



Integration of the MISO Seasonal Resource Adequacy Construct and the Michigan Capacity Demonstration Process & Requirements

Technical Conference Report

Case No. U-21099

March 24, 2023

Contents

- Introduction..... 3
- Overview of Stakeholder Workgroup Activities..... 3
 - November 16, 2022, Meeting..... 3
 - December 20, 2022, Meeting 4
 - Post-Meeting Activities..... 4
- Discussion on Specific Topics..... 5
 - Filing Timeline 5
 - PJM Requirements 6
 - Seasonal vs. Annual..... 6
 - Capacity Requirements 7
 - Resource Credit..... 8
 - PRA Purchase 8
 - Individual Locational Requirements..... 10
- Conclusion 10
- Appendix A – Proposed Process and Requirements Document..... 11
- Appendix B – List of Participating Organizations 18

Introduction

On November 30, 2021 the Midcontinent Independent System Operator, Inc. (MISO) submitted, to the Federal Energy Regulatory Commission (FERC), proposed revisions to MISO's Open Access Transmission, Energy and Operating Reserve Markets Tariff. This proposal would change MISO's resource adequacy construct from an annual construct to a seasonal construct¹. The Michigan Public Service Commission (MPSC or Commission) issued an Order in Case No. U-21099 on June 23, 2022, that directed MPC Staff (Staff) to conduct a technical conference to determine what changes, if any, should be made to the current capacity demonstration requirements and process, if FERC approved MISO's seasonal resource adequacy construct proposal. FERC issued an order approving MISO's proposal on August 31, 2022.

Overview of Stakeholder Workgroup Activities

Staff attempted to be all-inclusive in recruiting participants for this workgroup. Staff reached out to all Load Serving Entities (LSE) that had previously filed capacity demonstrations as well as frequent intervenors and participants in Commission cases and activities. A list of participating organizations is included as Appendix B. Staff maintained an email list of stakeholders and used this list to communicate with stakeholders between meetings. Staff also included workgroup materials, presentations, meeting recordings, and other resources on the capacity demonstration webpage.² Staff conducted two stakeholder meetings on November 16, 2022 and December 20, 2022.

November 16, 2022, Meeting

The first stakeholder meeting was held virtually (using Microsoft Teams) on November 16, 2022. At this meeting, Staff provided stakeholders with a presentation on the background and outlined the purpose of the technical conference for the group. MISO then made a presentation on the Resource Adequacy Reforms at MISO to ensure stakeholders had a clear understanding of what was changing at the MISO level. Staff discussed the current capacity demonstration process and requirements, identified some key issues for this group to address, and made an initial proposal for changes to those requirements to generate discussion. There was open discussion throughout the meeting. Staff also requested written feedback on specific issues. The key issues identified were:

- Should there be separate demonstration requirements for each season, or should Michigan continue with an annual requirement only?
- How should the capacity obligation of each LSE, for the demonstration year or season, be determined?

¹ FERC Docket Nos. ER22-495-000 & ER22-495-001.

²<https://www.michigan.gov/mpsc/commission/workgroups/2016-energy-legislation/capacity-demonstration>

- How should the capacity credit each resource receives in the demonstration be determined?
- Should the filing dates for future demonstration be changed?

December 20, 2022, Meeting

The second stakeholder meeting was held virtually (using Microsoft Teams) on December 20, 2022. At this meeting Staff reviewed feedback received from the November 16, 2022, meeting and continued the discussion on these issues. Staff also used this meeting to review additional capacity demonstration issues that it felt should be revisited by stakeholders and attempted to provide clarification on the 2026/27 capacity demonstration requirements. The specific topics covered in this meeting included:

- Requirements for PJM entities.
- The allowance for LSEs to demonstrate up to 5% of their capacity obligation through Planning Resource Auction (PRA) purchases.
- The upcoming capacity demonstration requirements.
- The availability of seasonal data from MISO.

Similar to the first meeting, this meeting included open discussion throughout and Staff requested written feedback on the topics above.

