Capacity Deliverability Studies and Market Timelines

Problem Statement

Both PJM and MISO evaluate generation resources for deliverability to their respective footprints, and load deliverability to determine sub-regional constraints on capacity transfers within their respective footprints. Each RTO uses its own models, assumptions and processes to perform these evaluations and the methods are not tightly aligned or coordinated. Aligning and coordinating the models and assumptions used in these respective analyses would ensure greater consistency of the analysis results and greater transparency regarding deliverability of resources both within and between the RTO footprints.

PJM and MISO have or will implement very different capacity constructs, with different product definitions, durations, obligations and market timelines. Since the timing of the capacity auctions operated by each RTO differ, it is difficult to ensure that capacity resources may be efficiently offered and cleared in either auction. Given the current RPM construct in PJM and the recently approved auction structure in MISO, the coordination opportunity would be between the MISO annual auction and the PJM Third Incremental Auction.¹

Issue Source

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.

Wisconsin PSC – In doing so, 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.

Key Work Activities

1. Perform education for all stakeholders on the generation and load deliverability evaluation models, assumptions and processes in each RTO (short term)

2. Perform education for all stakeholders on the capacity market auctions in each RTO, including auction timelines (medium term)

3. Identify enhancements to the processes in both RTOs:

¹ The same level of coordination between the PJM Base Residual and the First and Second Incremental Auctions and the MISO annual auction would not be possible because these PJM auctions occur well ahead of the single MISO auction.
• Identify opportunities for aligning model constructs, assumptions and analysis techniques for deliverability analysis (short to medium term)

• Identify method to align capacity auction timelines between the RTOs (medium term)

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 endorsement through each RTO's stakeholder processes.

Expected Overall Duration of Work

PJM and MISO staffs expect that these activities could be completed in a timeframe of 12 to 18 months.