MISO Revenue Sufficiency Guarantee Analysis

PJM Energy Market Uplift Senior Task Force Meeting

April 1, 2015

Purpose:

- Discuss analysis undertaken to address various Revenue Sufficiency Guarantee proceedings in MISO to demonstrate cost causation, cost attribution

Key Takeaways:

- While Revenue Sufficiency Guarantee analysis was valuable in establishing cost correlation, conclusively proving cost causation in detail is difficult if even possible at all
- MISO’s RSG Cost allocation continues to evolve

A Brief History of Revenue Sufficiency Guarantee Allocation in MISO

- April 2005 - MISO Launches Energy and Operating Reserves Market
- August 2007 – Section 206 Proceedings initiate on RSG Rate
- November 2008 – FERC Orders Interim Rate, assessing Real Time RSG charges to cleared Virtual Supply
- January 2009 – MISO Launches Ancillary Services Market
- May 2009 – FERC issues order denying rehearing addresses cost causation
- November/December 2009 – MISO files compliance filing related to exempted RT deviations, including analysis by IMM on cost attribution
- August 2010 – Commission found the IMM Study, primarily aimed at cost attribution vs allocation, sufficient to conclude cost causation related to exemptions.
- April 2011 – RSG Redesign implemented including netting and notification deadline

Cost Allocation vs Cost Causation

- FERC proceedings on MISO RSG Allocation generated extensive analysis, testimony, and legal arguments around cost causation, cost correlation related to Real-Time Revenue Sufficiency Guarantee cost allocation
- These included:
  - MISO's December 2006 Virtual Cost Causation Compliance – Rejected by FERC (ER04-691-074)
  - MISO's March 2008 Indicative Rate filing with four buckets, and cost causation/analysis studies
  - Reply briefs by various parties in Section 206 proceeding (EL07-86 et al), submissions included analysis from various parties, notably DC Energy/Integrys
- FERC addressed the cost causation issue extensively in its November 2008 Order on Paper hearing and May 6, 2009 order on rehearing

Commission's Ruling on Cost Causation Analysis

From FERC's May 6, 2009 Order on Rehearing 127 FERC ¶ 61,121:

- Correlation analysis does not prove cost causation by itself
- Correlation analysis tends to support the other analysis, i.e., the knowledge and expertise of system operators and analysts
- There is no objective way … to ensure that RSG costs are not over or under allocated [to cleared virtual supply]
- There is not enough market data in the record for the Commission to undertake an analysis that would prove cost causation in precise detail – and even if the Commission could do so, the results would be certain to spawn further litigation about the quantity and quality of that data, and whether the results of the Commission's analysis are conclusive.
- A finding that the cost allocation is just and reasonable does not require complex statistical analysis to determine the precise cost impact before any Revenue Sufficiency Guarantee costs can be allocated based on virtual offers

Recent Enhancements have relied on Cost Attribution

MISO and MISO’s IMM have successfully improved RSG Cost Allocation by aligning cost allocation with cost attribution. An example is Marketwide Netting of all pre-notification deadline deviations

https://www.misoenergy.org/Library/Repository/Tariff/FERC%20Filings/2013-08-07%20Market-Wide%20Netting%20RSG%20Allocation.pdf