

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

Capacity Accreditation)
)
) **Docket No. AD23-10-000**

**COMMENTS OF PUBLIC INTEREST ORGANIZATIONS IN SUPPORT OF
AMERICAN CLEAN POWER ASSOCIATION’S PETITION FOR TECHNICAL
CONFERENCE ON CAPACITY ACCREDITATION**

On August 22, 2023, the American Clean Power Association (“ACPA”) requested that the Federal Energy Regulatory Commission (“Commission”) convene a technical conference “to explore ways to improve the accreditation of resources’ capacity value in Independent System Operators/Regional Transmission Organizations (“ISO/RTO”) regions with and without capacity markets, as well as in non-ISO/RTO regions.”¹ Sierra Club, Earthjustice, RMI, Natural Resources Defense Council, and Sustainable FERC Project (together the “Public Interest Organizations” or “PIOs”) submit these comments in support of ACPA’s Petition.

Technical conferences can take a substantial amount of staff and Commissioner time to prepare, but capacity accreditation is well worth the effort at this critical juncture. Getting capacity accreditation right is fundamental to the Commission’s responsibility to maintain bulk power system reliability. This subject is also a matter of substantial public interest as policymakers at all levels strive to maintain affordable electric rates while grappling with increasingly frequent extreme weather that threatens reliable electricity supplies. Accurate capacity accreditation is key to a successful transition from conventional generation resources to

¹ Petition of the American Clean Power Association for Technical Conference on Capacity Accreditation, Docket No. AD23-10 (Aug. 22, 2023) (“Petition”).

a more decentralized and lower-emitting resource mix broadly supported by consumers and many state and local policies.

1. A patchwork approach to capacity accreditation results in possibly unjustified disparities and complicates state resource planning and investment decisions

As set out in the ACPA Petition, the status quo approach to accreditation has resulted in a patchwork of accreditation methodologies. While this patchwork *might* reflect legitimate regional and operational differences or reasonable experimentation, the Commission has not had an opportunity to holistically examine whether that is the case, or whether the patchwork approach is undermining reliability and skewing investment decisions in a way that does not benefit consumers. A technical conference would provide the Commission with a forum to explore this issue and consider whether supporting a greater degree of consistency would provide reliability and affordability benefits.

a. Piecemeal reforms often result in disparities in accreditation

Recent and future capacity accreditation reform proceedings before the Commission leave significant inconsistencies both among different technologies' accreditation treatment within the *same* RTO, as well as from one RTO to the next. For example, through Docket No. ER22-495, MISO transitioned its accreditation calculations for all resource types to a season-by-season approach. However, MISO's proposal, which the Commission approved, preserved the existing disparate accreditation methodologies *among* different resource types. For example, the then-existing methodology for thermal resources was based on a "UCAP" (Unforced Capacity) measurement in megawatts, which rests on historical forced outage rates. After the reform, the aggregate amount of accredited megawatts for thermal resources continues to be based on UCAP

measurement,² although the total thermal megawatts are now allocated among individual resources based on a measure of individual generators' historical availability at times of high system need.³ In contrast, MISO's reforms left intact a very different accreditation methodology for solar and wind resources. Solar resources mostly continue to be accredited based on average historical availability during designated peak hours that vary by season.⁴ For wind resources, accreditation continues to be based on an ELCC-based accreditation of the entire wind resource class in the MISO system, which is then allocated among resources based on performance in peak hours.⁵ In approving MISO's proposal, the Commission noted that "MISO states that MISO has a long-standing history of different accreditation methods for different resource types, which the Commission has accepted as just and reasonable."⁶

In 2022, the Commission issued an order (later reversed on other grounds) approving SPP's proposal to apply an ELCC framework for wind and solar accreditation.⁷ In response to protests noting that doing so would result in undue discrimination, as SPP still accredited conventional resources (e.g., coal and gas) based on an installed capacity basis, the Commission

² *Midcontinent Indep. Sys. Operator, Inc.*, 180 FERC ¶ 61,141, at P 277 (Aug. 31, 2022).

³ See MISO Tariff, Schedule 53.

⁴ MISO Test. of Shawn McFarlane, Docket No. ER22-495-000, Accession No. 20211130-5166 (Nov. 30, 2021), Tab C at 31; MISO Business Practices Manual ("BPM") 11 Rev. 28 (May 31, 2023), Appendix V.

⁵ Docket No. ER22-495-000, McFarlane Test. at 31; MISO BPM 11 Rev. 28, Appendix A.