Post-Meeting Activities

Staff used the feedback gathered from the stakeholder meetings to prepare a draft of the proposed revisions to the capacity demonstration process and requirements document. All stakeholders were provided both, a redline version of this draft which documented what changes Staff had made compared to the most recently approved version used in Case No. U-21099, and a clean version of the same document for ease of review. Stakeholders were provided this document on March 1, 2023, and asked to provide any feedback to Staff by March 17, 2023. Several stakeholders provided feedback. Stakeholder feedback included both issues of clarity as well as recommendations for different requirements than what Staff was proposing. Staff reviewed the feedback provided and made the appropriate changes. The result is the final version of Staff's recommended Capacity Demonstration Process and Requirements document provided as Appendix A. Staff recommends the Commission adopt these requirements for future capacity demonstrations. Staff also recommends the Commission allow an opportunity for interested parties (likely all active participants in this process) to make formal comments to the Commission, on these requirements, in the docket, prior to a Commission decision.

Discussion on Specific Topics

The stakeholder presentations and feedback focused on several specific issues during this process. In addition to the conversations that took place during the meetings, Staff also received written feedback from several parties on most of the topics below. The written feedback was posted to the capacity demonstration website³ and is still available for interested parties to review. Staff has provided a summary of each topic, some general discussion on which parties supported which positions, and a summary of Staff's recommendation, included in Appendix A. Staff supports the Commission accepting comments in the docket (U-21099) from parties that wish to provide direct commentary to the Commission.

Filing Timeline

Section 6w of Public Act 341 of 2016 includes specific filing dates for capacity demonstrations. The dates included in the legislation are December 1st for the investor-owned electric utilities⁴ and the 7th business day in February for alternative electric suppliers, cooperative electric utilities, and municipal electric utilities.⁵ The legislation also allows for the Commission to adjust the filing dates if needed to ensure proper alignments with the independent system operators procedures and requirements.⁶ When the original capacity demonstration process and requirements were established, it was determined that the filing dates did not need to be adjusted from the dates specified in the legislation. However, Staff is now recommending a new timeline for capacity demonstration filing. An example of Staff's recommendation is provided in Figure 1, for the next annual filing which is for planning year 2027/28.

Docket Opened by Commission	Summer/Fall 2023
Investor-Owned Electric Utilities Filing Due	February 15 th , 2024
All Other LSEs Filing Due	March 15 th , 2024
Staff Report on Capacity Demonstration Findings	May 10 th , 2024
Commission Order	Summer/Fall 2024

Staff recommends that the specific dates be established each year when the Commission opens the capacity demonstration docket for that year's filings and that the timeline should be similar to the timeline above. Staff's proposed timeline will solve many timing issues from this year's (and previous year's) filings with respect to availability of data from MISO. The provided dates more closely align with MISO peak load contribution and

³<https://www.michigan.gov/mpsc/commission/workgroups/2016-energy-legislation/capacity-demonstration>

⁴ MCL 460.6w(8)(a)

⁵ MCL 460.6w(8)(b)

⁶ MCL 460.6w(10)

resource accreditation prompt year data releases for LSEs and remove much of the need for supplemental filings. Staff still supports LSEs ability to make supplemental filings after the filings date as needed to address unforeseen complications LSEs should always notify Staff as soon as practicable that a supplemental filing is imminent and make the filing with sufficient time to allow Staff to review and incorporate any changes needed into the report.

This new timeline will allow Staff enough time to complete a thorough review of all filings and work through issues that need to be addressed prior to filing its report. The new timeline ensures Staff's report is filed after the PRA has concluded,⁷ to which Staff could provide analysis or support of the actual prompt year capacity situation post-PRA for the Commission, instead of a projection. Staff could still provide a pre-PRA projection for the Commissioners outside of its report as requested. As far as Staff is aware, none of the stakeholders took issue with Staff's newly proposed filing timeline.

PJM Requirements

Since PJM already has a forward capacity auction with the intended schedule⁸ basically aligning with the Michigan's 4 year forward requirements PJM entities have always been required to only show compliance with PJM's resource adequacy construct to be deemed sufficient. Staff recommends this continue to be the case going forward. Staff attempted to clarify this in Appendix A. PJM entities should not be required to make a seasonal demonstration while PJM continues to use an annual construct.

