

AUGUST 11, 2010 ARC/RTO WORKSHOP NOTES

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Discussion Concerning Load Balancing Authority (LBA):

Adam McKinnie-PSC- LBAs and LSE may have different information needs, please comment from a technical aspect on these differences.

Ameren Keith Hock- MISO model is fundamentally different from SPP. MISO model allows for load balancing across its entire footprint. MISO has a designated (consolidated?) local LBA within their territory and they need specific information in order to fulfill their responsibility. What LSE the reductions are going against, it is a reliability issue.

Adam McKinnie –PSC- What notifications are needed in other jurisdictions.

Ken Schisler-ENERNOC- Has a data feed that with their customers that could be given to ISO or LBA. Could function just fine with 5-15 minute telemetry.

Cpower- Tom Rutigliano – the amount of DR is so small that it would be unlikely to throw off the ISO's planning process.

Ameren- Keith Hock-MISO and PJM are different on how they notify the LBA. Level of response would raise the level of concern to the LBA . 5 Mw would not be a problem but 150 MW would raise different concerns.

Charles Lake-KCPL- Highlight differences from SPP and MISO

SPP is only operating in the energy market.

If ARC participation occurs in SPP they will only participate in the energy market.

Adam McKinnie – PSC- Asks the question what sort of safeguards would be needed for customers participating in the LSE and an ARC program.

Walmart- Ken Baker- As a retail customer they would choose the program that is financially viable for their company. They would not see participation both programs.

Ameren-Important that the same customer is not participating in the same type of program with multiple entities. The key is to avoid double counting of the same resource.

**Charles Locke KCPL**-Could restrict an entity from participating from a wholesale and retail market.

**Ameren**-Dealing with dual registration may not be physically possible.

### **Discussion Regarding Missouri and Vertically Integrated Utilities:**

### **Discussions Regarding Demand Response Compensation**

### **Discussions on PSC Statement of Principles**

**Statement :** Demand response is good for Missouri utilities and consumers and can play an important role in reducing the peak amount of electricity required over baseload generation. This reduces the need to utilize more expensive sources of generation to satisfy the peak load requirements. The impact of demand response has been to lower the cost of electricity with no loss of reliability.

### **Discussion:**

**AM Ryan Kind-OPC:** Lots of issues with the Statement of Principles as presented by the Staff.

1. Need to have more specifics that address ....
2. Is the ISO/RTO registration process sufficient to address utility and regulatory concerns?
3. Principles in order to protect non participating entities.

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**PM discussion Bullet 1**

**Walmart-Ken Baker-** Reduction of green house gases, elimination of additional power plants, improve overall service and reduce transmission congestion.

After third sentence in first bullet, comma instead of a period, add ‘decrease greenhouse gases, decrease congestion, increase overall service.’

**Charles Locke, KCPL** – similar to Ryan’s response this morning. First sentence strikes Charles L as too sweeping, hasn’t been fully substantiated by the MOPSC, and needs further study. Certainly good for certain customers, but may not be good for all customers. Also, regarding reducing peak electricity, since there’s no SPP capacity market, may not reduce the peak amount of electricity needed on a firm basis. Regarding reliability, since ARC participation in the wholesale markets doesn’t bring capacity benefit to SPP market, may decrease reliability do to the fact of more unpredictable loads.

**Ameren- Mark Peters-**can play would suggest “may”

Impact would lower the “price”

Loss of reliability “to date”

**Ken Schisler- ENERNOC-** Impact would lower the “cost”- If is not reducing the cost then why are we doing it?

**Ameren – Keith Hock -** would not necessarily decrease the cost to all customers...

The purpose of DRR is to lower the price in the wholesale market

**Adam McKinnie –PSC-** paragraph 47 in FERC Docket # RM07-19-001 719-A

**Ameren- Keith Hock** How the Demand Response Resource (DRR) is incorporated within the long range planning of the utility.

**Statement:** Large commercial and industrial retail electric customers are sufficiently sophisticated to deal with ARCs and have successfully demonstrated this in other states.

**Discussion:**

**Adam McKinnie- PSC** – Some customers may not be sophisticated to deal with ARCs

**Charles Locke -KCPL** the word “some” should be added.

**Ken Baker-Walmart** - Could stifle the market. Suggestions; sweeping statements relating to sophistication may not be .....