⁶ *MISO*, 180 FERC ¶ 61,141, at P 210 (citing MISO Deficiency Letter Response, Apr. 8, 2022, at 15).

⁷ *Sw. Power Pool, Inc.*, 180 FERC ¶ 61,074 (Aug. 5, 2022), *set aside on reh'g* at *Sw. Power Pool, Inc.*, 182 FERC ¶ 61,100 (Mar. 2, 2023) (setting aside prior order based on technical compliance with rule of reason).

suggested this difference was justified without a detailed explanation, and noted that it had “not required any RTO/ISO to apply an ELCC framework consistently across all resource types.”⁸

However, the Commission failed to square its decisions in the MISO and SPP orders with its determinations in other proceedings. For example, last year the Commission approved NYISO’s choice to apply an ELCC accreditation methodology “to *all* resources,” noting that the use of a uniform methodology addressed concerns about undue discrimination or preference, even if the methodology had different effects on different resource types.⁹ These orders have sent mixed signals to system operators, market participants, and investors about the extent to which accreditation methods will be permitted to vary dramatically across resource types. A technical conference would provide an opportunity for the Commission to consider the benefits and tradeoffs of a more consistent accreditation scheme. It would also help to shape future RTO

⁸ *Id.* P 71. Fractured accreditation rules, like those in MISO and SPP, are unfortunately the norm. In ISO-NE, accreditation for thermal and energy storage resources is based on installed capacity, whereas wind and solar are accredited based on performance during specific reliability hours, *See, e.g.,* Samuel A. Newell et al., *Capacity Resource Accreditation for New England’s Clean Energy Transition, Report 1: Foundations of Resource Accreditation* (Jun. 2, 2022), available at <https://www.brattle.com/wp-content/uploads/2022/06/Capacity-Resource-Accreditation-for-New-Englands-Clean-Energy-Transition-Foundations-of-Resource-Accreditation-1.pdf>. In PJM, thermal resources are derated based on forced outages, but these outages are treated as independent for purposes of accreditation. Again, this contrasts with PJM’s treatment of wind, solar and storage resources, which are rigorously held to account for their performance during hours of risk via an ELCC methodology. PJM staff have recently highlighted this discrepancy, noting that consumers bear the costs of correlated thermal outages through higher forecast pool requirements (similar to reserve margin), whereas variable and limited duration resource risks are borne by those suppliers through an ELCC accreditation methodology. *See* PJM, *Capacity Market Reform - Design Concepts and Solution Options for Discussion, Presentation to the Resource Adequacy Senior Task Force* (Aug. 31, 2022), at slide 5, available at <https://www.pjm.com/-/media/committees-groups/task-forces/rastf/2022/20220831/item-04---perspectives-on-high-level-design-concepts---pjm.ashx>.

⁹ *N.Y. Indep. Sys. Operator, Inc.*, 179 FERC ¶ 61,102, at P 79 (May 10, 2022).

reforms in terms of what sorts of disparities in accreditation approaches may be justified, and which might constitute undue discrimination.

MISO is now developing, within its Resource Adequacy Subcommittee, a “Direct LOL” based accreditation approach that would apply equally to all generating resource classes, and which MISO may file for Commission consideration within the next few months.¹⁰ What’s more, MISO is also planning “[f]uture [e]nhancements” to the accreditation model.¹¹ While the Direct LOL methodology would simplify MISO’s accreditation methodologies, rapid changes between accreditation methodologies fail to provide needed certainty to the state commissions that rely on them in their proceedings, and can deter investment, as discussed further below. A technical conference could help to inform a set of principles that would stabilize RTO accreditation rules.

b. Piecemeal reforms complicate state resource planning and investment decisions

In state-overseen resource planning, piecemeal or serial reforms to RTO accreditation methodologies coupled with relatively frequent updates¹² of Integrated Resource Plans (“IRPs”) mean that any given IRP, which will depend crucially on accreditation projections in order to evaluate the load serving entity’s resource balance, is often prematurely defunct. For example, Duke Energy Indiana (“Duke”) submitted an Integrated Resource Plan to the Indiana Utility

¹⁰ For an overview of MISO’s latest ideation, see MISO, *Market Redefinition: Accreditation Reform* (Aug. 22-23, 2023), available at [https://cdn.misoenergy.org/20230822-23%20RASC%20Item%2009bi%20Resource%20Accreditation%20Presentation%20\(RASC-2020-4,%202019-2\)629918.pdf](https://cdn.misoenergy.org/20230822-23%20RASC%20Item%2009bi%20Resource%20Accreditation%20Presentation%20(RASC-2020-4,%202019-2)629918.pdf).

