

**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

Midcontinent Independent System Operator)

Docket No. ER17-2220-000

**MOTION TO INTERVENE AND PROTEST OF THE
MISO INDEPENDENT MARKET MONITOR RELATED TO
PROPOSED CHANGES TO THE JOINT OPERATING AGREEMENT**

Pursuant to Rules 212 and 214 of the Rules of Practice and Procedure of the Federal Energy Regulatory Commission (“FERC” or “Commission”), 18 C.F.R. §§ 385.212 and 214 (2007), Potomac Economics, Ltd. (“Potomac Economics”) respectfully moves to intervene in the above-captioned proceeding concerning the August 1, 2017 filing (“the Filing”) by the Midcontinent Independent System Operator (“MISO”). The MISO Filing proposes to amend provisions of the Joint Operating Agreement (“JOA”) between MISO and the PJM Interconnection, L.L.C. (“PJM”).¹ PJM made a comparable filing proposing the same changes to the JOA, and Potomac Economics is making a separate filing in that proceeding.²

Potomac Economics is the Independent Market Monitor (“IMM”) for MISO and the Market Monitoring Unit for the New York Independent System Operator, Inc. (“NYISO”). In those capacities, it seeks to ensure the efficiency and integrity of the MISO and NYISO markets.

¹ Midcontinent Indep. Sys. Operator, Inc., *Proposed Revisions to Joint Operating Agreement between PJM and MISO*, Docket No. ER17-2220 (Aug. 1, 2017).

² PJM Interconnection, L.L.C., *Proposed Revisions to Joint Operating Agreement between PJM and MISO*, Docket No. ER17-2218 (Aug. 1, 2017).

I. NOTICE AND COMMUNICATIONS

All correspondence and communications in this matter should be addressed to:

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II. MOTION TO INTERVENE

As the IMM for MISO, Potomac Economics is responsible for monitoring and evaluating the performance of the MISO-administered capacity, energy, and ancillary services markets, recommending market design changes to improve the performance of those markets and evaluating design changes proposed by MISO or market participants. As the IMM, Potomac Economics has a unique responsibility to ensure the efficiency and integrity of MISO wholesale power markets. Given the large, and increasing, amount of MISO generation that is pseudo-tied to PJM the terms of the JOA have a direct and substantial impact on the efficiency and integrity of the MISO markets. Potomac Economics' interests, therefore, cannot be adequately represented by any other party. Accordingly, Potomac Economics respectfully requests that it be permitted to intervene in this proceeding with full rights as a party.³

III. PROTEST

A. The Proposed Changes to the JOA cannot be Reasonably Evaluated in Isolation.

The Filing proposes a number of discrete changes to the JOA to address issues created by pseudo-tied units. Many of these changes might be improvements over the status quo, but nothing in the filing ameliorates the myriad significant problems caused by the pseudo ties. The rapid growth in resources pseudo-tying or partially pseudo-tying to PJM has been caused almost

³ In addition, Potomac Economics respectfully requests that the Commission accept this filing one day out of time.

entirely by PJM's requirement that external capacity resources pseudo-tie. As the IMM, we filed a complaint against PJM and demonstrated that this requirement is unjust and unreasonable because of the harm it is causing to the commitment and dispatch of the MISO and PJM systems.⁴ It is resulting in substantial economic and reliability harm to the customers in both areas, and providing no countervailing benefit that cannot be achieved by other means.

Additionally, four PJM and MISO customers have also filed complaints related to the pseudo-tie procedures and requirements. Further, both MISO and PJM filed tariff changes that would impose new rules and restrictions on pseudo-tie resources.⁵ Many protests and comments were filed on these proposed tariff changes, including separately by MISO and PJM on each other's proposed changes. Finally, PJM has recently filed a Pseudo-Tie Pro-Forma Tariff.⁶

In virtually every filing, PJM and MISO have asserted that they are collaborating to address the administrative and operational issues raised by pseudo-tied resources. As measured by the number of meetings and amount of discussion on this topic it is true that the RTOs have devoted substantial resources to identifying pseudo-tie concerns and potential changes to mitigate the concerns. However, this collaboration has not yielded any effective solutions to problems caused by the pseudo ties, and this is true of the proposed changes in this filing. None of the proposed changes to the JOA address the core concerns raised in our complaint regarding the adverse economic and reliability effects of the pseudo ties.

⁴ *Complaint of Potomac Economics, Ltd.*, Docket No. EL17-62-000 (Apr. 6, 2017).

⁵ See Midcontinent Indep. Sys. Operator, Inc., *Proposed Pro Forma Pseudo-Tie Agreement and Associated Revisions to MISO's Open Access Transmission and Energy and Operating Reserve Markets Tariff*, Docket No. ER17-1061-000 (February 28, 2017); and PJM Interconnection, L.L.C., *External Capacity Enhancements*, Docket No. ER17-1138-000 (March 9, 2017).

⁶ *Tariff and Operating Agreement Revisions Regarding Dynamic Transfers*, Docket ER17-2291 (Aug. 11, 2017).

(Continued...)