**Walmart-Ken Baker** – this statement is true and would use the term”many”

**KCPL- Allen Dennis** – High customer satisfaction with current programs (MPower). Experience shows that in other states customers can be hassled by marketers and other that could damage KCPL’s relationship with their customers.

**Statement: Customers** belonging to classes smaller than large commercial and industrial may not be sophisticated enough to deal with ARCs, especially residential customers. As Missouri IOUs are vertically integrated, electric customers are not familiar currently with the concept of “retail choice”.

**Discussion:**

**Statement:** For the most part, the ARC registration process at MISO and SPP should be sufficient in establishing a market participant’s eligibility to participate in RTO / ISO markets and their credit worthiness.

**Statement:** MOPSC may need to register ARCs separately from the RTO / ISO registration process.

**Discussion:**

Adam McKinnie –PSC- Stated his concerns that the Commission may not be notified of a registration but did not want a duplication of the registration process at the Commission and the RTO/ISO. The Commission might want emergency contact information from the ARC's.

CPower- Tom Rutigliano: No burden.

Ken Schisler-ENERNOC; Will do what needs to be done to comply but would not like to see some type annual, quarterly filings because of multi-state operations.

David Linton- SPP- Stated that the SPP filed proposal with FERC describes a 'Calculated Method' for determining the amount of the demand response provided by the ARC. One of the certifications that an ARC must make before registering with SPP, along with that the ARC has the right to provide DR services in the market under state law, is that the Calculated Method is acceptable (the precise words of the filing are "is consistent with the retail tariff") to the state commission." The SPP open process will surely provide notice.

Adam McKinnie-PSC-Commented that he would review the SPP filing on the "Calculated Method."

Charles Lake- SPP- The utilities would have all the information regarding customers that participate in DR therefore should not be a problem for the information to be made available and provide notice to the Commission.

Ken Schisler-ENERNOC; There are approved base line methodologies out there and is being utilized.

Charles Locke KCPL- There are two methodologies spelled out in the SPP tariff.

Adam McKinnie –PSC- If the MOPSC is concerned the MISO and SPP is not sufficient then it would be necessary to draft its own registration process.

Charles Locke - KCPL SPP – RTO's process should be "strong" enough and if not that would be a problem.

Janet Wheeler –PSC That the information provided to the Commission by MISO (CPower) it was not sufficient to understand what market the ARC was going to operate in because the MISO registration process does not require the aggregator to define the market in the registration, as such, Missouri may want to consider notice of this information from the aggregator. .

**Ameren Keith Hock**; Without the registration process how would the Commission enforce with other portions of the rule.

**Statement:** It is difficult to determine the appropriate Marginal Foregone Retail Rate (MFRR), as described in the MISO proposed ARC Tariff filing at FERC, in order to promote a reasonable balance between encouraging demand response and fairness to a Load Serving Entity (LSE). Proposed levels, as percentages of a customer's retail rate, for discussion purposes are: 100%; 50%, and 0%.

**Discussion:**

**Adam McKinnie –PSC- Staff**-What would be the proper setting for the establishing the “proper” MFRR? What is the proper compensation level?

**Walmart-Ken Baker** -The compensation should be based on full LMP for the customer providing the resource.

**Ameren- Keith Hock** -If the Commission does not speak to compensation level, the MISO tariff will set the rate at 0% and Ameren would not like that. Without a stated price it can be difficult to settle on compensation.

**Ken Schisler – ENERNOC**- If FERC goes ahead with RM-17.10 the setting of a MFRR may be irrelevant because they are only using the LMP and eliminating the MFRR.

**Tom Rutigliano- CPOWER** – Allow the utilities and ARCs to work out and agree to compensation levels. Could set MFRR at LSE retail rate so ARCs can get going. The Ancillary Services market is of great interest.

**Ameren- Keith Hock** – Primary concern if we don't get a rule without a ruling the MFRR would be 0%.

**Janet Wheeler – PSC**- The Commission does have the authority to create a rule without waiting for some other entity such as the (FERC) before addressing these issues.. There has been no federal preemption with regard to state's rights as to aggregator

participation, as such, waiting for other actions to occur is unnecessary, and could further delay any proposed rulemaking.

