



Capacity Deliverability – Problem Statement

Problem Statement

Barriers exist that restrict generation capacity deliverability between the markets that result in underutilization of the transmission system. The primary barrier is the reliance on disjointed point-to-point transmission evaluation and reservation processes for determine eligibility to deliver capacity.

Customers are best served when existing transmission assets are fully available to meet capacity and energy requirements allowing the most efficient use of existing supply, deferral of new supply investments, and efficient supply additions, when needed. Currently, customers have restricted access to economic capacity resources due to the seam created by the boundaries of MISO and PJM. Cross-border transactions are limited not only because of physical transmission limitations, but also because of institutional barriers. In particular, access is restricted by the requirement to procure cross-border Point-to-Point transmission service to enable capacity transactions. Further, the RTOs evaluate the request for transmission with similar, but not identical, processes. Capacity Deliverability refers to enabling efficient capacity transactions across the seam through extension of network service identified through joint deliverability studies.

Once generator deliverability is determined based on joint RTO analysis, capacity resources that have been deemed deliverable will be able to offer their capacity into the RTO's respective capacity auctions subject to zonal transfer limits. This process will ensure the most efficient set of capacity resource is committed through the respective capacity auction and that the transfer limits modeled can be fully utilized to deliver capacity to load.

Issue Source

MISO – MISO has identified Capacity Deliverability as an important issue across the MISO and PJM seam. Removing barriers to efficient interregional capacity transfers is a necessary step toward realization of the significant benefits available to consumers across the MISO and PJM footprint. MISO has developed a Capacity Deliverability whitepaper to provide a detailed description of barriers to capacity deliverability and proposed steps to unlock the value of increased capacity deliverability.

Potomac Economics (MISO IMM) – IMM first identified this issue in its *2008 State of the Market Report*. MISO's IMM notes three barriers that prevent efficient trading of capacity from MISO to PJM: (1) Substantially less long-term firm transmission capability is available to be reserved for imports from MISO into PJM than the actual demonstrated capability of the system to support such imports; 2) The current transmission reservation processes allow participants to hold a large quantity of the long-term firm transmission into PJM that is not used to make capacity sales into the PJM RPM market, despite the economic incentives to do so; and 3) The obligations of external suppliers that sell



capacity into the RPM are uncertain, costly, and potentially discriminatory, and serve as a deterrent to sell external capacity into the PJM RPM.

Dynegy – MISO sourced capacity delivered to the MISO/PJM interface is not necessarily deliverable throughout the PJM footprint. The limited nature of the existing transmission system must continue to be taken into consideration in the discussion of capacity portability. Forward Term – MISO’s forward commitment time horizon is only two months prior to the start of the planning year versus PJM’s three year forward time horizon. A two month forward commitment is not sufficient to create the long-term price signal in MISO that is necessary for investment in new capacity resources.

MidAmerican – Improve the capacity deliverability study process to align inter-RTO and intra-RTO study processes. Align capacity market timelines.

NIPSCO – Indicated that MISO’s proposal in its Capacity Deliverability Whitepaper is a good first step.

Wisconsin PSC –FERC has approved different resource adequacy constructs for MISO and PJM. I believe that these independent constructs can be maintained, while at the same time adjusting some market rules to bring more benefits to ratepayers.

Consumers Energy – notes that ability to transfer capacity between RTO’s is limited. Consumer’s identifies CBM as an opportunity to improve efficiency.

Dominion Energy – Supports review of capacity deliverability modeling and assumptions.

Public Service Commission of Wisconsin – Differing capacity constructs can be maintained while adjusting market rules to provide more benefits to ratepayers.

Edison Mission – Any improvements must respect primary reliability objectives.

We Energies – Supportive of MISO’s approach to improve capacity deliverability.

Key Work Activities

1. Review current capacity deliverability requirements and study processes in each RTO including generation and load deliverability evaluation models, assumptions and processes and point-to-point transmission request evaluation processes. - August - Sep 2012
2. MISO and PJM to conduct joint studies to determine transfer capability between the two systems including an analysis of how transfer limits could be modeled in the respective capacity auctions. MISO and PJM to review capacity resource deliverability and performance eligibility requirements including an overview of resource qualification and auction timelines. – August - Sep 2012
3. MISO and PJM to conduct joint deliverability study to determine set of resource that could be deemed network deliverable across the seam. – August - Oct 2012



4. Develop joint proposal to eliminate those barriers for generation in either footprint to deliver capacity across the border. August – October 2012
5. Present joint proposal at JCM meeting in November for stakeholder input. – November 2012
6. Develop detailed cost benefit analysis for eliminating barriers to capacity deliverability across the seam– November – December 2012
7. Develop required tariff and JOA provision changes required to implement joint proposal. November – December 2012
8. Present tariff and JOA changes in appropriate stakeholder and JCM forums. January – February 2013.
9. File tariff and JOA changes with FERC. February 1st, 2013.

Expected Deliverables

It is expected that business process, manual, operating agreement and tariff revisions will be generated as appropriate for each RTO as well as revisions to the Joint Operating Agreement. It is understood that these documents will necessarily require review through each RTO's stakeholder processes.

Expected Overall Duration of Work

MISO staff believes that these activities could be completed in a timeframe of 6 to 12 months.