Joint and Common Market

V. CAPACITY DELIVERABILITY



MISO

Capacity Deliverability Concept

- The goal of capacity deliverability is essentially to extend the network transmission service concept across the border between RTOs
- Rather than requiring resources to individually procure firm transmission service on each side of the seam in order to qualify as a capacity resource, the RTOs would determine prior to the execution of their capacity auctions the resources in the other RTO that could be committed in the auction, and the resources that economically clear would be awarded firm scheduling rights equivalent to firm service currently reserved





Issues to be resolved

- 1. Transmission upgrade cost allocation: preventing transmission upgrade cost shifts between the RTOs
- 2. Energy market coordination: real-time operational protocols would need to be developed to ensure delivery of energy associated with capacity commitments during emergency conditions
- 3. Establishment of capacity import and export limits where they do not already exist and potential modification to the methodology by which those limits are established where they do exist to ensure that the energy associated with capacity commitments can be reliably delivered
- 4. Treatment of existing firm transmission rights if firm scheduling rights are awarded to resources that clear in capacity auctions
- 5. Establishment of Firm Flow Entitlements in the Market-to-Market congestion management process given committed Capacity resources





Issue 1: Questions and Answers – MISO Responses

- Should transmission upgrades be planned to provide or maintain joint deliverability of a given resource or just for the physical host RTO's load only?
 - Planning process should continue to identify upgrades to maintain deliverability of network resources to serve load of the RTO where the network resource is physically located.
 - Protects load from paying for upgrades to allow network resources to voluntarily participate in a neighboring RTO's capacity auction.





Issue 1: Questions and Answers – MISO Responses

- What happens if an external resource that was previously cleared in an auction, or otherwise designated as a capacity resource, subsequently is found not to be deliverable up to the previously cleared quantity?
 - Designated external resource would have two options:
 - funding the necessary network upgrades
 - buy back the cleared capacity in a subsequent residual auction.
 - Based on previous analysis of joint deliverability this should be a low occurrence event.
 - Studies performed in 2006 and 2014 found 95% or higher joint deliverability





Issue 1: Questions and Answers – MISO Responses

- What happens to units that have historically been jointly deliverable, although not committed in the other RTO's capacity auction but are found not to be deliverable for future years prior to the execution of a PJM capacity auction?
 - The units would not be eligible to participate in the neighboring RTO's capacity auction without further study and upgrades identified, which would be funded by the external resource.
 - Resources that are concerned with the uncertainty of deliverability from one year to the next would retain the option of attaining firm transmission service.





Issue 1: Questions and Answers – PJM Responses

- Should transmission upgrades be planned to provide or maintain joint deliverability of a given resource or just for the physical host RTO's load only?
 - Planning process should continue to identify upgrades to maintain deliverability of network resources to serve load of the RTO where the network resource is physically located.
 - Planning process should continue to identify upgrades to maintain deliverability of network resources to serve load of the RTO where the network resource is in the adjacent RTO.





Issue 1: Questions and Answers – PJM Responses

- What happens if an external resource that was previously cleared in an auction, or otherwise designated as a capacity resource, subsequently is found not to be deliverable up to the previously cleared quantity?
 - Planning process should continue to identify upgrades required to maintain the deliverability of all capacity resources.
 - Regional studies should identify upgrades required to maintain the deliverability or the resource within the RTO
 - Interregional studies would be done following the regional analysis once all upgrades required for regional deliverability have been incorporated





Issue 1: Questions and Answers – PJM Responses

- What happens to units that have historically been jointly deliverable, although not committed in the other RTO's capacity auction but are found not to be deliverable for future years prior to the execution of a PJM capacity auction?
 - Planning process should continue to identify upgrades to maintain deliverability of network resources to serve load of the RTO where the network resource is physically located.
 - If a network resource has offered and cleared in the adjacent RTO in the past then the planning process should continue to identify upgrades to maintain deliverability of the network resource.
 - For an uncommitted unit, without reserved firm transmission service, we would not plan upgrades to maintain deliverability of the resource to the adjacent RTO





Issue 2: Energy Market Coordination

✓Operational procedures currently exist to identify energy transactions from capacity resources to ensure they are not curtailed inappropriately.

✓These procedures could be adapted under a cross border Network deliverability concept*

✓Options for ensuring that the host BA does not curtail energy from capacity resources committed to the other RTO

- 1. Make pseudo-tie a requirement OR
- 2. Develop mechanism to tag transaction in the absence of point to point Transmission Service

* Key remains establishing the Planning analysis that ensures energy delivery is Firm under a Network deliverability concept



Issue 2: Energy Market Coordination

Next Steps

- 1. Continue to evaluate the feasibility of the two options
- 2. Select the preferred option or determine whether both options could
- co-exist based on preliminary analysis
- 3. Document the process to implement the preferred option(s)
- 3. Present the conclusion at the September, 2014 JCM meeting



Issue 4: Treatment of existing firm transmission rights

• MISO and PJM agree that existing firm Transmission Service rights should be respected in this process



Issue 5: Firm Flow Entitlements in the Market-to-Market congestion management process

- This issue is being worked as part of the Freeze Date Alternatives initiative
- The Congestion Management Process Working Groups is the primary forum for working the issue
- The MISO-PJM JCM and respective regional stakeholder committees are used for stakeholder involvement



Next Steps

- Request stakeholder feedback on the MISO and PJM responses on questions related to issue 1 and 2
- Discuss feedback and RTO responses at next JCM meeting.