Staff acknowledges that much of the capacity demonstration process and requirements were written from a MISO construct perspective. Staff revised Appendix A to incorporate more independent system operator neutral language. Indiana Michigan Power was an active participant in the stakeholder process and provided several recommendations for clarity that Staff included in the revised requirements document. Most other discussion topics in this report are applicable to MISO LSEs only. As was stated above, Staff supports PJM LSEs capacity demonstrations being sufficient if they demonstrate compliance with PJM's resource adequacy construct.

Seasonal vs. Annual

The issue here was whether the Michigan capacity demonstration process should change to incorporate different requirements and resource accreditation for each season or if continuing with an annual requirement only, presumably based of the summer season requirements and resource accreditation was appropriate. This was a threshold issue for

⁷ Assuming the PRA is on schedule.

⁸ PJM has experienced several auction delays in recent years. At the time of this report, it is expected that PJM will be back on the intended schedule for the 2027/28 delivery year with an auction scheduled for May 2024. When PJM is completing auctions on the intended schedule PJM's 3 year forward auction basically aligns with the MISO calendar and Michigan four year forward demonstration process in that LSEs filing in December 2023 or February 2024 (in front of the spring 2024 MISO's auction for planning year 2024/25) will be demonstrating for the 2027/2028 planning year which is the 4th year.

most of the stakeholders with parties on both sides. Most stakeholders supported MISO LSEs filing a demonstration for each season based on resource characteristics and capacity requirements for each respective season⁹. Other stakeholders stated that a summer only demonstration was sufficient because nearly all the loss of firm load hours in MISO reliability modeling occur during the summer.¹⁰

Staff believes Michigan's capacity demonstration process and requirements should align (as close as possible) with the resource adequacy construct of the relevant independent system operator. For MISO, that means demonstrating capacity for each season. Staff believes LSEs should be required to demonstrate capacity for the entire year, and not just for the summer months. Staff also does not support applying a summer obligation (and summer resource accreditation) to non-summer seasons,¹¹ going forward, because it complicates Staff's assessment of resource adequacy for the non-summer months of the demonstration year. The summer obligation (and perhaps summer capacity costs) is likely to be the highest; applying that requirement to all seasons could increase costs to LSEs that mostly rely on contracts for capacity demonstrations. Staff is recommending that MISO LSEs make a four-season demonstration as shown in Appendix A.

Capacity Requirements

Michigan's capacity demonstration process has always been complicated by the fact that the actual amount of capacity needed during the demonstration year is unknown. The MISO prompt year construct, which is planning for the upcoming year only, relies on forecasts and probabilities to project the amount of capacity that will be needed. The further into the future you go the more difficult it is to accurately forecast load. This is further complicated because, under certain situations, customers can change from one provider to another and, at least up to the origin of the capacity demonstration requirements, many of the alternative electric suppliers did not have long-term contracts with customers. The technical requirement for Michigan LSEs has been to show that they have enough capacity (owned or contracted) for the demonstration year to meet their current, prompt year, capacity obligations. In the situation where a customer was changing suppliers the old supplier was required to provide an affidavit from the new supplier signifying that they were picking the customer up and demonstrating on their behalf.

Staff recommends that the capacity demonstration requirements continue to be based off prompt year requirements. It is Staff's opinion that the prompt year load is a reasonable approximation of the demonstration year load. Load growth has been relatively flat in recent years. If load growth begins increase, which could happen due to electrification or other reasons, this topic could be revisited.

⁹ DTE Electric, Consumers Energy, Wolverine, Michigan Public Power Agency.

¹⁰ Constellation, Energy Michigan

¹¹ This was an option provided to LSEs for the 2026/27 demonstration due to limited time to implement a seasonal construct and data availability/verification.

