalty is appropriate to ensure that LSEs have the incentive to achieve resource sufficiency with actual megawatts as opposed to making payments. A multiplier of 2.748 times CONE provides such a penalty and is thus reasonable.

29. Illinois Commission has not supported its assertions that MISO's proposed deficiency charge would provide windfalls, discourage participation in the market or provide an incentive to under-forecast. Accordingly, we do not see a basis for expecting windfalls from the charge. We consider Illinois Commission's claims that the Capacity Deficiency Charge will discourage participation in the market and will encourage under-forecasting to be speculative. While such outcomes are possible, there are a myriad of factors that impact market participation and forecasts. We have no evidence that the Capacity Deficiency Charge had a significant impact on either outcome.

30. We also disagree with Illinois Commission's assertion that MISO has not sufficiently described how it will determine which LSEs are resource deficient and the magnitude of the corresponding deficiency charge. As a preliminary matter, LSEs do not choose the deficiency option, contrary to Illinois Commission's characterization. Under MISO's proposal, LSEs that do not satisfy their Planning Reserve Margin Requirements through a combination of either the submission of a FRAP or participation in the auction are subject to the deficiency charge. Under MISO's proposal, LSEs must submit a FRAP by the 7<sup>th</sup> business day in March prior to the Planning Year<sup>36</sup> and must submit auction offers prior to 11:59 pm EST on the last Business Day of March.<sup>37</sup> We agree with MISO that MISO will know any unsatisfied or deficient amounts of an LSE's Planning Reserve Margin Requirement by the end of the auction, an amount which will directly correspond

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<sup>34</sup> Illinois Commission Answer at 4.

<sup>35</sup> MISO Answer at 10 (Financial penalties cannot properly compensate for potential reliability problems that could affect parties that have met their Planning Resource Margin Requirement.).

<sup>36</sup> See MISO, FERC Electric Tariff, Module E-1, >69A.9, Opting Out of the Planning Resource Auction, 1.0.0.

<sup>37</sup> See MISO, FERC Electric Tariff, Module E-1, >69A.7, Planning Resource Auction, 30.0.0.

to its deficiency charge assessment. Appendix K of MISO's Resource Adequacy Business Practices Manual provides a complete timeline, including the determination of Capacity Deficiency Charges. Finally, the Module E Capacity Tracking Tool is able to identify deficiencies and their magnitude based on the resource data and load forecasts submitted by LSEs, and analysis of the results of the Planning Resource Auction, as detailed in the Resource Adequacy Business Practices Manual.

### **C. Local Resource Zones**

#### **1. June 11 Order**

31. The Commission conditionally accepted MISO's proposed method to create Local Resource Zones<sup>38</sup> and the six criteria for determining local resource zone boundaries.<sup>39</sup> The Commission directed MISO to file with the Commission Tariff revisions to include a map depicting the proposed zonal boundaries prior to the effective date for those boundaries. The Commission also required that, as part of that filing, MISO provide a justification for the proposed zonal boundaries and explain any analysis it relied upon as a basis for its proposal. The Commission stated that it would address, at that time, the basis used by MISO for determining a specific zonal designation and the role played by each of the factors. Finally it stated that Tariff revisions will be required for any subsequent changes to the zonal boundaries.<sup>40</sup>

#### **2. July 11 Filing**

32. MISO proposes to incorporate a map of zonal boundaries, shown below, in Attachment VV of the Tariff that was developed in coordination with stakeholders through the Loss of Load Expectation Working Group. This map describes the Local Resource Zone boundaries that are effective for the 2013/2014 Planning Year. MISO states that it will update this map whenever the Local Resource Zone boundaries change.

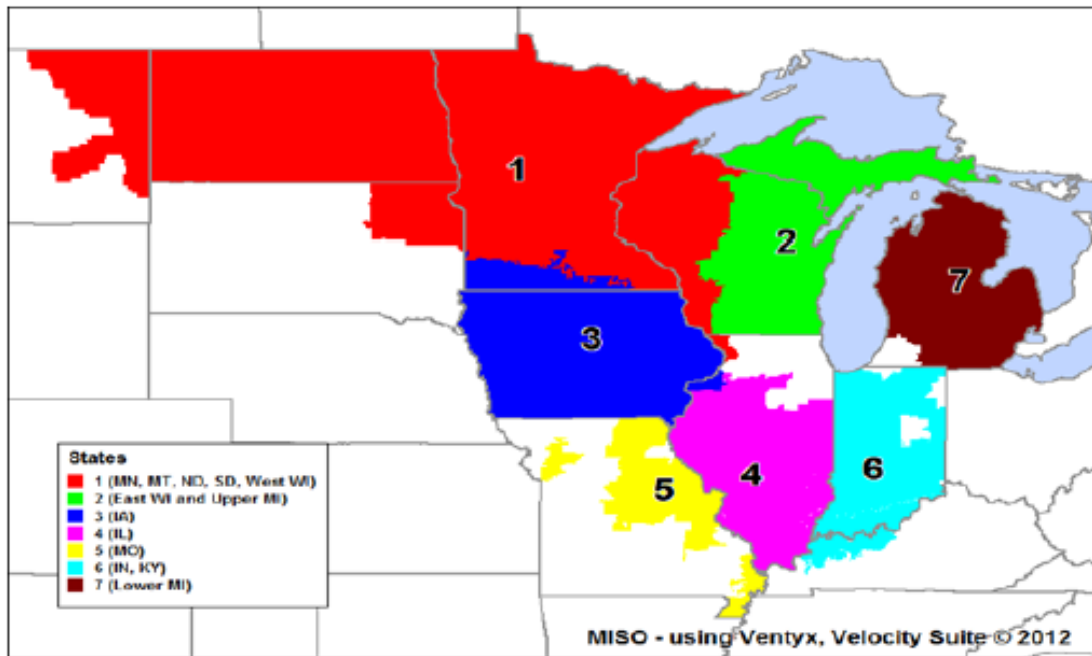
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<sup>38</sup> Local Resource Zones are geographic areas within MISO that are prescribed by MISO, based upon criteria specified in the Tariff, to address congestion that limits Planning Resource deliverability.

<sup>39</sup> The six criteria are as follows: (1) the electrical boundaries of Local Balancing Authorities; (2) state boundaries; (3) the relative strength of transmission interconnections between Local Balancing Authorities; (4) the result of loss of load expectation studies; (5) the relative size of the Local Resource Zones; and (6) natural geographic boundaries such as lakes and rivers.

<sup>40</sup> June 11 Order, 139 FERC ¶ 61,199 at PP 84-86.

MISO explains how it incorporated each of the six factors approved by the Commission in determining Local Resource Zones.<sup>41</sup>



### 3. Protests and Comments

33. Dairyland requests that MISO clarify that the Iowa portion of its Local Balancing Authority is located in Zone 1. According to Dairyland, from MISO's submitted zonal map, it appears that Zone 1 includes southwestern Wisconsin. However, northeastern Iowa is shown on the map to be in Zone 3 with the dividing line between Zones 1 and 3 being the boundary between the two states. However, Dairyland explains that the Local Resource Zone list accompanying the map indicates that all of Dairyland's Local Balancing Authority is located in Local Resource Zone 1. Dairyland argues that Dairyland's Iowa load should not be subject to Zonal Deliverability Charges<sup>42</sup> for moving capacity from Zone 1 to Zone 3 within Dairyland's Local Balancing Authority. Dairyland states that if MISO does not make the requested clarification, it protests the

<sup>41</sup> July 11 Filing, Transmittal Letter at 8-10.

<sup>42</sup> Zonal Deliverability Charges are assessed on LSEs based upon price differentials between the auction clearing price(s) of the zone(s) where their load is located and the auction clearing price(s) of the zone(s) where their resources are located for the portion of their Planning Reserve Margin Requirement that is satisfied through a FRAP.