¹¹ *Id.* at 16.

¹² For example, in Indiana, electric utilities generally submit IRPs every three years. 170 IAC 4-7-2(a).

Regulatory Commission (“IURC”) in November 2021,¹³ just days before MISO filed at FERC to revamp its capacity auction structure. Duke’s modeling, developed over several months leading up to the IRP submission date, consciously did not integrate MISO’s then-pending accreditation reform plans, because “the Company does not currently have clarity around the specific impacts to resource requirements” and MISO’s proposed “changes were not well defined enough to model in this IRP.”¹⁴ Subsequently, following FERC’s approval of MISO’s new resource adequacy regime in August 2022, Duke undertook a “refresh” of its IRP modeling, finalizing that in February 2023.¹⁵ The newer modeling approach considers the need to balance resources and load by seasons, consistent with MISO’s new design approved through Docket No. ER22-495; yet, this “refreshed” modeling fails to anticipate that MISO is now planning another update to its accreditation methodology, a change that could render Duke’s IRP obsolete again.

Duke cannot necessarily be faulted for this omission, as MISO moved towards finalizing its proposed new accreditation methodology in the few months after the end of Duke’s IRP “refresh.” But the phenomenon of piecemeal or serial accreditation policy changes renders resource planning, with no enduring accreditation principles to stand on, a mere snapshot of policy at a particular point in time, rather than a reliable guide to the future. Regulators, consumers, and other stakeholders cannot rest easy that the outputs and recommendations of an IRP will hold up over time.

¹³ Duke Energy Indiana 2021 Integrated Resource Plan (Nov. 22, 2021), available at <https://www.in.gov/iurc/files/REVISED-PUBLIC-DUKE-ENERGY-INDIANA-2021-IRP-VOLUME-I.pdf>.

¹⁴ *Id.* at 18 & 23 n.4.

¹⁵ Duke Energy, *Duke Energy Indiana 2022 CPCN Information Sharing Session 3* (Feb. 27, 2023), at 29, available at <https://www.duke-energy.com/-/media/pdfs/for-your-home/dei-irp-2021/dei-2022-cpcn-information-sharing-session-3.pdf?rev=800ded4d88464b839a0bc1e26d5f6b3a>.

For example, in Indiana, MISO’s shifting capacity accreditation methodology led to the IURC issuing an uninformed CPCN decision. Southern Indiana Gas and Electric Company d/b/a CenterPoint Energy Indiana South (“CenterPoint”) submitted an Integrated Resource Plan to the IURC in 2020 that contemplated a possible seasonal resource construct in MISO.¹⁶ The utility “performed sensitivities using a seasonal PRM target and seasonal peak capacity accreditation [which] resulted in a solar peak capacity credit that approached zero as the Vectren system approached 2000+ MW solar.”¹⁷ Notably, that feature (*i.e.*, evaluating solar capacity using a marginal ELCC methodology)¹⁸ was not included in the reform package that MISO submitted to the Commission the following year. CenterPoint then filed at the IURC in June 2021 for a Certificate of Public Convenience and Necessity (“CPCN”) to build new gas combustion turbines,¹⁹ consistent with its prior IRP. CenterPoint’s testimony²⁰ in that proceeding acknowledged the possibility of MISO shifting to a seasonal resource adequacy construct, but – necessarily – the utility could only speculate or use MISO’s best indication of the policy package that it would eventually file at FERC. CenterPoint’s expert witness alluded to a document²¹

¹⁶ CenterPoint 2019-2020 Integrated Resource Plan (June 2020), at 71 (acknowledging that MISO was at the time considering “a Seasonal Planning Resource Auction construct, which could break up the current annual capacity auction into seasons (winter and summer auctions) that would adjust the PRMR and capacity accreditation for resources during these periods”), available at <https://www.in.gov/iurc/files/2019-2020-Vectren-IRP-Volume-1-of-2.pdf>; *see also id.* at 39, 50, 101, 248.

¹⁷ *Id.* at 101; *see also id.* at 212.

¹⁸ *Id.* at 248.

¹⁹ IURC Cause No. 45564.

²⁰ Direct Test. of Nelson Bacalao, IURC Cause No. 45564, June 17, 2021, available at <https://iurc.portal.in.gov/entity/sharepointdocumentlocation/8a5bd661-b7cf-eb11-bacf-001dd801c642/bb9c6bba-fd52-45ad-8e64-a444aef13c39?file=45564%20CEIS%20Petitioners%20Exhibit%20No%2006%20Direct%20Testimony%20of%20Nelson%20Bacalao.pdf>.