In the original capacity demonstration requirements, a forward planning reserve margin percentage was provided by MISO within its Loss of Load Expectation Study Report and was used to adjust the capacity demonstration requirement. However, Staff recommends for future capacity demonstration requirements the current, prompt year, planning reserve margin percentage adjustment be used instead. It is unclear, at this time, if MISO will continue to provide out year planning reserve margin percentage projections. They were not included in the most recent Loss of Load Expectation Study Report. It is also unclear if the projected planning reserve margin percentage was a more accurate forecast of what the planning reserve margin would be than assuming a constant planning reserve margin percentage. Prompt year adjustments should also be made for transmission losses. Aligning the demonstration requirement with the prompt year planning reserve margin requirement will make verifying the requirements easier because LSEs will be able to support their load obligations using Module E Capacity Tracking Tool.

None of the parties seemed to take issue with Staff recommended method of determine capacity obligation, other than the issues related to the topic above and whether LSEs should demonstrate for all four seasons. No parties supported an alternative method for establishing the capacity obligations.

Resource Credit

How resources should be accredited was another topic examined during the technical conference. Staff's proposal was that resource accreditation should align with the independent system operator's accreditation. Staff recommends that, for MISO, the default assumption for how much capacity each resource counts for in the demonstration should be the capacity credit that resource is receiving in the prompt year, for each respective season. Resources that were owned (or under contract) for the entire year would have a different capacity value for each season. In general stakeholders agreed with Staff's proposal with none raising significant issues. Staff can envision certain scenarios where it would be appropriate for a resource to receive a different capacity credit for the demonstration year than it was receiving for the prompt year. For example, a resource that was undergoing significant upgrades that would increase its capacity in the future. Staff recommends these cases be reviewed case-by-case with the burden placed on the LSE to provide support within the capacity demonstration for deviations between the prompt year and the demonstration year. Staff also attempted to add clarity to the minimum acceptable support for certain resource types in the capacity demonstration process and requirements document in Appendix A.

PRA Purchase

The original capacity demonstration requirements allowed LSEs to plan for up to 5% of their total capacity obligation to come from PRA purchases. As far as Staff can recall, this was a

consensus issue in the original stakeholder process,¹² with all stakeholders supporting or at least not opposing the 5% allowance. At the time there were several reasons supporting the additional flexibility offered by the 5% PRA allowance and little apparent downside because there was excess capacity in the market from other MISO LSEs. The 5% allowance acknowledged that accurately forecasting load four years, or even one year, into the future is challenging. The prompt year requirement that all LSEs must demonstrate is unlikely to be the exact load that LSE is obligated to procure through the MISO construct when the prompt year arrives and is unlike to be the amount of load the LSEs serves during the demonstration year. The 5% allowance also allows some flexibility in procurement because, in some situations, it allows LSEs the round to the nearest MW for contract purposes and meet the remainder through the PRA. It also allows LSEs the flexibility to fill small shortfalls due to unit performance or project development. Staff has not had issues with the 5% allowance in previous capacity demonstrations but this partially because LSEs have seldomly used it. Instead, LSEs have typically procured the full amount of their obligation.

During the December 20th meeting, Staff proposed removing the 5% PRA allowance. Staff supported this position due to overall tightening in the market and the apparent need for additional resources. MISO's North and Central regions have recently cleared at the Cost of New Entry, even though each zone had enough resources to meet its local clearing requirement, because there were not enough resources throughout the entirety of MISO North/Central and not enough transmission to move resources from the MISO South region. This brings into question the reasonableness to plan on PRA purchases when the PRA might not have any excess resources available for purchase. The adoption of the seasonal construct adds additional unknowns to this decision that both support flexibility but also cloud the forward picture in terms of surplus capacity that may or may not be available in MISO, and thus the importance of procuring 100% of the obligation.

Parties that recommended keeping the 5% allowance included: Wolverine Power Cooperative, Michigan Public Power Agency, and Energy Michigan. Parties that recommended removing the 5% allowance included: DTE Electric and Consumer Energy. Energy Michigan also took the position that this allowance should not be changed outside the context of a contested case.