July 11 Filing, asserting that more detail is needed than MISO provided in its compliance filing. Finally, Dairyland notes that the first factor described in MISO's compliance filing speaks to the importance of keeping each Local Balancing Authority within a single zone and yet the filing contains no description of why such a factor would not be considered in the case of Dairyland.<sup>43</sup>

34. Dairyland also contends that MISO's July 11 Filing fails to address the timing for reevaluating Local Resource Zone boundaries. Dairyland asserts that the Commission should require MISO to periodically evaluate whether there have been significant changes in the MISO region warranting changes in the Local Resource Zone boundaries, reevaluation which could occur in the MISO Transmission Expansion Plan process. Additionally, Dairyland contends that the Commission should require MISO to identify the criteria that will be used to evaluate whether significant changes in the MISO region warrant changes in the Local Resource Zone boundaries, with consideration also being given to minimizing the operational and financial impacts to those Local Balancing Authorities affected by changes in Local Resource Zone boundaries.<sup>44</sup>

35. Midwest TDUs protest that MISO's proposed map does not split any Local Balancing Authorities into different zones, and therefore deliveries for major transmission owners from their resources to their load will not be exposed to Zonal Deliverability Charges, whereas deliveries for transmission-dependent utilities will face greater exposure to zonal borders and Zonal Deliverability Charges. Midwest TDUs consider this result to be unduly preferential and discriminatory. Midwest TDUs contend that the Local Resource Zones should be defined such that each LSE's long-term designated network resources are located in the same zone for at least 10 years. Midwest TDUs contend that this Local Resource Zone configuration would have the same effect as the Grandmother Agreements<sup>45</sup> originally proposed by MISO and would avoid violations of sections 205, 206, and 217 of the Federal Power Act. Further, they argue

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<sup>43</sup> Dairyland Protest at 4-8.

<sup>44</sup> *Id.* at 8-9.

<sup>45</sup> Grandmother Agreements are defined to be ownership of, or executed contractual rights to Planning Resources (including generating facilities under construction prior to July 20, 2011 that subsequently become Planning Resources) that are in place prior to July 20, 2011 and maintain firm transmission service from such resources to load in a different Local Resource Zone which will provide an LSE with an exemption from the Zonal Deliverability Charge for the volume of such Planning Resources.

that nothing in the Federal Power Act requires that Local Resource Zones be “compact and contiguous” but that it does oblige the Commission to protect firm delivery rights associated with long-term power supply resources.<sup>46</sup>

36. Great River Energy argues that MISO did not appropriately apply its approved criteria in excluding Great River Energy’s load located in the Alliant West Local Balancing Authority from Zone 1. Great River Energy explains that carving out the portion of the Alliant West Local Balancing Authority located in Minnesota from Zone 1 results in Great River Energy’s load in Southern Minnesota being separate from the rest of the state of Minnesota. Great River Energy argues that MISO has not sufficiently supported elevating the “electrical boundaries” criteria, presumably used to derive this border, from the “state boundaries” criteria. Great River Energy explains that stranding a part of its load in Zone 3 will have an unjust, unreasonable, and disproportionate impact on it. Great River Energy argues that it has load serving obligations in five different Local Balancing Authorities within Minnesota, but all of its generation is located in Zone 1, causing it to incur Zonal Deliverability Charges for the load carved out from Zone 1. It asserts that it would have sufficient total generation but be forced to sell resources in Zone 1 and buy capacity in Zone 3 despite it having invested in transmission to create the import/export capability that exists today. Great River Energy argues that MISO would not have granted it firm transmission service from its generation to its load in the Alliant West Local Balancing Authority if outgoing transmission upgrades were not constructed or if import/export capability was not available through past transmission upgrades and investment. Accordingly, Great River Energy also argues that MISO has insufficiently weighted “the relative strength of transmission interconnections between [Local Balancing Authorities]” in creating its zones.<sup>47</sup>

37. Interstate disagrees with Great River Energy’s contention that MISO erred in carving out a portion of the Alliant West Local Balancing Authority from Zone 1. Interstate argues that the Alliant West Local Balancing Authority is used in part as the boundary between Zones 1 and 2, and that such a boundary is appropriate and consistent with the first zonal criteria that MISO listed; the electrical boundaries of Local Balancing Authorities. Interstate asserts that using Minnesota’s state line for this boundary, as proposed by Great River Energy, is inappropriate because it would result in the Alliant West Local Balancing Authority being split into two zones. Additionally, Interstate argues that the use of the Alliant West Local Balancing Authority for the boundary also makes sense because Interstate serves the majority of the load located in southern

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<sup>46</sup> Midwest TDUs Protest at 2-5.

<sup>47</sup> Great River Energy Protest at 2-6.

Minnesota and is located in the Alliant West Local Balancing Authority, such that splitting the Local Balancing Authority would result in unjust harm being brought to Interstate's customers through exposure to increased costs from the Zonal Deliverability Charge. Further, Interstate argues that while Zone 3 currently encompasses Iowa and a portion of Minnesota, the regulatory environments in the two states do not create any relevant impacts on the Local Resource Zone. Additionally, the Zone 1 and 3 boundaries align with the existing ITC-Midwest joint transmission pricing zone border. Interstate also argues against Great River Energy's suggestion that specific loads be "carved out" of certain zones, although it contends that if the Commission allows such carving out that Interstate's load should also be carved out if needed.<sup>48</sup>

#### 4. Answer

38. MISO confirms that the portion of Dairyland's Local Balancing Authority located in northeastern Iowa is included in Zone 1. It also states that it will comply with section 68A.3 of the Tariff by potentially re-evaluating the boundaries of the Local Resource Zones if there are significant changes in MISO's region based on the factors specified in the Tariff. MISO argues, however, that the Tariff does not provide MISO with the authority to change Local Resource Zone boundaries based on minimizing operational and financial impacts, and MISO does not intend to seek such authority.<sup>49</sup>

39. MISO disagrees with Midwest TDUs' arguments regarding protecting firm delivery rights, citing the Commission's conclusion that the significant protections that are afforded in Module E-1 to defend an LSE's firm delivery rights associated with an LSE's long-term power supply resources are just and reasonable.<sup>50</sup>

40. MISO also disagrees with Great River Energy's contention that its load in Zone 3 should not be subject to the Local Resource Zone factors including factor 1, the boundaries of a Local Balancing Authority. MISO explains that the goal of establishing Local Resource Zones was not to eliminate potential Zonal Deliverability Charges, but to address congestion that limits aggregate deliverability of capacity within the MISO system, as directed by the Commission.<sup>51</sup> MISO argues that if it were to consider individual LSE resource and load combinations to define Local Resource Zone

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<sup>48</sup> Interstate Protest at 3-5.

<sup>49</sup> MISO Answer at 6.

<sup>50</sup> *Id.* at 4-5 (citing June 11 Order, 139 FERC ¶ 61,199 at PP 71-77).

<sup>51</sup> *Id.* at 5 (citing June 11 Order, 139 FERC ¶ 61,199 at P 88).

boundaries, there would be no incentive to address congestion that limits aggregate deliverability between such physical load and resource combinations.

41. MISO also disagrees with Great River Energy's contention that the relative strength of transmission interconnections between Zone 1 and the Alliant West Local Balancing Authority was not adequately considered by MISO. MISO states that it used a transmission model that includes Great River Energy's improvements to calculate the import/export limits of Local Resource Zones, a model which is updated annually per section 69A.7.8.c.iv of the Tariff.<sup>52</sup>

## 5. Commission Determination

42. We conditionally accept MISO's proposed initial Local Resource Zone map, subject to the revision discussed below. We also find that MISO's proposed Local Resource Zone configuration is consistent with the Local Resource Zone criteria which the Commission previously accepted. As explained by MISO, the zonal boundaries reflect major transmission constraints in the MISO region, while respecting Local Balancing Authority and state borders to the extent possible. We also consider MISO's justification for its proposed Local Resource Zones and analysis of the factors it considered and discussed with stakeholders in developing the zonal boundaries to be in compliance with the requirements of the June 11 Order as further discussed below.

