

Date: February 11, 2016
To: MISO Quarterly Update list
From: Daniel P. Wolf
Subject: MISO Quarterly Update meeting

The Minnesota Public Utilities Commission has scheduled the MISO Utilities Quarterly Update Meeting for the First Quarter of 2016 for Friday, March 4, 2016 from 10:00 AM to Noon in the Commission's Large Hearing Room, 121 7th Place East, Suite 350, St. Paul, MN 55101. The Commission invites participation from Minnesota electric transmission utilities and other interested persons on the following topics:

Energy Offer Cap

The Federal Energy Regulatory Commission (FERC) issued a Notice of Proposed Rulemaking (NOPR) on January 21, 2016. FERC proposed to revise its regulations to require that each regional market cap each resource's incremental energy offer to the higher of \$1,000/MWh or that resource's verified cost-based incremental energy offer.

- Do Minnesota MISO utilities have any concern(s) with the NOPR?
- What are Minnesota MISO utilities response to the seven questions posed by FERC in the NOPR?

FERC is seeking comments on following items:

- (1) Whether a hard cap on cost-based incremental energy offers used for purposes of calculating LMPs should be included in any final rule in this proceeding and, if so, whether the hard cap should equal \$2,000/MWh or another value?;
- (2) The ability to timely verify the costs within incremental energy offers above \$1,000/MWh prior to the day-ahead or real-time market clearing process, including whether the verification of physical offer components is also necessary?;
- (3) Whether the Market Monitoring Unit or RTO/ISO may need additional information to ensure that all short-run marginal cost components that are difficult to quantify, such as certain opportunity costs, are accurately reflected in a resource's cost-based incremental energy offer and to the extent that RTOs/ISOs currently include an adder above cost in cost-based incremental energy offers, whether such an adder is appropriate for incremental energy offers above \$1,000/MWh?;
- (4) Whether the Market Monitoring Unit or RTO/ISO may need additional information or new authority to require revisions or corrections to a cost-based

- incremental energy offer to ensure that a resource's cost-based incremental energy offer is an accurate reflection of that resource's short-run marginal cost?;
- (5) Whether the proposal should apply to imports and whether a cost verification process for import transactions is feasible?;
- (6) Whether excluding virtual transactions above \$1,000/MWh could limit hedging opportunities, present opportunities for manipulation or gaming, create market inefficiencies, or have other undesirable consequences, and whether alternatives exist which would allow virtual increment offers and decrement bids to be submitted and cleared at prices above \$1,000/MWh?; and
- (7) What is the potential impact the proposal would have on seams.
- In what ways are Minnesota MISO utilities planning and/or operating to avoid the kind of price spikes that this price offer cap is intended to mitigate?

MISO Competitive Retail Solution for Capacity Market

- Do Minnesota MISO utilities have any concern(s) with MISO's current Resource Adequacy Requirements?
- Do Minnesota MISO utilities have any concern(s) with MISO's current effort to change Resource Adequacy Requirements to address Resource Adequacy issues(s) in Restructured Competitive Retail Markets?
- What component(s) of MISO's current Resource Adequacy Requirements should be kept for Minnesota MISO utilities? (e.g. FRAP, fixed PRM, CONE and Annual Auction)
- What component(s) do Minnesota MISO utilities oppose as possible MISO's Resource Adequacy Requirements? (e.g. Sloped Demand Curve, Multi-Year Forward Auction, and Minimum Offer Price Rule)
- Do Minnesota MISO utilities have any concern(s) with the Energy Only Resource Adequacy Requirement similar to the Electric Reliability Council of Texas (ERCOT) market?

We look forward to an opportunity to discuss these important issues. The meeting will begin at 10:00 AM and will be held in the Commission's Large Hearing Room on Friday, March 4, 2016.