Adam McKinnie – PSC- Concerns about conflicting rules between various regulatory bodies. FERC-MOPSC

Charles Locke- KCPL – Diff SPP and MISO, no MFRR. SPP pays (compensates at retail rate) MFRR should be set at 100%.

Ken Schisler-ENERNOC- Recommend how to address issue, the MFRR should be set to reflect the cost of generation only.

Adam McKinnie –PSC- discussion relating to MISO’s proposed tariff and how/if the MFRR rate will be established.

Joyce Davidson-MISO- MISO’s position is to allow ARC’s in accordance with FERC position.

Adam McKinnie –PSC- Asked for additional comments on the issue of how the MFRR is going to be set depending on how the proposed MISO tariff is written. Question about Detrimental Bidding and how it would influence compensation levels.

Ken Schisler- ENERNOC – That out the supply portion of the customer rate and that would be the MFRR.

Adam McKinnie –MOPSC-Under what format would be Commission use to set the MFRR?

Janet Wheeler – MOPSC-Rate cases are long proceedings and may delay the process for aggregator participation, and that the length of rate cases coupled with the length of time necessary for rulemaking could dissuade aggregators from seeking to participate. This length of time must be considered when evaluating rate cases as a choice.

Statement: In terms of information to be relayed from ARCs to other entities, there is a need to differentiate between a Load Balancing Authority (LBA) and other groups within a Load Serving Entity (LSE) involved in energy market activities in order to satisfy FERC and NERC requirements.

**Discussion:**

**Discussion on the Indiana ruling on the treatment of ARC issue**

**Ken Baker-Walmart;** Customer Choice is very important...Rule of law can encompass policy issues.

**Janet Wheeler-MOPSC;** Is the question to answer a policy decision or a statement of law. Does the commission have the authority to regulate this? Is this a policy or law issue? If the proposal is a matter of policy, it needs to be supported by law, policy alone is insufficient.

**Ken Schisler ENERNOC;** Differences between IN and MO because of MO operates/directed under SB 376. Indiana does not have a mandate to implement all cost effective DR.

**Ryan Kind-OPC;** SB376 may or may not have controlling language and the Commissioners are writing rules so a clear understanding of what will come out of the process is unknown.

**KCPL-Charles Lake-** supports the ARC being under the direct control of the utility.

**Ameren;** Ameren has no specific position on how ARCs operate in MO. Ameren has concerns on how the full value of the resources will be captured in the IRP process.

**Adam McKinnie-MOPSC-** Would a long term bilateral contracts serve the same function as ISO internal programs?

**Ameren response;** If a long term contract is entered into it might be possible to include these resources in the IRP process.

**Ken Schisler. ENERNOC;** Concern, ARCs would be willing sellers (providers) of resources to the utilities. ENERNOC is concerned that utilities would not be a “willing” buyer.



Adam McKinnie –MOPSC- comment; The one ARC that requested entrance into Missouri was willing to operate in an ISO territory when the utility was long on capacity. Is there some value to participation in these markets even when a utility is in a long position.

Ryan Kind-OPC: SB376 is being implemented and may have an impact on resources

Ameren; Comment, Valuing a resource may be difficult and how it would fit into the IRP process. If the LSE must operate under the tariff process, that process may restrict/hinder the ISO from competing in the market. Tariffs may limit the type of products that the ISO may offer to customers.

Ken Schisler- ENERNOC- Operating without being under tariff restrictions seems to be the best method because it allows for more flexibility. Recommends the use of contracts between ARC and LSE; and between the ARC and the customer.

Laura -Energy Curtailment Specialists (ECS)- Disagrees with ENERNOC and believes that tariffs allow for more ARCs to come to the market. Having a tariff could have several ARCs operating under a may bring more competition to the market.

KCPL- Jason Jones: Tariffs can be made flexible enough to cover a wide range of circumstances.

#### Additional Comments:

Adam McKinnie –MOPSC- What needs to be in the statement of principles that is not there?

Walmart-Ken Baker- Several things a reference to smart grid that will provide, better price signals over the entire region, could eliminate peaker plants, improve electric price consistency between the zones and lower administrative costs.