43. Inasmuch as Dairyland and MISO agree that a portion of Dairyland's Local Balancing Authority located in northeastern Iowa is part of Zone 1, we require MISO to revise its map accordingly in the compliance filing to be submitted within 30 days of the date of this order.

44. Based on Tariff requirements in section 68A.3 and MISO's explanations in this proceeding, we expect that MISO is continually evaluating whether Local Resource Zone boundaries need to be revised and that it is discussing these matters, including the criteria MISO is using to determine the need to change Local Resource Zone boundaries, with stakeholders.<sup>53</sup> Therefore, we see no need to require periodic evaluations, as recommended by Dairyland. We also do not see the need to require MISO to identify the criteria used for zonal redeterminations, since MISO has already identified the factors or criteria for zone determinations and the Commission accepted them in the June 11 Order. We will not require that consideration be given to minimizing the operational and

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<sup>52</sup> *Id.* at 5-6.

<sup>53</sup> June 11 Order, 139 FERC ¶ 61,199 at P 87.



financial impacts to the Local Balancing Authorities affected by changes in the Local Resource Zone boundaries. We interpret Dairyland's contention to be that changes in zonal boundaries should not occur if there are operational and financial impacts. Inasmuch as Dairyland's request is contrary to the Commission's requirement that Local Resource Zones be designated to address congestion that limits aggregate deliverability of capacity, we consider Dairyland's request to be an out-of-time request for rehearing of that requirement. Further, we find that such a rationale is not among the six factors to determine zonal boundaries that the Commission accepted in the June 11 Order.

45. With regard to the concerns of Midwest TDUs and Great River Energy, we state at the outset that the fact that these LSEs will be exposed to the Zonal Deliverability Charge does not make that charge unjust and unreasonable. The Commission found the Zonal Deliverability Charge to be reasonable in the June 11 Order, and we affirm that finding in our determination not to grant rehearing on Midwest TDUs' and Great River Energy's requests.<sup>54</sup> Accordingly, we disagree with Midwest TDUs' and Great River Energy's contention that the Local Resource Zone map should protect firm delivery rights associated with LSEs' long-term power supply resources. The Commission's locational requirements, including the Zonal Deliverability Charge, do not violate the Federal Power Act, as the Commission made clear in the June 11 Order,<sup>55</sup> and as affirmed in our determination to deny the requests for rehearing on this issue,<sup>56</sup> therefore there is no need to revise the zonal boundaries for this reason.

46. We also disagree with Great River Energy's contention that MISO did not correctly apply the approved Zonal Deliverability Charge development criteria in excluding Great River Energy's load located in the Alliant West Local Balancing Authority from Zone 1. We recognize that in certain circumstances, such as where state and Local Balancing Authority boundaries do not align, not all of the approved criteria can be satisfied, including the state boundaries of concern to Great River Energy. We find that MISO's proposed Local Resource Zone boundaries, which in the southern border of proposed Zone 1 follows the Local Balancing Authority boundary, is reasonable since it reflects MISO's analysis of the physical limits of the transmission

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<sup>54</sup> *Midwest Indep. Transmission Sys. Operator, Inc.*, 153 FERC ¶ 61,229, at PP 199-227 (2015).

<sup>55</sup> June 11 Order, 139 FERC ¶ 61,199 at PP 104-106.

<sup>56</sup> *Midwest Indep. Transmission Sys. Operator, Inc.*, 153 FERC ¶ 61,229 at PP 199-227.

system (including system improvements mentioned by Great River Energy)<sup>57</sup>, consistent with the Commission's requirement that Local Resource Zonal boundaries address congestion that limits aggregate deliverability of capacity. For this reason, we find that MISO has satisfied the threshold of developing a just and reasonable zonal map with the approved criteria.

#### **D. Zonal Deliverability Charge Hedge**

##### **1. June 11 Order**

47. The Commission accepted MISO's proposed Zonal Deliverability Charge Hedge that provides an opportunity for market participants to avoid the financial consequences of the Zonal Deliverability Charge by investing in new or upgraded transmission system facilities (Network Upgrades) that result in an increase in the Capacity Import Limit<sup>58</sup> in the Local Resource Zone where the sink is located. However, the Commission found that MISO's proposed Zonal Deliverability Charge Hedge was based on a calculated benefit in the Capacity Import Limit and therefore may not result in total avoidance of the Zonal Deliverability Charge. Accordingly, the Commission required MISO to change the word "avoid" to "reduce" in the first sentence of section 69A.7.7(b).<sup>59</sup> Additionally, the Commission required MISO to revise the Zonal Deliverability Charge Hedge provisions to be clear that the hedge refund will be based on the difference between the auction clearing prices of load and resource zones for auction (including self-schedule) megawatts, and the Zonal Deliverability Charge for FRAP megawatts. Finally, the Commission directed MISO to clarify how the hedge is calculated for all funding options, including participant funding, and to propose revisions to its Tariff that specify these calculations.<sup>60</sup>

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<sup>57</sup> MISO Answer at 6.

<sup>58</sup> Capacity Import Limit is the amount of Planning Resources in megawatts for a Local Resource Zone determined by the Transmission Provider that can be reliably imported into that Local Resource Zone.

<sup>59</sup> In MISO's original proposal, the first sentence of section 69A.7.7(b) stated "An LSE will also be able to avoid payment of the Zonal Deliverability Charge assessment if the LSE qualifies for a [Zonal Deliverability Charge Hedge]."

<sup>60</sup> June 11 Order, 139 FERC ¶ 61,199 at PP 136, 139-140.

## **2. July 11 Filing**

48. MISO explains that a Zonal Deliverability Charge Hedge is available to a market participant that funds a transmission upgrade, resulting from a transmission service request, that increases the Capacity Import Limit of the Local Resource Zone wherein the market participant's load is located.<sup>61</sup> MISO proposes to replace "avoid" with "reduce" in section 69A.7.7(b). MISO also proposes to add language to section 69A.7.7(b) of the Tariff specifying that the market participant submitting the transmission service request will receive a Zonal Deliverability Charge Hedge for one hundred percent of the megawatt volume of the Capacity Import Limit increase. MISO explains that Zonal Deliverability Charge Hedges will be granted based upon the order that MISO receives transmission service requests.

## **3. Protest**

49. Illinois Commission states that MISO has not complied with the Commission's directive to explain how the Zonal Deliverability Charge Hedge will be calculated for funding options other than participant funding. Illinois Commission argues that MISO must also explain how it intends to address LSEs that pay for network upgrades, yet do not have load in the constrained zone that will benefit from the new facilities. Illinois Commission argues that unless MISO develops a method for allocating the financial benefit to all parties that pay for these new facilities, LSEs within the constrained zone will essentially be free riders at the expense of LSEs outside of the constrained zone. Such an outcome is unjust and unreasonable.<sup>62</sup>

## **4. Answers**

50. In its answer, MISO cites its compliance transmittal letter for a detailed description of how the Zonal Deliverability Charge Hedge will be calculated for funding options other than participant funding.<sup>63</sup>

51. In its answer, Illinois Commission asserts that MISO's answer was not responsive to its contention that MISO has not fulfilled the Commission directive to specify how market participants could obtain Zonal Deliverability Charge Hedges for funding new transmission facilities other than through the participant funding method. Illinois

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<sup>61</sup> July 11 Filing, Transmittal Letter at 14.

<sup>62</sup> Illinois Commission Protest at 11-12.

<sup>63</sup> MISO Answer at 15 (citing July 11 Filing, Transmittal Letter at 14).

Commission also reiterates its position that MISO needs to define how it will address LSEs that pay for network upgrades, yet do not have load in the constrained zone that will benefit from the new facilities.<sup>64</sup>

## 5. Commission Determination

52. We accept MISO's proposed revisions to section 69A.7.7(b) of the Tariff as consistent with the Commission's directives to replace "avoid" with "reduce" and revise the Zonal Deliverability Charge Hedge provisions to be clear that the hedge refund will be based on the difference between the auction clearing prices of load and resource zones for auction (including self-schedule) megawatts, and the Zonal Deliverability Charge applicable to FRAP megawatts.

