



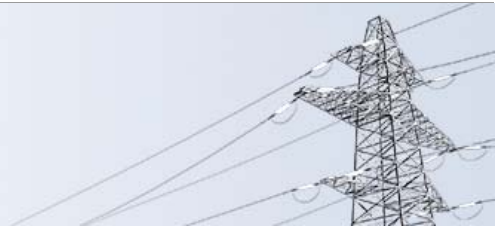
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Monday, April 4, 2016

IPPs Push 3-Year Forward Auction for MISO; Consumer Advocates Urge Caution

March 7, 2016

By Amanda Durish Cook

MISO stakeholders continued their debate over the RTO's capacity market rules Monday with independent power producers saying the RTO should borrow elements from PJM and consumer advocates warning that the proposals were premature and could increase prices.

The discussion, which focused largely on Illinois' Zone 4, came at a meeting of the Competitive Retail Solution Task Team.

NRG Energy, Noble American Energy Solutions and Mainline Energy called for a transition to a downward sloping demand curve from the current vertical curve, which critics say results in excessive price volatility.

Abraham Silverman, NRG Energy's assistant general counsel for regulatory affairs, presented a [proposal](#) that also called for a mandatory three-year forward auction for retail choice zones in Illinois and Michigan.



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Exelon, LS Power Join CPV in Adding New England Capacity

New generators from Exelon, LS Power and Competitive Power Ventures were the apparent winners in ISO-NE's capacity auction, while NRG Energy and Public Service Enterprise Group walked away empty handed.

ISO-NE Capacity Prices Likely to Fall in Future

The 36% increase in prices in last week's ISO-NE capacity auction likely represents the peak for the foreseeable future.

Upcoming Events:

February 15 - 18 in Washington, DC: [NARUC Winter Committee Meeting](#)
February 24 - 26 in New Orleans, LA: [MISO Board of Directors Week](#)
March 10 - 12 in Washington, DC: [Infocast 18th Annual Transmission Summit](#)

The auctions would be optional in the rest of MISO, which depends on state-run integrated resource plans — although load-serving entities in those states would be required to demonstrate three years in advance that they have sufficient resources to meet their capacity needs through the auction, self-supply or bilateral transactions.

NRG’s proposal was based on a study it commissioned by The Brattle Group. Brattle’s study said MISO’s survey of LSEs’ capacity resources, conducted with the Organization of MISO States, “does not adequately ensure reliability.”

“Shortages for retail choice customers would affect the reliability of the whole system, including traditionally regulated states,” Brattle said.

Mainline Energy likewise [advocated](#) for procuring capacity three years in advance. “We’re not trying to recreate the markets, we’re trying to create a price signal here,” said Michael Borgatti, director of RTO services for Gabel Associates, who appeared on behalf of Mainline Energy.

Borgatti said competition could drive down prices and volatility. “Let’s be honest, in the last three years, we’ve seen capacity prices around \$3 [per megawatt-day], we’ve seen \$17 and we’ve seen \$150,” he said.

Noble American Energy Solutions’ Roy Boston [proposed](#) a three-year auction and downward sloping demand curve modeled after PJM. MISO’s “short-term procurement auctions do not give potential entrants an opportunity to participate in the auction, which increases the potential for incumbent generators to exercise market power,” Boston said.

At a meeting of the task team last month, Exelon and Dynegy also proposed a move to a PJM-like construct. (See [Dynegy, Exelon Propose PJM-Type Capacity Auction for MISO Zone 4.](#))

However, the Illinois Citizens Utility Board and AARP said MISO’s goal of filing proposed new rules with FERC by May 5 was premature.

“Presentations made to this working group have so far been nothing more than ways to increase capacity prices for existing generators,” [said](#) Bryan McDaniel of the CUB. “While generators give lip service to not making Zone 4 ‘an island,’ their proposals would make Zone 4 even more of an island.”

AARP staffer Bill Malcolm encouraged MISO to slow down, saying MISO’s “sufficient capacity” afforded the RTO time to thoroughly vet available auction options.

Susan Satter, public utilities counsel for the Illinois Attorney General’s Office, likewise said there was a “substantial surplus” of capacity in Zone 4 and there was no need to rush changes. She urged waiting on a long-term solution until the MISO-OMS survey is completed in July.

Satter’s office said presentations to the task team so far “have failed to

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TUE [PJM Operating Committee \(OC\)](#)
 05 April 5 @ 8:00 AM - 3:00 PM EST

TUE [MISO Market Subcommittee Meeting](#)
 05 April 5 @ 9:30 AM - 4:00 PM UTC-5

WED [PJM Market Implementation](#)

provide data or analysis to show that the [Planning Resource Auction] as constructed will result in insufficient resources.”

“Generator desire for more revenue should not be the basis for radical changes in the PRA to increase capacity prices for Illinois,” the office [*said*](#).

MISO officials again withheld comment on whether they favored any of the proposals.

Jeff Bladen, MISO’s executive director of market design, did offer one critique. “When you have three-year forward procurement, you have higher uncertainty about what’s going to happen three years into the future. What you have is a higher installed reserve margin to meet that one-day-in-10-year standard,” he said.

He also reminded stakeholders that the PRA isn’t meant to function as the primary mechanism for ensuring sufficient capacity.

Independent Market Monitor David Patton also questioned the advantages of abandoning MISO’s “prompt” auction, which procures capacity two months before the delivery year.

“I’m not sure the economic theories surrounding mandatory forward procurement have been robustly tested. We need to rigorously test the assumptions,” Patton said. “There’s not a lot of difference in prompt auctions and three-year forward auctions in how it motivates investments... The real question here is revenue.”











Patton did reiterate his support for a switch to a sloped demand curve.

06 [Committee \(MIC\)](#)
April 6 @ 8:30 AM - 3:00 PM EST

THU [PJM Planning Committee \(PC\)](#)
07 April 7 @ 8:30 AM - 11:00 AM EST

THU [PJM Transmission Expansion Advisory Committee \(TEAC\)](#)
07 April 7 @ 10:00 AM - 2:00 PM EST

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