In Staff's proposed capacity demonstration and requirements document the 5% allowance remains. However, Staff sees merit to both sides of this issue and would not take issue with the Commission if it were to remove this allowance. Removing this allowance would increase the capacity procurement and/or ownership requirement by 5% but would not increase capacity by 5% because, as was stated above, most LSEs have not been using this allowance. If the 5% allowance stays, Staff does recommend some clarifying language be added compared to the original capacity demonstration requirements that clarifies that ZRC contract wherein the seller commits to entering the ZRCs into the PRA on behalf of the LSE

¹² Case No. U-18197.

for the applicable planning year does not count against this 5% allowance. Staff does not recommend LSEs use this type of contract as it exposes them to price risk should the PRA clear at a high price, but some LSEs have used these types of contracts in their demonstrations in the past and Staff has recommended them for approval. This language is included in Appendix A.

Individual Locational Requirements

While the individual locational requirement was not the focus of these meetings Staff is recommending changes to this section because it has been the source of significant confusion for LSEs over the years. Staff recommends removing the existing locational requirement methodology from the document and replacing it with a short statement that clarifies that the individual locational requirement that was adopted by the MPSC in 2018 in Case No. U-18444 remains stayed and that there is currently no individual locational requirement applicable to Michigan capacity demonstration filings. Should the Commission decide to implement a locational requirement in the future this section should be updated at that time to include the approved methodology and any other information necessary, for LSEs making capacity demonstrations.

Recently, the U.S. District Court found in the Michigan Public Service Commission's favor, that the individual local clearing requirement in the September 15, 2017 Order in Case No. U-18197 and the June 28, 2018 Order in Case No. U-18444 did not violate the Commerce Clause. Should the Commission decide to reexamine this issue, Staff recommends a contested case where parties can support their positions, on the record, for the appropriate requirement methodology and amount. Should the Commission ultimately adopt an individual locational requirement, it should allow a reasonable amount of time for LSEs to procure the necessary resources needed to meet the requirement.

Conclusion

Staff's recommended capacity demonstration and requirements document is attached to this report as Appendix A. Staff would like to thank all the stakeholders for their participation in this process. Staff recommends the Commission accepts comments in docket U-21099 from parties that wish to provide feedback direct to the Commission on Staff's recommendations. Staff proposes to make any necessary updates to the filing templates that LSEs use after the Commission approves a process and requirements document. Staff will then post these documents on the capacity demonstration webpage,¹³ and distribute to LSEs, in advance of the next filing. Staff anticipates using basically the same formats used in the past but, depending on what the Commission decides, will add some user-interface improvements to reduce the burden, on both LSEs and Staff, of filing for multiple seasons.

¹³<https://www.michigan.gov/mpsc/commission/workgroups/2016-energy-legislation/capacity-demonstration>

Appendix A – Proposed Process and Requirements Document

CAPACITY DEMONSTRATION PROCESS AND REQUIREMENTS

The Michigan Public Service Commission (MPSC or Commission) will open a new docket annually for capacity demonstration filings. The Commission order opening the capacity demonstration docket will provide updated requirements for load serving entities (LSE) to follow in making demonstrations. The capacity demonstration filings shall include four years of load obligations and capacity resources. The capacity demonstration for year four will be used to determine if the LSE has met its capacity obligations, while the data filed for years one through three will be used for informational purposes only. For the demonstration year, each LSE's capacity obligation will be equal to its most recent capacity obligation as specified by the applicable Independent System Operator (ISO).

For LSEs in the Midwest Independent System Operator (MISO), the capacity obligation will be based on the MISO seasonal resource adequacy construct. LSEs will be obligated to demonstrate enough capacity (owned or contracted) to meet the LSE's capacity obligation for each season. The specific capacity obligation for each season will be the LSE's prompt year (upcoming year) Planning Reserve Margin Requirement (PRMR) for each respective season. According to the MISO Tariff, the Peak Load Contribution (PLC) for each retail customer in the Electric Distribution Company's (EDC) area – including the EDC's own LSE – includes the retail customer's demand at the time of MISO's peak demand for each prior season, transmission losses, planning reserve margin %, and an adjustment factor for the prompt year seasonal EDC forecasts. The PRMR for each LSE for a season consists of the sum of the PLCs for the retail customers assigned to that LSE.¹ MISO LSEs will be obligated to demonstrate enough capacity for the demonstration year to meet their prompt year PRMR MISO requirements².