53. The purpose of the Commission's funding explanation compliance requirement was to address whether only transmission owners are eligible for funding.<sup>65</sup> We interpret MISO's response – that funding is restricted to the single market participant submitting a transmission service request and funding a transmission upgrade – to mean that the only LSEs capable of receiving the hedge will be transmission-owning LSEs. We direct MISO, in its compliance filing to be made within 30 days of this order, to confirm this interpretation in the compliance filing and propose revisions conforming such Tariff language to the Commission's interpretation or provide further explanation of its response.

54. As the foregoing explanation makes clear, the Commission did not ask for explanations of funding for project sponsors of any and all transmission expansions in MISO, such as Multi-Value Projects, irrespective of where their loads are located or even if the projects have no loads. Therefore, we find that Illinois Commission has raised an unrelated issue that is beyond the scope of this proceeding. We clarify for Illinois Commission that the sole purpose of the Zonal Deliverability Charge Hedge is to provide a hedge for those LSEs paying a Zonal Deliverability Charge. MISO's proposal is limited to Module E-1 resource adequacy, and therefore any revenue credits or other revenue sharing concepts for regional transmission projects and other market participants are beyond the scope of this proceeding.

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<sup>64</sup> Illinois Commission Answer at 11-12.

<sup>65</sup> June 11 Order, 139 FERC ¶ 61,199 at P 131.

## **E. Capacity Import and Capacity Export Limits**

### **1. June 11 Order**

55. The Commission conditionally accepted MISO's proposed multi-zone optimization methodology, which includes constraints as measured by Capacity Import Limits and Capacity Export Limits.<sup>66</sup> It found that MISO's proposal, with certain modifications, is a reasonable approach to recognize constraints on the system and to ensure that zonal capacity prices provide the correct locational price signals.

56. Additionally, the Commission found that once LSEs have designated their resources and the auction is about to begin, the analysis of non-simultaneous transfers in the optimization analysis would not provide an accurate estimate of the import and export capabilities among multiple areas, because non-simultaneous transfers would not account for the interdependencies among the areas. Accordingly, they would not provide an accurate price signal. As a result, the Commission found that this aspect of MISO's proposal fails to comply with the Commission's prior directive for MISO to develop locational market mechanisms that ensure that sufficient capacity is available in import-restricted planning zones to satisfy the Planning Reserve Margin.<sup>67</sup> The Commission stated that accurate estimates of import and export limits require consideration of simultaneous transfers. Therefore, the Commission directed MISO to revise its multi-zone optimization methodology so that it measures capacity import and export limits that apply during the auction based on an analysis of simultaneous transfers. The Commission also specified that the import and export limits that would apply during the auction may differ from the initial limits that would apply prior to the auction, because the former consider simultaneous flows while the latter does not.<sup>68</sup>

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<sup>66</sup> Capacity Export Limit is the amount of Planning Resources in megawatts for a Local Resource Zone determined by the Transmission Provider that can be reliably exported from that Local Resource Zone. MISO, FERC Electric Tariff, Module A, 1.66b, Capacity Export Limit (CEL): 1.0.0.

<sup>67</sup> Locational Requirements Order, 126 FERC ¶ 61,144 at P 47; Locational Requirements Compliance Order, 131 FERC ¶ 61,228 at P 23.

<sup>68</sup> June 11 Order, 139 FERC ¶ 61,199 at P 173.

## 2. July 11 Filing

57. MISO proposes to modify the multi-zone optimization analysis so that the analysis measures capacity import and export limits that apply during the auction based on an analysis of simultaneous transfers.

58. MISO proposes the following Tariff language in section 69.7.1 of the Tariff with respect to multi-zone optimization analysis:

[Capacity Import Limits] to each [Local Resource Zone] are simultaneous to the extent that the import is concurrently simulated from all other [Local Resource Zones] and the system external to the Transmission Provider Region; and [Capacity Export Limits] are simultaneous to the extent that the export is concurrently simulated from each [Local Resource Zone] to all other [Local Resource Zones].<sup>69</sup>

## 3. Protest

59. Illinois Commission argues that MISO's definition of Capacity Export Limit does not match MISO's proposed description of export limits in the multi-zone optimization analysis. Illinois Commission notes that MISO's proposed Tariff language in the multi-zone optimization analysis appears to limit export limits to capacity going from each Local Resource Zone to all other Local Resource Zones. In contrast, according to Illinois Commission, the definition of Capacity Export Limit is the amount of capacity that can be exported from the Local Resource Zone, without limiting such exports to those going to other Local Resource Zones. Illinois Commission requests that the Commission direct MISO to clarify the export limit calculation and reconcile all inconsistencies in its Tariff with regard to this term.<sup>70</sup>

## 4. Answers

60. In its answer, MISO clarifies that the definitions for Capacity Export Limit and Capacity Import Limit simply state the direction of the limit into or out of a Local Resource Zone. The multi-zone optimization analysis makes the distinction that export limits are simulated concurrently from each Local Resource Zone to all other Local

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<sup>69</sup> MISO, FERC Electric Tariff, Module A, 69A.7.1, PRA Procedures, 1.0.0.

<sup>70</sup> Illinois Commission Protest at 10-11.

Resource Zones, and import limits are simulated concurrently from all other Local Resource Zones and the system external to MISO.<sup>71</sup>

61. In its answer, Illinois Commission argues that MISO's answer merely repeated its position that the multi-zone optimization analysis describes export limit in the context of exports delivered from each Local Resource Zone to all other Local Resource Zones, but did not reconcile that language with the Capacity Export Limit definition. Illinois Commission reiterates its requests that the Commission require such a reconciliation.<sup>72</sup>

## **5. Commission Determination**

62. We conditionally accept MISO's proposed modifications to the multi-zone optimization analysis in section 69A.7.1, which stipulate that MISO shall measure Capacity Import Limits and Capacity Export Limits that apply during the auction based on an analysis of simultaneous transfers. We find that use of such an analysis will provide an accurate estimate of the actual import and export capabilities among multiple areas.

63. However, we agree with Illinois Commission that there may be an inconsistency between the definition of Capacity Export Limits and the proposed description of export limits in the multi-zone optimization analysis. Based on the record in this proceeding and the MISO Tariff, MISO has not provided a basis for not including exports to external regions in the evaluation of Capacity Export Limits in the multi-zone optimization analysis. Accordingly, we direct MISO to either (1) revise section 69A.7.1.c.i so that the Capacity Export Limit evaluation includes exports to external regions, as well as other Local Resource Zones; or (2) propose Tariff revisions clarifying how MISO's multi-zone optimization analysis is conducted in a manner that addresses the apparent inconsistency between the definition of Capacity Export Limits and the proposed description of export limits in the multi-zone optimization analysis.

## **F. Load Forecasting**

### **1. June 11 Order**

64. The Commission accepted MISO's proposal to base planning reserve requirements on coincident peak demand forecasts. It found that such forecasts, as noted by MISO, provide an accurate and reasonable basis for establishing peak demand requirements in

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<sup>71</sup> MISO Answer at 14-15.