Additionally, we do not believe these proposed changes in the JOA can be reasonably evaluated by the Commission in isolation. As described above, we believe that various aspects of concerns associated with pseudo-tie are currently pending in at least ten other dockets before the Commission. The determinations by the Commission in those other dockets will invariably affect evaluation of the changes proposed in this proceeding. MISO previously recognized the interrelated nature of the issues and concerns raised by pseudo-ties and requested that the Commission hold a technical conference to discuss and assess them.⁷ We agree that the Commission should hold a technical conference that would address the pseudo-tie issues and concerns implicated by the filing in this proceeding and in all of the dockets referenced in this protest. This will provide the Commission with the information necessary to fully understand the concerns raised by pseudo-ties and, importantly, the interrelationship of the changes proposed by MISO, PJM, the MISO IMM, and others. Pending the outcome of this technical conference the Commission should defer action on MISO's filing in this proceeding.

B. Comments on Selected Proposed Changes

Most of the changes to the JOA are relatively minor and do not address the primary concerns raised by us or others regarding the pseudo ties. However, the filing proposes two changes that could potentially be helpful if modified as we discuss in this section.

1. Suspension of Pseudo Ties

The JOA includes a new provision that allows pseudo ties to be suspended if they no longer meet the proposed pseudo tie requirements or propose a reliability risk.⁸ While this is potentially a useful change, it does not propose that the native RTO would regain operational control of the pseudo-tied resource. This provision specifies that the Attaining RTO would retain

⁷ *Motion for Leave to Comment and Comment Proposing Technical Conference by Midcontinent Independent System Operator, Inc.*, Docket No. ER17-1061-000 and Docket No. ER17-1138-000 (May 26, 2017).

⁸ See proposed new section 11.3.7 of the JOA.

operational control of the resource, even though the pseudo tie arrangement is suspended. This raises serious questions about how the resource will actually be dispatched. It must receive a dispatch instruction from one of the RTOs. If it continues to receive these instructions from the Attaining RTO then the pseudo tie arrangement is effectively not being suspended. In other words, most of the concerns that would justify suspending the pseudo tie arrangement are caused by the Native RTO not having operational control of the resource. The benefit of the suspension in addressing these concerns, therefore, can only be achieved by granting the Native RTO operational control of the resource during the period of the suspension. We recommend the Commission require this modification in the proposed JOA changes.

2. Partial Pseudo Ties

The JOA changes also include a new section addressing partial pseudo ties. This is an important issue because a number of the pseudo-tied resources are partial pseudo ties, which raise unique concerns. These resources receive dispatch instructions from both RTOs and must adjust their aggregate physical output in response to the dispatch instructions, and then divide their physical output for purposes of reporting the shares of output to the two RTOs.

A number of events involving partially pseudo-tied units have occurred that raise unique concerns. These events involve the supplier modifying the shares reported to the two RTOs in a manner that is inconsistent with the dispatch signals sent by either RTO and the aggregate physical output of the unit. For example, if a partially pseudo-tied unit is not moving, but increases the share of its output reported to one RTO and reduces the output reported to the other RTO, it can raise significant dispatch concerns. The real-time markets of the two RTOs will include the effects of this fictional change in output when dispatching other units, which can significantly affect short-term prices and dispatch instructions to other units when constraints are binding in the area. It also allows the supplier to modify its settlements with the two RTOs in a

manner not envisioned by the RTOs. Other participants must schedule imports and exports to achieve similar settlement changes.

The proposed changes in Section 11.3.3 do not address these concerns. We recommend the Commission order the RTOs to modify this section to impose a clear and reasonable requirement on the partially pseudo-tied resources on how they divide their physical output for purposes of reporting the output to the two RTOs. For example, the supplier could be required to divide the shares in a manner that reflects the share of the dispatch instructions received from the two RTOs. This would increase the supplier's incentive to physically alter its output in response to changes in dispatch instructions, rather than simply altering the shares of output it reports.

IV. CONCLUSION

WHEREFORE, for the foregoing reasons, Potomac Economics, Ltd. respectfully requests the Commission to grant its motion to intervene in this proceeding and accept this protest.

Further, we respectfully recommend that the Commission not accept the changes proposed by MISO in this filing at this time pending the outcome of a technical conference to evaluate the concerns and challenges caused by the pseudo-ties, the justification for requiring pseudo-tying as a means to deliver capacity from external resources, and discuss the tariff and JOA changes being proposed related to the pseudo ties.

Ultimately, if the Commission is inclined to approve the proposed JOA changes, we respectfully recommend that it order the RTOs to modify the two provisions that we discuss.

Respectfully submitted,

/s/ David B. Patton

David Patton
President
Potomac Economics, Ltd.

August 23, 2017

CERTIFICATE OF SERVICE

I hereby certify that I have this day e-served a copy of this document upon all parties listed on the official service list compiled by the Secretary in the above-captioned proceeding, in accordance with the requirements of Rule 2010 of the Commission's Rules of Practice and Procedure (18 C.F.R. § 385.2010).

Dated this 23rd day of August, 2017 in Fairfax, VA.

/s/ David B. Patton