For LSEs in PJM, the capacity obligation will be based on the PJM Reliability Pricing Model (RPM). LSEs in the PJM service territory can meet their Independent System Operator capacity obligations either through participation in PJM's RPM Base Residual Auction (BRA) or through PJM's Fixed Resource Requirement (FRR) capacity plan. The timing of PJM LSEs capacity demonstrations to the Commission will remain the same as those expected of MISO LSEs; however, PJM LSEs will be allowed to file an amended capacity demonstration two weeks after the completion of the BRA. The capacity demonstration should include the FRR capacity plan or the BRA results. Meeting PJM's capacity obligations, including any applicable Percentage Internal Resources Required for the delivery year will constitute a satisfactory demonstration, and the demonstrating LSE should provide evidence that it has met PJM's capacity obligations.

LSEs should provide documentation to Staff verifying the applicable capacity obligation from the LSEs ISO.³

¹ The PRMR determination for all LSEs, including the EDC's own LSE, should be made according to the MISO tariff. See MISO tariff Module E-1, Section 69A.1.1.e and Section 69A.1.2.1.b.

² LSEs that develop their load forecasts based on forward year values may use these values instead of prompt year values for capacity demonstration requirements if they are higher than the prompt year requirements. LSEs obligations should not be reduced to an amount less than the prompt year requirements due to declining forecasts for forward years.

³ Documentation could be included in the filing or shared in a meeting (virtual or in person) with Staff, similar to how resource contracts are shared.

Individual Locational Requirement

The individual locational requirement adopted by the MPSC in the June 28, 2018 Order in Case No. U-18444 remains stayed.⁴ There is currently no individual locational requirement applicable to capacity demonstration filings.

Resource Demonstrations

As a default, resources should be accredited as they are in their respective ISO.

For MISO LSEs, resources should be counted at the same seasonal accredited capacity value that they will receive in the prompt year for each season. If prompt year capacity value is not finalized, resources should be counted at the seasonal accredited capacity level from the most recent information available.

For PJM LSEs, resources should be based on the credited UCAP capacity value that they are credited within the PJM RPM for the demonstration year.

New resources (in either ISO) should receive capacity credit they would reasonably receive within the various resource adequacy constructs. LSEs should provide documentation supporting the capacity accreditation of new resources.

Resource accreditation may vary from ISO accreditation if the LSE is able to provide reasonable support that the resource will be valued at a different capacity amount when the demonstration year becomes the delivery year. These variations will be evaluated by Staff on a case-by-case basis.

The minimum acceptable support for all resources submitted as part of a capacity demonstration is based upon the type of resource and is outlined below:

Existing Generation (Owned)

The minimum acceptable support for existing generation that is included in a capacity demonstration include:

- 1) An affidavit from an officer of the company claiming ownership of the unit(s), including a commitment of the unit(s) to LSE load in the applicable demonstration year.,
- 2) A copy of the existing resource qualification of the unit(s) from the applicable RTO, such as a MISO Module E Capacity Tracking tool (MECT) screenshot in the MISO region, and;
- 3) If there are Michigan retail tariffs or customer contracts associated with the resources, copies should be provided.

Existing Demand Response or Energy Efficiency Resources (that have not been netted against load)

⁴ Stayed by the September 13, 2018 Order in Case No. U-18444.

The minimum acceptable support for existing demand response resources or energy efficiency resources that have not already been netted against load include:

- 1) An affidavit from an officer of the company outlining the resource(s), including a commitment to maintain at least that same level of resources four years forward,
- 2) A copy of the existing resource qualification from the applicable RTO, such as a MISO MECT screenshot, and;
- 3) If there are Michigan retail tariffs or customer contracts associated with the resources, copies should be provided.

New or Upgraded Generation (Owned)

The minimum acceptable support for proposed new generation include:

- 1) An affidavit from an officer of the company outlining the plans for the new generation including milestones such as planned in-service date, expected regulatory approval date(s), planned date to enter the generator interconnection queue, expected date for generator interconnection agreement, construction timeline, etc.,
- 2) Documentation supporting the expected resource qualification from the ISO for the new unit(s), and;
- 3) If there are Michigan retail tariffs or customer contracts associated with the resources, copies should be provided.