<sup>72</sup> Illinois Commission Answer at 10-11.

the MISO regions. The Commission, however, directed MISO to further explain what historical data would be provided by MISO.<sup>73</sup>

65. The Commission agreed with MISO that its *ex ante* review of forecasts in retail choice areas is the most effective method for ensuring under and over forecasts do not impact resource planning. It found that *ex ante* reviews will ensure that under and over forecasts can be identified and addressed before they skew the Planning Year analysis. In contrast, *ex post* reviews will not have any impact until after the Planning Year. Accordingly, the Commission did not require *ex post* explanations and reviews.<sup>74</sup>

## 2. July 11 Filing

66. MISO explains that it will make data related to its historical peak demand available to market participants upon request. The historical data shall include the dates and times (hour) of summer (June through September) peak demands for the MISO region beginning with calendar year 2005. Additional dates and times for succeeding MISO peaks for summer months will be made available to market participants prior to the end of each calendar year. Such date and time data will be publicly posted on MISO's website. Further, MISO's monthly peak demand shall be determined based upon settlement data and shall reflect the load that would have been realized in the absence of any load reductions attributed to Load Modifying Resources responding to an emergency declared by MISO. MISO proposes that any necessary load reconstitutions will be based upon the baselines of the Load Modifying Resources called upon to reduce load.<sup>75</sup>

## 3. Protest

67. Illinois Commission argues that because LSEs provide their own load forecasts, a net short LSE would generally have an incentive to under-forecast and a net long LSE would generally have an incentive to over-forecast its peak load. It argues that, under MISO's proposal, LSEs could provide inaccurate forecasts or even elect not to submit any load forecast at all because MISO would not have any way to know if an LSE has under-forecasted or even failed to submit a load forecast. Illinois Commission argues that *ex post* forecasts reviews by MISO, as were required in the previous resource

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<sup>73</sup> June 11 Order, 139 FERC ¶ 61,199 at P 198.

<sup>74</sup> *Id.* P 224.

<sup>75</sup> July 11 Filing, Transmittal Letter at 18.



adequacy plan in Module E, are necessary for the deficiency charge to achieve the objectives set forth by the Commission.<sup>76</sup>

#### 4. Answers

68. MISO states that forecast accuracy will be assessed based on validation of approved forecasting methods, including validation of forecasts of explanatory variables, as approved by the Commission in the June 11 Order.<sup>77</sup> MISO disagrees with Illinois Commission's assertion that MISO will not be aware of the amount of an LSE's Planning Reserve Margin Requirement that is subject to a deficiency charge. MISO asserts that it will be able to determine resource deficiencies by the close of the Planning Resource Auction offer window.

69. Illinois Commission argues that MISO fails to explain how, without an *ex post* review in place, MISO will assess how well its proposed deficiency charge mechanism promotes actual reliability. Illinois Commission contends that since the deficiency charge is not linked to maintaining reliability, it is not clear how reliability can be maintained. Finally, Illinois Commission asserts that MISO fails to reconcile its rhetoric about the role of state commissions in resource adequacy and MISO's elimination of *ex post* under-forecast reports, which would allow state commissions to exercise their resource adequacy enforcement responsibility.<sup>78</sup>

#### 5. Commission Determination

70. The Commission did not require MISO to adopt *ex post* reviews in the June 11 Order, therefore the Illinois Commission's concern on this issue is beyond the scope of this compliance proceeding.<sup>79</sup> Similarly, Illinois Commission's concern regarding the role of state commissions in resource planning is also beyond the scope of this compliance proceeding.

71. Regarding Illinois Commission's position that the deficiency charge will not be effective in ensuring that the region's Planning Reserve Margin is covered, we understand Illinois Commission's concern to be that the resource planning process,

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<sup>76</sup> Illinois Commission Protest at 8-9.

<sup>77</sup> MISO Answer at 10.

<sup>78</sup> Illinois Commission Answer at 9-10.

<sup>79</sup> June 11 Order, 139 FERC ¶ 61,199 at P 224.

including the assessment of deficiency charges, is a hypothetical planning process based on a series of assumptions that may or may not accurately reflect actual reliability. We consider this issue to be beyond the scope of this proceeding that is restricted to the compliance requirements of the June 11 Order. Nonetheless, we encourage Illinois Commission and other stakeholders to review and discuss actual reliability conditions and performance, including resource performance, in the resource adequacy planning process.

72. We find MISO's description of historical data to be provided to LSEs to be in compliance with the June 11 Order. Upon further review of the peak demand data gathering process, we find that this issue is sufficiently addressed in MISO's Business Practices Manual and therefore the requirement for Tariff revisions is unnecessary.

## **G. Allocation Of Peak Load Forecast In Retail Choice Areas**

### **1. June 11 Order**

73. The Commission determined that MISO's proposed default methodology for coincident peak demand allocation among LSEs in retail choice areas was unreasonable because it relies on energy data – not capacity. Further, the Commission found that this method creates uncertainty for LSEs, who will not know their share of the coincident peak demand allocated by the Electric Distribution Company until the operating day. Accordingly, the Commission directed MISO to use the peak load contribution methodology as its default methodology for assigning capacity obligations, which the Commission found, while not ideal, was more accurate than MISO's proposed default method. As to entities who lack the data necessary to use the peak load contribution methodology and for which MISO is not able to obtain such data, such as certain Electric Distribution Companies, the Commission required MISO to use a daily peak load methodology for these entities. The Commission directed that once MISO has acquired sufficient historical data to develop peak load contribution for each LSE, MISO will begin to use the peak load contribution methodology. Accordingly, the Commission directed MISO to revise its Tariff to specify that the peak load contribution methodology is the default method and that the daily peak method will be the default method for entities that lack data necessary to use the peak load contribution methodology and for which MISO is not able to obtain such data.<sup>80</sup>

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<sup>80</sup> June 11 Order, 139 FERC ¶ 61,199 at P 223.

## 2. July 11 Filing

74. MISO proposes to comply with the Commission's compliance requirements by incorporating into the Tariff the peak load contribution and daily peak load methodologies as the default method for determining coincident peak demand. MISO acknowledges, consistent with the Commission's directive, that "the peak load contribution methodology is the default method and that daily peak method [is] the default method for entities that lack data necessary to use the peak load contribution methodology and for which MISO is not able to obtain such data." In response to the Commission's directive for MISO to use the peak load contribution methodology once sufficient historical data is developed, MISO commits to working with its stakeholders to identify and develop a process to transition LSEs to the default method based upon peak load contribution. MISO proposes corresponding revisions to sections 69A.1.2.1 and 69A.1.3 of the Tariff.<sup>81</sup>

## 3. Protests

75. RESA asserts that despite clear Commission direction, MISO failed to incorporate its obligations to collect data and to use the peak load contribution methodology and therefore MISO's compliance filing is deficient. RESA argues that MISO must be ordered to modify its Tariff to require MISO to collect sufficient historical data to develop the peak load contribution for each LSE and to require MISO to use the data to use the peak load contribution methodology.<sup>82</sup> RESA also asserts that MISO cannot calculate the default capacity obligations without having the right to collect the data.<sup>83</sup> RESA also requests that MISO be ordered to specify in its Tariff its obligation to use the peak load forecast methodology once it has acquired sufficient historical data.<sup>84</sup>

76. As an alternative, RESA argues that the better solution to calculating the coincident peak load for LSEs is to have each LSE perform its own load forecast, including LSEs in retail choice regions. RESA argues that it is not necessary to rely on the Electric Distribution Companies, especially if they do not cooperate well with LSEs in their area. RESA further asserts that such a method would be consistent with how LSEs provide data in non-retail choice areas. RESA argues that MISO's proposed load

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<sup>81</sup> July 11 Filing, Transmittal Letter at 19-20.

<sup>82</sup> RESA Protest at 5.

<sup>83</sup> *Id.* at 7.

<sup>84</sup> *Id.* at 9.

forecasting methodology, as it applies to entities other than distribution companies, is unjust, unreasonable, and unduly discriminatory. RESA contends that MISO's proposal leaves such entities at a disadvantage in those Electric Distribution Company areas where the default method is used.<sup>85</sup>

77. RESA states that MISO's compliance filing needs to be revised to read that LSEs *not* using the default method will have their individual peak load contribution values transferred from the originally supplying LSE to the newly supplying LSE. RESA further asserts that if the Commission agrees that all LSEs should calculate their own peak load and use that information to calculate individual customer coincident peak load contributions, it will not be necessary to have a discriminatory default method.<sup>86</sup>

78. The Coalition of Midwest Transmission Customers argue that MISO's proposed Tariff language fails to address the Commission's directive that the alternative approach – i.e., the daily peak energy usage methodology – be used on an interim basis only until such time as MISO acquires sufficient data to determine an LSE's peak load contribution based on its actual peak load, rather than daily peak energy usage. They argue that, contrary to the Commission's requirement, MISO's compliance proposal would allow MISO to continue to apply the daily peak usage methodology indefinitely and on a continuing basis. They recommend that the Commission require MISO to insert the following sentence at the end of section 6A.1.2.1: "Once MISO has sufficient data to determine each LSE's [peak load contribution], this default peak load contribution methodology will be discontinued."<sup>87</sup>

#### 4. Answer

79. MISO notes that under section 69A.1 of the approved Tariff, MISO already has an obligation to collect necessary load data (so that MISO can calculate the default load forecast, utilizing the peak load contribution method), and thus MISO does not believe that the clarification requested by RESA is required.

