

**From:** D Marton  
**Sent:** Friday, June 26, 2015 1:57 PM  
**To:** David.Anders@pjm.com; Jeanna Furnish  
**Cc:** [REDACTED]

**Subject:** FW: MISO-PJM JCM May 27 Feedback Request - FirstEnergy response

Dave Anders & Jeanna Furnish,

Below is FirstEnergy's response to the MISO-PJM JCM May 27<sup>th</sup> Feedback Request regarding the MISO Capacity Delivery alternate proposals.

Thank you,

Dave

**David Marton | FirstEnergy | FERC & RTO Market Policy**  
[REDACTED]

## **1) The three capacity deliverability concepts introduced by MISO**

- a. External Network Resource Interconnection Service*
- b. Modified external Network Integration Transmission Service*
- c. MISO system deliverability of PJM resources*

*The two RTOs lack a common capacity product between them. Capacity cannot be treated as a single product across the RTOs in the absence of a common definition of capacity and a common capacity market design. RPM is a physical, unit-specific wholesale marketplace focused on incentivizing and procuring the resources necessary to satisfy regional reliability requirements. MISO primarily operates under a traditional, state regulated cost-of-service construct.*

*Focusing on improving capacity flows from PJM to MISO is misguided or premature, as improvements to the MISO Capacity Market are first needed to incentivize flows from PJM to MISO.*

*Capacity cannot be treated as a single product across the RTOs in the absence of a common definition of capacity and a common capacity market design. Market signals drive capacity sales and due to structural differences between MISO and PJM capacity markets there are natural differences in price formation. PJM's and MISO's analysis of available capacity flows between the two markets indicates that the transmission capability in the PJM to MISO direction is rarely utilized for capacity.*

## **2) PJM's Network External Designated Service and its potential applicability to MISO**

*FE disagrees with MISO's positions on capacity deliverability, as it ignores the primary objective of reliability that is fundamental to the PJM capacity market. This is demonstrated by the requirement for Firm Point-to-Point Transmission Service from the unit to the border of PJM as well as External Designated Transmission Service. FE also disagrees with the MISO IMM's assertion that "if a resource qualifies as deliverable capacity resource in its own RTO, this should be sufficient for it to qualify as a deliverable external capacity resource for the neighboring RTO." Therefore, PJM's Network External Designated Service concept cannot translate into applicability at MISO.*

*The Joint PJM-MISO JCM Study acknowledges there are units that are deliverable in their own RTO but are not deliverable to the neighboring RTO. MISO's proposed concept abandons the unit specific deliverability requirement (for which PJM requires a study to verify for resources external to PJM), a requirement that is fundamental to PJM's RPM. FE disagrees with MISO's concept which would allow an inferior form of capacity to be delivered from PJM to MISO compared to PJM's requirement for deliveries from MISO to PJM.*

## **3) Other ideas on how to eliminate barriers to capacity transactions in the PJM to MISO direction**

*While there may be some theoretical benefit of further analyzing capacity flows from PJM to MISO, such transfers are generally not economic. Prior to allocating significant resources to analyzing and increasing capacity flows from PJM into MISO, improvements to the MISO capacity construct are necessary to produce the correct price signals to incentivize such flows. The MISO Resource Adequacy Construct is not intended to provide the revenue support to produce new entry and the retention of existing capacity. Only one zone in the most recent MISO capacity auction had a market clearing price at or near the required levels; otherwise clearing prices have been at least an order of magnitude below the level to support resource adequacy requirements.*