For new generation submitted as part of a capacity demonstration, the LSE shall update and submit the above information on an annual basis with each subsequent capacity demonstration until the unit(s) are in service.

New Demand Response or Energy Efficiency Resources (that have not been netted against load)

The minimum acceptable support for new demand response resources or energy efficiency resources that have not already been netted against load included in a capacity demonstration include:

- 1) An affidavit from an officer of the company outlining the plans for the resource(s), including a commitment to achieve and/or maintain at least that same level of resources four years forward,
- 2) Evidence that the customer's distribution utility has been notified of specific customers participating in the resource,
- 3) Specific plans to have the resource(s) qualified by the independent system operator, and;
- 4) If there are Michigan retail tariffs or customer contracts associated with the resources, copies should be provided.

For new demand response or energy efficiency resources submitted as part of a capacity demonstration, the LSE shall update and submit the above information on an annual basis with each subsequent

capacity demonstration until the resource(s) are in service. Final qualification / approval from the independent system operator should be submitted in a subsequent demonstration.

Capacity Contract

The minimum acceptable support for capacity contracts with existing generation include:

- 1) An affidavit from an officer of the company including a copy of the contract that specifies the unit(s) or pool of generation that is the source of the contract, including the location of the unit(s) or pool. The affidavit should include a commitment to maintain the contracted amount four years forward regardless of any early out clauses in the contract, and;
- 2) A copy of the existing resource qualification of the unit(s) or pool from the applicable RTO, such as a MISO MECT screenshot.

Forward ZRC contracts

For MISO LSEs that use ZRC contracts to meet capacity obligations. The minimum acceptable support for forward ZRC contracts includes an affidavit from an officer of the company including a copy of the contract that specifies the zonal location of the ZRCs. The affidavit should include a commitment to maintain the contracted amount four years forward regardless of any early-out clauses in the contract. A forward ZRC contract that does not specify the zonal location of the ZRCs will be deemed insufficient towards meeting any portion of a locational requirement, unless the LSE provides other alternative support for the location of the ZRCs.

Any LSE that utilized a ZRC contract as part of their previous capacity demonstrations must provide prompt-year ZRC transfer documentation (such as a MECT Module E screenshot) or provide Staff with the ability to confidentially review ZRC transfers in person at the Commission office.

If the Commission were to implement an individual locational requirement, ZRC contracts submitted in an LSE capacity demonstration to meet this forward locational requirements must clearly designate that the resources are coming from the applicable zone. LSEs must provide evidence to support this. For resources currently located outside of the LSE's zone that will (by the demonstration year) count towards meeting the Local Clearing Requirement of the LSE's zone should be supported by evidence provided by the demonstrating LSE. Existing contracts specifically with resources outside of an LSE's MISO zone will count towards meeting forward locational requirements if they are for a period of at least twenty years and the contracts were entered into prior to MISO's implementation of local resource zones on June 1, 2013.

Aggregated EERs, Aggregated Storage, Aggregated DERs

The minimum acceptable support for aggregated energy efficiency resources (EERs), aggregated storage, and aggregated distributed energy resources (DERs) include:

- 1) An affidavit from an officer of the company outlining the resource(s), including a commitment to achieve and/or maintain at least that same level of resource(s) four years forward,
- 2) Documentation from the ISO showing resource accreditation in the prompt-year for the resource(s), such as a MISO MECT screenshot, and;
- 3) If there are Michigan retail tariffs or customer contracts associated with the resource(s), copies should be provided.

MISO PRA Purchases

The amount of ZRCs planned to be purchased through the MISO Planning Resource Auction (PRA) process⁵ that will be deemed prudent in an approved capacity demonstration will be limited to 5% of the LSE's total requirement. A capacity demonstration filed by an LSE that includes a plan to purchase ZRCs in the PRA four years in the future in excess of 5% will not constitute a demonstration that the LSE owns or has contracted resources to meet its future capacity obligations, unless those ZRCs are tied to specific identified resources that are committed to be offered in the PRA, by contract, on behalf of the LSE for the applicable planning year.