80. With respect to RESA's contention that LSEs should provide their own forecast in retail choice environments, MISO argues that there are potential reliability impacts to simply permitting each LSE to be responsible for providing its own load forecast of the LSE's contribution to MISO's annual peak, as RESA has advocated. MISO contends

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<sup>85</sup> *Id.* at 6-8.

<sup>86</sup> *Id.* at 8.

<sup>87</sup> Coalition of Midwest Transmission Customers Protest at 2-4.

that LSEs would have an economic incentive to underestimate the size of their customers' contribution to MISO's annual peak, in part, because the Tariff would not require them to meet the Planning Reserve Margin Requirement for such load not included in its underestimate. In addition, many LSEs in retail choice states do not have the data required to estimate contribution to MISO's annual peak, but must rely on data from the Electric Distribution Company. Particularly in retail choice states, where customers can chose alternate retail suppliers throughout the year, an LSE would naturally only forecast load that it was certain that it would be serving during the upcoming Planning Year. MISO asserts that this is particularly problematic because the Tariff requires that load forecasts be made on November 1 of the year prior to a Planning Year, so that MISO can conduct an auction in April prior to the Planning Year. In a state where retail customers were able to switch LSEs with little notice, it would be very difficult for an LSE (without the assistance of an Electric Distribution Company for such region) to be able to accurately forecast all of the customers that it would have 16 or more months into the future.<sup>88</sup>

81. MISO disagrees with RESA's proposed Tariff revision to the default method Tariff provision. MISO explains that the word "not" should be omitted from this section because it applies only to LSEs using the default method.<sup>89</sup>

82. MISO also disagrees with the new Tariff language that the Coalition of Midwest Transmission Customers proposes, in part, because the phrase "once MISO has sufficient data" is ambiguous. MISO states that it is committed to working with stakeholders to determine when it is appropriate to move away from the daily peak usage methodology to the default peak load contribution methodology.<sup>90</sup>

## 5. Commission Determination

83. We accept, as compliant with the Commission's directives, MISO's proposed revisions to sections 69A.1.2.1 and 69A.1.3 of the Tariff. These provisions implement the default load forecasting methodology, as required by the Commission.

84. We do not find MISO's compliance filing to be deficient because it does not include a requirement for MISO to obtain historical data, as RESA claims. The

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<sup>88</sup> MISO Answer at 8-9.

<sup>89</sup> *Id.* at 14.

<sup>90</sup> *Id.* at 9.

Commission made no such requirement. The relevant section of paragraph 223 reads as follows:

We will require MISO to use a daily peak load methodology for [entities who lack data necessary to use the peak load contribution methodology and for which MISO is not able to obtain such data], as proposed by [Detroit Edison Company and Consumers Energy Company]. The [Electric Distribution Companies] will provide MISO with the daily peak load data for each retail choice provider. Once MISO has acquired sufficient historical data to develop [sic] peak load contribution for each LSE, MISO will begin to utilize the peak load contribution.<sup>91</sup>

The last sentence means that once MISO has acquired sufficient data *provided by Electric Distribution Companies*, the peak load contribution method will be used – in the same manner MISO is acquiring data provided by Electric Distribution Companies from the daily peak load method in the preceding sentence. Nor, as these sentences make clear, did the Commission require MISO to use the peak load contribution methodology for all LSEs. That methodology is to be used only if and when the necessary data is available.

85. We see no need to specify in the Tariff that MISO is obligated to use the peak load contribution methodology once it has acquired sufficient historical data. The Commission made this determination clear in the June 11 Order, and no further specification in the Tariff is required.

86. We clarify that MISO's data gathering obligation includes a commitment to provide LSEs with actual historical peak information it has in its possession for LSEs that are not in retail choice areas<sup>92</sup> and therefore does not pertain to peak load contribution data in retail choice areas.

87. With respect to RESA's claim that MISO's load forecasting methodology is unduly discriminatory for LSEs in retail choice regions that are not Electric Distribution Companies, and its recommendation that LSEs should submit their own forecasts in retail choice regions, the Commission already accepted the role of Electric Distribution Companies in providing forecasts in these regions in the June 11 Order.<sup>93</sup> Therefore,

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<sup>91</sup> June 11 Order, 139 FERC ¶ 61,199 at P 223.

<sup>92</sup> Referenced *supra* P 72. July 11 Filing, Transmittal Letter at 17-18.

<sup>93</sup> June 11 Order, 139 FERC ¶ 61,199 at P 197.

these issues are beyond the scope of this compliance proceeding and we will not revisit them here.

88. We will not require MISO to revise its Tariff to accept RESA's edit to the default method provision. MISO is correct that this section applies to LSEs using the default method, and therefore revising this section to apply to LSEs *not* using the default method would be incorrect. We are also not adopting RESA's proposal for LSEs to calculate their own peak load and therefore RESA's revision is not needed.

89. With respect to the Coalition of Midwest Transmission Customers' request that the Tariff be modified to require MISO to discontinue use of the daily peak load methodology when sufficient data is gathered to use the peak load contribution method, the proposed Tariff is clear that the daily peak default method is only used when there is insufficient data to use the preferred default peak load contribution method. Therefore, we see no need for the additional sentence proposed by the Coalition of Midwest Transmission Customers.

## **H. Transmission Losses**

### **1. June 11 Order**

90. While the Commission found MISO's proposal to account for transmission losses in Zonal Resource Credits and in the forecasting process – including the definition of the Planning Reserve Margin – to be reasonable, it agreed with parties that MISO needed to explain its process for calculating transmission losses and the basis for its calculations. The Commission thus directed MISO to include an explanation of its process for calculating transmission losses and propose Tariff revisions that specify transmission losses in the compliance filing. The Commission also found that the additional specification of transmission losses should include an explanation of the treatment of Behind the Meter Generation. It directed MISO to include this explanation in the compliance filing.<sup>94</sup>

### **2. July 11 Filing**

91. MISO clarifies that proposed section 68A.8 provides that the state estimator calculates transmission losses (in megawatts) as part of the solution output process every five minutes. MISO states transmission losses are computed for all transmission lines and transformers by summing up real power at both ends for each transmission element (retaining the convention for flow direction) or as the difference in real power (without

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<sup>94</sup> *Id.* P 280.

the sign convention for flow direction) for each state estimator solution. According to MISO, the individual transmission losses for each element are summed to a total transmission value for each Local Balancing Authority. These Local Balancing Authority transmission loss values are then integrated across each hour to calculate an hourly transmission loss value for each Local Balancing Authority. MISO proposes that the total transmission loss value for each Local Balancing Authority is the hourly integrated transmission losses value for the hour of MISO's system peak from the previous calendar year. The Local Balancing Authority transmission loss percentages are calculated as the total Local Balancing Authority transmission losses divided by the total Local Balancing Authority peak demand at the MISO peak hour.<sup>95</sup>

92. MISO further explains that in order to determine an LSE's transmission losses, the Local Balancing Authority transmission loss percentage is applied to the LSE's applicable Local Balancing Authority coincident peak demand forecast. MISO proposes that portions of load that meet the resource adequacy obligation with Behind the Meter Generation resources that are interconnected to MISO's transmission system shall be adjusted by MISO to account for transmission losses. According to MISO, portions of load, that meet their Planning Reserve Margin Requirement with Behind the Meter Generation that are not interconnected to MISO's transmission system shall not be adjusted to account for transmission losses.<sup>96</sup>

### 3. Protests

93. Wisconsin Power and Light recommends that MISO incorporate into the Tariff a system loss rate for the American Transmission Company (ATC) pricing zone to be calculated and used for loads that are located in the ATC zone. It argues that the use of this ATC system loss rate maintains consistency between the reporting of load for network transmission service billing purposes and the load that LSEs use for resource adequacy and Module E.<sup>97</sup>

94. Wisconsin Public Service Company acknowledges that the July 11 Filing is not a rate filing under FPA section 205, but argues that MISO's application of the loss calculation methodology to LSEs within the ATC system lacks the requisite evidentiary

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<sup>95</sup> July 11 Filing, Transmittal Letter at 30.

