INTRODUCTION

Earlier this year, MISO initiated an effort to develop, with stakeholders, a market development vision. This effort will allow MISO and stakeholders to identify, plan and prioritize individual market process enhancement projects with a view towards a principles based longer term vision.

In addition, the effort will identify a set of “Focus Areas” where MISO and stakeholders will commit to examining MISO’s existing markets tools and programs to identify areas where market design improvements could be made over the coming two to five years. The market development vision will also define principles and processes for successfully pursuing initiatives in those areas.

An essential part of the market vision development process is solicitation of stakeholder input. Stakeholders already provided higher-level input in response to the April 15, 2013 Hot Topics discussion, and both during and after the June 5, 2013 “1st Workshop.” Based on that input, MISO has, with Brattle’s assistance, distilled that input into the following initial list of potential focus areas, which are described in more detail in the remainder of this document.

1. Enhancing Unit Commitment and Economic Dispatch
2. Maximizing the Reliable and Efficient Use of Existing Transmission Infrastructure
3. Increasing Efficiency of Prices during Scarcity Events
4. Increasing Efficiency of the Energy Market Seams
5. Streamlining Market Processes to Reduce Transaction Costs
6. Enhancing the Efficiency of Investments in Renewables and Supporting Infrastructure
7. Enhancing the Efficiency of Resource Investments

In order to further refine this draft list of Focus Areas and gather a systematic summary of the relative importance that each sector places on these Focus Areas, we request that stakeholders participate in a brief survey. We request responses on whether this draft list accurately reflects the input we have received to date, as well as a high-level rating as to the value at stake, prospects for consensus, and potential for progress if MISO and stakeholders should choose to incorporate each Focus Area into the market development vision. Survey responses and any written comments are requested by Tuesday, September 3, 2013, to be submitted at the following web page and email addresses respectively.

Focus Area Survey: https://docs.google.com/forms/d/1UM07YljaDWwuXHo1jrWa4T Nz1TG1Ygkw_TB1qbO9w9Y/viewform
Written Comments: Walt Yeager wyeager@misoenergy.org
                        Kathleen Spees kathleen.spees@brattle.com

Multiple individuals from the same company or organization may submit different responses to the written question regarding refinements to the draft Focus Area list. However, an aggregate
response from each company will be tabulated when we present the results of the Focus Area ratings. MISO and Brattle will incorporate a summary of survey responses by sector into the stakeholder materials to be reviewed at the 2nd Workshop on MISO’s market vision development process, to be held on Friday, September 6, 2013. Any questions or problems in completing this survey should be submitted to kathleen.spees@brattle.com.

DESCRIPTION OF DRAFT FOCUS AREAS

We describe here each of the seven draft Focus Areas in more detail, based on our interpretation and summary of the stakeholder feedback received to date. As explained above, we request stakeholder input on whether these reflect the most important areas for market enhancement and development over the coming two to five years.

1. ENHANCING UNIT COMMITMENT AND ECONOMIC DISPATCH

MISO’s Security Constrained Unit Commitment (SCUC) and Security Constrained Economic Dispatch (SCED) services determine how all generation, transmission, and demand response assets are scheduled. Given this, even small improvements can result in substantial system cost savings. This area covers a wide range of initiatives proposed by stakeholders, including stochastic SCUC, enhanced combined cycle modeling, demand response, or storage asset modeling; moving to five-minute settlements; and enhanced modeling and consideration of startup costs and long-lead resources. We group these disparate initiatives together because they either: (a) represent alternative solutions to the same or similar problems; or (b) represent upgrades to the same software programs, and so must be evaluated collectively in order sequence the most valuable initiatives first.

2. MAXIMIZING THE RELIABLE AND EFFICIENT USE OF EXISTING TRANSMISSION INFRASTRUCTURE

Some stakeholders have stated that the transmission system is currently being under-utilized, and that several changes to operational processes could reduce congestion costs with little or no incremental investment in the physical transmission infrastructure. These efficiency increases could potentially be made by optimizing transmission switching or using transmission limits that vary with purpose and system conditions. For example, post-contingency limits on monitored transmission lines are largely set conservatively based on generic, conservative assumptions about the time required to re-dispatch the system to reduce flows and prevent the lines from overheating and sagging. Using more dynamic limits, informed by current system conditions including re-dispatch options and ambient conditions, could improve transmission utilization while maintaining reliability.

3. INCREASING EFFICIENCY OF PRICES DURING SCARCITY EVENTS

Efficient energy and ancillary services markets will reflect marginal system costs at all times, including during shortage conditions. Improving price efficiency during these conditions could involve: (a) developing administrative estimates of the marginal system costs imposed by out-of-market actions such as enduring reserves shortages or implementing voltage reductions; (b) revising SCED to incorporate price-setting based on the marginal costs of various emergency interventions, including calling DR and emergency imports; and (c) revising the order of emergency procedures according to their marginal system costs.
4. **Increasing Efficiency of the Energy Market Seams**

Many stakeholders expressed interest in improving the efficiency of the energy market seams and optimizing the inter-ties. Stakeholders state that there are a large number of initiatives that could be implemented to improve the seam, including revisions to point-to-point reservations, scheduling, and price-setting. Some stakeholders even suggested ambitious initiatives for optimizing interchange, such as having PJM and MISO combine their commitment, dispatch, and pricing algorithms. While responding to this survey, we ask stakeholders to keep in mind that: (a) MISO has many different neighbors, with each seam requiring potentially different solutions that may be more or less difficult to implement; and (b) solutions that require only unilateral actions on MISO’s side of the seam can be more readily implemented than solutions that require substantial cross-border efforts including many jurisdictions or software systems.

5. **Streamlining Market Processes to Reduce Transaction Costs**

Several stakeholders mentioned that some market processes are too complex and impose substantial staffing and overhead costs onto market participants. One area identified by multiple stakeholders for improvement is the generator interconnection process, while other market processes were identified in generic terms. In commenting on this Focus Area, we request that stakeholders identify what specific improvements can be made to materially reduce staff time or other transactions costs incurred by conducting business within MISO.

6. **Enhancing the Efficiency of Investments in Renewables and Supporting Infrastructure**

A large number of renewable – predominantly wind - generation resources and supporting transmission infrastructure have been built in recent years and will continue to be built over the coming decade, representing billions of dollars in stakeholder investments. The concept of this Focus Area would be to enable MISO stakeholders to make the most efficient investment decisions possible, including: (a) providing sufficient information to enable investors to identify the best locations to build; and (b) helping long-term buyers of wind power to more fully evaluate the total cost and value of each contract after considering congestion costs and curtailment risks that are currently difficult to estimate accurately.

7. **Enhancing the Efficiency of Resource Investments**

MISO together with the region’s regulators, members, and stakeholders face several challenges in the coming years relating to reliability, largely due to a large number of simultaneous retirement, retrofit, and “new build” decisions being made in response to the EPA’s Mercury and Air Toxics Standard (MATS) and other proposed environmental regulations. State regulatory agencies within the MISO footprint face similar challenges with respect to their jurisdictionally-authorized role in resource adequacy. MISO’s Module E operates to assist in ensuring resource adequacy at the footprint-wide and zonal levels, on an annual basis. Other programs such as utility procurement and planning processes and Integrated Resource Plans developed under regulatory oversight may provide longer-term views. However, there is no formal mechanism for coordinating these state-level resource adequacy processes. Additional coordination of these efforts may provide additional opportunities to support efficient investment decisions for longer-term reliability needs.