Interim Years⁶

Once the Commission has determined that the capacity demonstration made by an LSE is sufficient, it shall not be re-litigated or "trued-up" in the interim years. If, subsequent to its initial satisfactory capacity demonstration, an LSE experiences an unforeseen outage at one of its generation assets, or has variation in its total load obligations, these matters will be settled in the capacity auctions of the respective ISO. The LSE's initial capacity demonstration will not be re-examined to reconcile projected interim year load obligations or generating resource capacity ratings with actual values that are experienced in that interim year.

Additional Considerations for Capacity Demonstrations

Other types of documentation submitted as part of a capacity demonstration will be evaluated on a case-by-case basis. Because some of the documentation that is required to be filed in these proceedings is commercially sensitive, competitive information, it shall continue to be treated in a confidential manner, as has been done in the past. The Staff shall file a memo in the docket as directed by the Commission, outlining its findings from the demonstration filings, including a listing of any entities whose demonstration, in Staff's opinion, was insufficient.

In the case where a demonstration filing is deemed insufficient by Staff, Staff would recommend that the Commission open a contested case docket, whereby the LSE in question could attempt to prove that its capacity demonstration should be deemed acceptable. The outcome of that case would be a Commission order potentially authorizing Statewide Reliability Mechanism capacity charges to Retail

⁵ Since 2012, LSEs do not literally purchase ZRCs in the PRA. The current terminology in the MISO tariff of "purchase through the PRA process" means that MISO is charging an LSE more for capacity to satisfy the LSE's PRMR than it is paying the LSE for ZRCs submitted into the PRA.

⁶ Year 1 (prompt year), Year 2, and Year 3 of the demonstration.

Open Access customer load as well as a respective increase in capacity obligations assigned to the incumbent utility as the Provider of Last Resort for capacity service. Any contested demonstration cases will be opened as soon as practicable following the issuance of the Staff memo and be completed within six months.

If an LSE has met the capacity demonstration requirements, no contested case will be opened, and no further action will be taken regarding any capacity demonstration that has been deemed sufficient by Staff and accepted by the Commission.

Filing Timeline

Section 6w of Public Act 341 of 2016 gives specific filing dates for LSEs to make capacity demonstrations but gives the Commission the authority to adjust the dates if needed to properly align with the ISO procedures and requirements. The timeline below better aligns with the MISO PRA, allowing capacity obligations and resource accreditation to better match the values used by MISO in the prompt year.

For Demonstration Year 2027/2028	
Docket Opened by Commission	Summer/Fall 2023
Investor-Owned Electric Utilities Filing Due	February 15 th , 2024
All Other LSEs Filing Due	March 15 th , 2024
Staff Report on Capacity Demonstration Findings	May 10 th , 2024
Commission Order	Summer/Fall 2024

The specific filing dates will be established by the Commission in each subsequent capacity demonstration docket and will generally align with the filing timeline above. LSEs will be allowed to supplement filings after the filing date and prior to Staff's report, if changes at the ISO level, for capacity obligation or resource accreditation, necessitate updated filings.⁷

Demonstration Format

In addition to all of the items outlined above, Staff shall provide updated capacity demonstration documents (Reporting Templates and Sample Affidavits)⁸ to be utilized by each LSE when filing its demonstration.

⁷ In this event, LSEs should notify Staff as soon as practicable that a supplemental filing is imminent and make the filing with sufficient time to allow Staff to review and incorporate those changes into the report.

⁸ Documents will be posted to the MPSC Capacity Demonstration webpage (<https://www.michigan.gov/mpsc/commission/workgroups/2016-energy-legislation/capacity-demonstration>).

Appendix B – List of Participating Organizations

Alpena Power

American Municipal Power

Calpine

City of Stephenson

Cloverland

Constellation

Consumers Energy

Direct Energy

DTE Electric

Energy Harbor

Energy Michigan

Go SCM

Indiana Michigan Power

ITC Holdings

Just Energy Solutions

Michigan Public Power Agency

Michigan State University

Michigan South Central Power Agency

Michigan Energy Innovation Business Council

Michigan Electric Cooperative Association

MISO Energy

Upper Michigan Energy Resources

Upper Peninsula Power Company

Wolverine Power Cooperative

Xcel Energy