<sup>96</sup> *Id.* at 30-31.

<sup>97</sup> Wisconsin Power and Light Protest at 3.



support and explanation, is patently deficient and should be rejected.<sup>98</sup> Wisconsin Public Service Company argues that the Local Balancing Authority loss allocation method is unjust and unreasonable as applied to the ATC system. It explains that the ATC footprint, which encompasses five individual Local Balancing Authorities as a vestige of the pre-ATC and pre-MISO Day 2 era, functions as a single transmission pricing zone. All ATC LSEs pay the same ATC network service rate irrespective of the Local Balancing Authority in which they are located because all ATC LSEs use a load ratio share of the entire ATC system. The LSEs also use the same ATC system-wide transmission loss percentage when reporting network load to ATC and MISO for billing purposes. According to Wisconsin Public Service Company, in recognition of the way its system functions, ATC has developed a single loss percentage that applies to all LSEs within its footprint, rather than loss percentage factors that are specific to each Local Balancing Authority within ATC.

95. Wisconsin Public Service Company states that the primary difference between MISO's proposed section 68A.8 and ATC's system-wide loss percentage is that MISO develops and applies a different percentage to each Local Balancing Authority whereas ATC develops and applies a single, system-wide percentage to all of the Local Balancing Authorities in its footprint. It argues that these two loss methodologies are not at odds with each other when the different facts within and outside of the ATC footprint are considered. According to Wisconsin Public Service Company, it is reasonable on this additional ground for MISO to add a provision to its Tariff to incorporate the ATC-specific loss percentage calculation that would apply to all LSEs within the ATC footprint. It argues that calculation of losses within the ATC footprint on a Local Balancing Authority rather than an ATC-wide basis would be inconsistent with all other ATC transmission practices, including planning. Wisconsin Public Service Company also contends that it would be unjust and unreasonable for MISO to apply a "one-size fits all approach" to all LSEs without taking account of their differing factual circumstances.<sup>99</sup>

#### **4. Answer**

96. MISO disagrees with Wisconsin Power and Light and Wisconsin Public Service Company's protests with respect to losses. MISO states that transmission losses should be allocated to those LSEs creating the losses in a Local Balancing Authority, to properly assign resource adequacy requirements to those creating the need. It argues that just because a sharing of costs arrangement has been agreed to by market participants in the

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<sup>98</sup> Wisconsin Public Service Company Protest at 6.

<sup>99</sup> *Id.* at 2-5.

ATC zone for transmission cost purposes, does not mean that transmission losses should be shared for the purposes of resource adequacy.<sup>100</sup>

## 5. Commission Determination

97. We find that MISO has provided sufficient detail of its proposed loss calculation to satisfy the compliance requirement. We consider MISO's proposal to use Local Balancing Authority losses in its resource adequacy plan to be reasonable since the granularity of Local Balancing Authority loss data will ensure that Zonal Resource Credits reflect local system losses. Additionally, MISO has provided sufficient explanation regarding the loss calculations with respect to Behind the Meter Generation. We find it reasonable that the loss calculation is only applied to Behind the Meter Generation resources that are interconnected to MISO's transmission system.

98. Wisconsin Power and Light and Wisconsin Public Service Company do not argue that the MISO loss calculation is unreasonable. Rather, their position is that the loss calculation is inconsistent with the loss calculation for network service in ATC and that MISO has not provided enough evidence to support its proposal. Simply because a different loss calculation is used for another service is not a basis for revising MISO's proposal. We interpret the position of the Wisconsin parties to be that the network service loss calculation is reasonable, so it should be substituted in the ATC zone in place of the MISO proposed loss calculation. We reject this approach. Wisconsin Power and Light's proposal, while aligning the loss calculation with that used to allocate the costs of network service, could potentially diminish reliability. Wisconsin Power & Light's approach determines losses less granularly and could thus overstate or understate losses for specific Local Balancing Authorities and their LSEs in the ATC footprint than does MISO's methodology. This in turn could cause the calculations of planning reserve margin requirements to understate losses for certain LSEs in the ATC footprint, endangering reliability by consequently understating the planning reserve margin requirements.

99. Turning to the evidence issue, for the specific issue here, namely determining a basis to estimate losses that would occur in the delivery of capacity from resources to loads in peak periods, MISO's proposal is reasonable. Transmission losses in the peak hour for the Local Balancing Authority in which the LSE load is located should provide a reasonable approximation of the losses that an LSE would incur in meeting its peak load requirement. We consider MISO's explanation to be sufficient and see no need for further analysis or data to support this proposal.

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<sup>100</sup> MISO Answer at 11-12.

## **I. Minimum Offer Price Rule Mitigation**

### **1. June 11 Order**

100. The Commission concluded that MISO had not demonstrated that its proposed MOPR provisions are just and reasonable. It found that buyers within MISO are generally unlikely to benefit from exercising market power by subsidizing uneconomic entry and the resulting reduction in capacity prices in MISO's voluntary capacity market. The Commission concluded that utilities, who own the vast majority of capacity in MISO, would not significantly benefit from lower prices in MISO's voluntary capacity market because the utilities do not need to procure a significant amount of capacity from MISO's capacity market. The Commission also found that, even if utilities had a significant incentive to exercise buyer market power – which they do not in MISO – MISO's proposed MOPR provisions would not likely be effective in deterring suppression of prices through the exercise of buyer market power. Additionally, the Commission found that MISO's proposal to impose an offer floor only if the Market Monitor determines that the seller intends for its offer to depress the auction clearing price was not reasonable. The Commission conditioned its approval of MISO's resource adequacy proposal on MISO removing the MOPR provisions, which it directed it to do in its compliance filing.<sup>101</sup>

### **2. July 11 Filing**

101. MISO proposes to comply with the June 11 Order by removing the MOPR provisions from sections 65.7, 65.7.1, 65.7.2, and 65.7.3 of the Tariff, which address details associated with the MOPR. MISO also proposes to remove sections 1.444a and 69A.8.b, which detail the calculation of the net CONE, since this was only used as part of administering MOPR provisions.

### **3. Commission Determination**

102. We accept MISO's proposed removal of sections 65.7, 65.7.1, 65.7.2, 65.7.3, 1.444a, and 69A.8.b of the Tariff as compliant with the directive in the June 11 Order to remove MOPR provisions from its resource adequacy construct. However, contrary to assertions that it made in its Transmittal Letter, MISO has not, in fact, removed section 69A.8.b from the Tariff. We condition our acceptance of MISO's filing on it removing section 69A.8.b in its compliance filing to be submitted within 30 days of the date of this order.

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<sup>101</sup> June 11 Order, 139 FERC ¶ 61,199 at PP 66-69.

