

# ***The Role of Resource Adequacy in Midwest ISO-administered Energy Markets***



**Joint Stakeholder Meeting  
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# The Role of Resource Adequacy in ISO Administered Energy Markets



- Resource Adequacy Plans are created to help
  - Ensure reliability, and
  - Promote investment (resource adequacy)
- The Midwest ISO filed a plan with FERC for moving towards a permanent resource adequacy plan.
  - Phase I of the Resource Adequacy Requirement (RAR) Plan will focus on the short-term reliability of the Midwest ISO Region through the integration of Contingency Reserves and Regulation service into the existing Energy Markets.
  - Phase II of the RAR plan will focus on the longer-term reliability needs of the regions such as long-term planning, demand side resources, long-term FTRs and national industry standards that are currently under development.

# Where is the Midwest ISO with respect to capacity?

- Midwest ISO priorities are on improvements likely to have the most impact on regional efficiency that can lead to customer savings.
  - Improve spot pricing and regional dispatch.
  - Create regional Operating Reserve (OR) markets and co-optimize with energy.
  - Introduce scarcity pricing for better price signals.

# Where is the Midwest ISO with respect to capacity?

RAR filing made at FERC on 28 December 2007 to modify Module E in our Tariff:

- Determination of reserve obligations
  - Loss of load expected (LOLE) analysis
- Determination of RAR status
  - LSE responsibilities
  - Qualification of resources
    - Capacity Resources
    - Load Modifying Resources
      - Demand resources
  - Must offer requirement
    - Behind-the-meter generation
- Reports
  - Deficiency reports
  - Voluntary capacity exchange
  - Load & planning resource assessment

# Where is the Midwest ISO with respect to capacity?

- FERC order on RAR filing made on 26 March 2008 to modify Module E in our Tariff: compliance issues
  - Summary/effective dates
  - Sufficiency of the proposal
  - Jurisdictional concerns
  - Establishing Planning Reserve Margins (PRMs)
    - LOLE
    - Planning Zones
  - LSEs forecasting load requirements
  - Resource Plan submittal

# Where is the Midwest ISO with respect to capacity?

- FERC order on RAR filing made on 26 March 2008 to modify Module E in our Tariff: compliance issues
  - Qualification of Planning Resources
    - UCAP
    - Power Purchasing Agreements (PPAs) as Capacity Resources
    - Load Modifying Resources (LMRs)
    - Behind the Meter Generation (BTM)
  - Tracking tool & bulletin board
  - Capacity markets
- Midwest ISO made a compliance filing addressing the aforementioned issues on 27 May 2008

# Where is the Midwest ISO with respect to capacity?

- FERC order on RAR filing made on 26 March 2008 to modify Module E in our Tariff: compliance issues
  - Financial settlement provisions for deficient LSEs
  - Business Practices Manuals (BPMs)
  - Relationship between Phase I & II
- Midwest ISO made a compliance filing addressing the aforementioned issues on 25 June 2008

# Where is the Midwest ISO with respect to capacity?

- Midwest ISO compliance filing on 25 June 2008
- Financial settlement provisions for deficient LSEs
  - Voluntary capacity auction – monthly
    - Voluntary
    - Bids & offers
    - Offer cap
    - Uniform clearing price
    - Must offer obligation
    - Settlements & public information



# Where is the Midwest ISO with respect to capacity?

- Midwest ISO compliance filing on 25 June 2008
- Financial settlement provisions for deficient LSEs
  - Administrative charge
    - Determining a deficient LSE
    - Assessing a financial charge
  - Calculation of Cost of New Entry (CONE)
  - Distribution of financial settlement charge revenues
    - Suppliers
    - LSEs

# Where is the Midwest ISO with respect to capacity?

- Midwest ISO compliance filing on 25 June 2008
- BPMs – draft posted for public consumption
- Relationship between Phase I & II
  - Relationship between energy & operating reserves markets, resource adequacy construct, scarcity pricing, demand response and the role of state regulators
- Relationship between RPM & Module E

# Where is the Midwest ISO with respect to capacity?

- FERC Orders
  - Three Resource Adequacy Requirements (RAR) Orders received from FERC on 20 October
- Order on rehearing: granted in part and denied in part (“Rehearing Order”)
- Order conditionally accepting Midwest ISO’s 27 May Compliance Filing (“Compliance Order”)
- Order conditionally accepting the Midwest ISO’s 25 June Compliance Filing on Financial Settlement Provisions (“Financial Settlements Order”)

# Where is the Midwest ISO with respect to capacity?

- FERC Orders: impacts on design elements
  - LMRs (penalties, netting, and accreditation)
  - Data discovery (resource capability, state jurisdiction)
  - PPAs (verification, capacity designation, force majeure)
  - Planning zones (determination, minimum size)
  - CONE calculation (justification, monthly deficiency charges)
  - Credit conditions
  - Fungible capacity credits
  - Use-limited resources
  - Price-responsive demand