**J. FRAP Mechanics****1. June 11 Order**

103. The Commission accepted MISO's proposed FRAP mechanics subject to modifications. The Commission found that MISO has not specified its process for including Zonal Resource Credits from newly registered Load Modifying Resources in their FRAPs. It directed MISO to revise its Tariff to include this process and include these revisions in its compliance filing. It also required MISO to revise proposed section 69A.9.a to replace "an [Local Resource Zone]" with "each [Local Resource Zone]."<sup>102</sup>

**2. July 11 Filing**

104. MISO explains that market participants may begin submitting Load Modifying Resources for qualification in December, prior to the Planning Year, and will be able to continue to submit such resources for qualification up to and on the March 1 deadline. MISO will make every effort to evaluate the registration criteria of new Load Modifying Resources, so that Load Modifying Resources that are registered on the March 1 deadline may qualify to be used in a FRAP. MISO also proposes to add a new deadline of February 15th to allow market participants more certainty regarding registration of Load Modifying Resources. Load Modifying Resource registrations received by the February 15th deadline will be processed by MISO in time for LSEs to designate Zonal Resource Credits from these resources in the FRAP. MISO also states that it will make a good faith effort to process any Load Modifying Resource registration received between February 15th and March 1. According to MISO, Zonal Resource Credits from newly registered Load Modifying Resources may be designated in the Module E Capacity Tracking Tool for use in a FRAP as early as December prior to the Planning Year. MISO states that any load or resources that are included in a FRAP will still be modeled in the clearing calculations for the auction, because such inclusions are required to appropriately consider transmission constraints and correctly price zonal differences.<sup>103</sup> MISO also proposes to revise section 69A.9 to replace "an [Local Resource Zone]" with "each [Local Resource Zone]."<sup>104</sup>

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<sup>102</sup> *Id.* P 300.

<sup>103</sup> July 11 Filing, Transmittal Letter at 34-35.

<sup>104</sup> *Id.*

### 3. Protest

105. Midwest TDUs argue that new resource registrants should be assured time to factor the registration outcome into their FRAPs. They point to MISO's proposal that where Load Modifying Resource registrations are submitted by February 15, MISO would provide notice of the outcome "prior to the FRAP deadline," i.e., by "the 7th business day of March," and that MISO states that it will attempt to do so by that date for resources registered between February 16 and March 1. Midwest TDUs contend that registrations submitted on or before February 1 should lead to a MISO response on or before February 21. Second, according to Midwest TDUs, registrations submitted between February 1 and the February 15 submission date contemplated in MISO's filing should lead to a MISO response "two or more business days prior to the FRAP deadline," rather than as late as immediately before the FRAP deadline.<sup>105</sup>

### 4. Answer

106. MISO, in its answer, states that it is amenable to the two timing changes proposed by Midwest TDUs.<sup>106</sup>

### 5. Commission Determination

107. We accept MISO's revisions to section 69A.9 describing the process for market participants to submit registration for Load Modifying Resources. We find MISO's response to Midwest TDUs that it will respond on or before February 1 to registrations submitted on or before February 1 and it will respond two or more business days prior to the FRAP for registrations submitted between February 1 and the February 15 to be reasonable. We direct MISO to propose Tariff revisions that incorporate the timing changes proposed by Midwest TDUs and agreed to by MISO in its answer. We also accept, as compliant with the Commission's directive, MISO's proposal to revise section 69A.9 by replacing "an [Local Resource Zone]" with "each [Local Resource Zone]".

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<sup>105</sup> Midwest TDUs Protest at 5-7.

<sup>106</sup> MISO Answer at 15.

**K. Planning Resource Auction Mechanics****1. June 11 Order**

108. The Commission noted Xcel's argument that MISO should clarify the mechanics of how the auction will work beyond what it has included in proposed section 69A.7.1.c. Specifically, the Commission directed MISO to clarify that if only a portion of the marginal unit is needed, then only that portion of the marginal unit will clear. Xcel also contended that it should be clear that when more than one marginal unit is offered at the same price, then all units offered at the same price are cleared *pro rata* up to the amount required to meet the reliability requirement. Additionally, Xcel argued that MISO should clarify that the auction clearing price will equal the offer of the last needed credit, and not the next-needed credit. The Commission agreed with Xcel that these clarifications are required and directed MISO to clarify the mechanics of its auction, as requested by Xcel, and revise its Tariff accordingly.<sup>107</sup>

**2. MISO July 11 Filing**

109. MISO states that if only a portion of a marginal Planning Resource is needed, then only a portion will clear in the auction and that if more than one resource is offered at the marginal price, then they will be all cleared on a *pro rata* basis. It offers no corresponding Tariff revisions however. In response to the question of whether the Auction Clearing Price will equal the offer of the last needed credit, or the next needed credit, MISO explains that the Auction Clearing Price is calculated by considering the next increment or decrement for each Local Resource Zone.<sup>108</sup>

**3. Commission Determination**

110. We find that MISO has not proposed Tariff revisions that correspond to its explanation that if only a portion of a marginal Planning Resource is needed, then only a portion will clear in the auction and that if more than one resource is offered at the marginal price, then they will be all cleared on a *pro rata* basis. We direct MISO to propose Tariff modifications to effectuate these clarifications in its compliance filing to be made within 30 days of this order.

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<sup>107</sup> June 11 Order, 139 FERC ¶ 61,199 at P 334.

<sup>108</sup> July 11 Filing, Transmittal Letter at 38-39.

**L. Miscellaneous**

111. We accept MISO's proposed modifications to sections 1.705 and 69A.7.6.b(i) of the Tariff as meeting the Commission's directive that MISO clarify that the Zonal Deliverability Charge is only applied to the part of the LSE's capacity obligation that is satisfied as part of a FRAP.<sup>109</sup>

112. We accept MISO's proposed revisions to Grandmother Agreements to be in compliance with the June 11 Order.<sup>110</sup>

113. We find that MISO, through its proposed revisions to section 69A.7.7(c) of the Tariff, has complied with the Commission's directive that MISO modify its Tariff to ensure that 100 percent of the excess debits are allocated.<sup>111</sup>

114. MISO has also satisfied the Commission's directive regarding Tariff modifications for the Zonal Deliverability Benefit stemming from the two-year Grandmother Agreement transition period.

115. We accept MISO's proposed revisions to specify the terms and conditions of service for Energy Efficiency Resources, and a new Attachment UU specifying the data and other informational requirements for Energy Efficiency Resources, to be in compliance with the June 11 Order.<sup>112</sup>

116. We accept MISO's proposed revisions to specify that the proposed physical withholding threshold shall apply per market participant and not per corporation.<sup>113</sup>

117. We accept MISO's explanation of the transition from Module E to Module E-1 to be in compliance with the June 11 Order.<sup>114</sup>

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<sup>109</sup> June 11 Order, 139 FERC ¶ 61,199 at P 102.

<sup>110</sup> *Id.* PP 113-115.

<sup>111</sup> *Id.* PP 150-155.

<sup>112</sup> *Id.* P 236.

<sup>113</sup> *Id.* P 265.

<sup>114</sup> *Id.* P 274.

118. We accept MISO's proposed revisions to section 69A.7.1 of the Tariff to clarify, per the Commission's directive, that jointly-owned facilities can individually bid their share of their resources into the auction, whether as self-scheduled price takers or with specific bids, or use them as part of their FRAPs.<sup>115</sup>

119. We accept MISO's revisions to the specification of CONE values to be in compliance with the June 11 Order.<sup>116</sup>

120. We accept MISO's explanation of the accreditation criteria for Demand Resources to be in compliance with the June 11 Order.<sup>117</sup>

121. Finally, to the extent that we do not specifically address herein any of the Tariff revisions MISO proposes in its July 11 Filing to comply with the June 11 Order, we accept them to be in compliance with the June 11 Order.

The Commission orders:

(A) MISO's proposed Tariff revisions for its resource adequacy plan are hereby accepted, subject to a compliance filing, as discussed in the body of this order.

(B) MISO is hereby directed to submit a compliance filing, within 30 days of the date of this order, as discussed in the body of this order.

By the Commission. Commissioner Honorable is not participating.

( S E A L )

Nathaniel J. Davis, Sr.,  
Deputy Secretary.

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<sup>115</sup> *Id.* P 304.

<sup>116</sup> *Id.* P 289.

<sup>117</sup> *Id.* P 315.