²¹ MISO, RAN Reliability Requirements and Sub-annual Construct, updated Feb. 25, 2021, available at

published by MISO in *February* of 2021—over nine months before MISO eventually filed their resource adequacy reform package at FERC – that showed indicative Planning Reserve Margin Requirement figures for the four seasons under an approach where the “reduction in accredited capacity is offset by reductions in seasonal reserve requirements using a system wide ACAP/UCAP conversion ratio.”²²

CenterPoint’s witness used the indicative seasonal reserve margins previously given by MISO (including around 18% in Winter and 22% in Spring) in his analysis justifying the company’s proposed resource portfolio.²³ As MISO’s independent market monitor has explained, when MISO actually filed its proposal in Docket ER22-495, it included a different “conversion ratio”²⁴ in its accreditation calculations, leaving the calculation of reserve requirements largely unchanged (except making it seasonal). The IURC eventually issued the requested CPCN in June 2022, relying on an evidentiary record that included an incorrect description of the MISO policy landscape.

Due to serial or piecemeal accreditation reforms, the same uncertainty and distortion of decision-making prevails not just for state commissions and vertically integrated utilities undertaking resource planning, but also for investors deciding where to fund new generation, particularly in competitive generation markets. A recurring equity sponsor of or bank lender to

[https://cdn.misoenergy.org/20210203%20RASC%20Item%2004a%20Subannual%20Construct%20Presentation%20\(RASC010,%20011,%20012\)517859.pdf](https://cdn.misoenergy.org/20210203%20RASC%20Item%2004a%20Subannual%20Construct%20Presentation%20(RASC010,%20011,%20012)517859.pdf).

²² *Id.* at 31.

²³ Bacalao Test., *supra* note 20, at 25-27.

²⁴ MISO Independent Market Monitor Potomac Economics, *Capacity Accreditation: Adjusting for the UCAP to SAC Shift* (Oct. 6, 2021), available at <https://cdn.misoenergy.org/20211006%20RASC%20Item%2003a%20IMM%20Presentation%20on%20Converting%20UCAP%20Requirement%20under%20Seasonal%20Accredited%20Capacity595120.pdf>.

generation projects will be obliged to look carefully at the capacity accreditation methodologies of multiple RTOs when choosing among a menu of potential projects in, say, New York versus Pennsylvania, or New York versus Connecticut. Rather than confidently relying on a common set of principles that can translate a project's technical specifications to an accredited megawatt level, the investor will need to carefully study how the respective RTOs calculate accredited capacity, including each RTO's particular methods for modeling future weather and future resource performance. This additional step, coupled with the expectation of additional sequential accreditation changes, could deter otherwise willing investors and, therefore, unnecessarily frustrate states' renewable portfolio goals, particularly in restructured states like New York, Pennsylvania, or Connecticut that have limited authority housed in any state government entity to cause new project construction to happen.²⁵ Investors will necessarily factor in capacity accreditation methodologies, including potential changes in those methodologies, on top of fundamentals of the potential project itself, which add financial risk to their investments. Where future changes in accreditation approaches are unpredictable, frequent, and possibly substantial, investors may be deterred from supporting projects in a particular region, or delay until there is more certainty. A technical conference designed to identify best practices in accreditation and support grid operators in promptly moving towards a more consistent set of rules will remove a major deterrent to investment.

²⁵ For example, in New York State, NYSERDA's annual solicitations for Renewable Energy Certificates from new large-scale renewables do not entail control over the construction process of projects. *See, e.g.*, Update to Renewable Energy Standard Purchase of New York Tier 1 Eligible Renewable Energy Certificates Request for Proposals (RFP) No. RESFP22-1 RFP, updated Jan. 13, 2023, available at <https://portal.nyseda.ny.gov/servlet/servlet.FileDownload?file=00P8z000002LTLBEA4>.

One notable case study is the state of Illinois, which restructured its electric generation market in the late 1990s and, through its large utilities' decisions, bifurcated its transmission grid assets into the PJM and MISO transmission systems. Today, Illinois has ambitious goals for the development of competitive renewable generation, targeting annual renewable production equaling 40% of statewide consumption by 2030, with a goal of 50% by 2040.²⁶ Notably, for these goals, state law does not distinguish between new generation sited in the PJM zone in the northern part of the state (Commonwealth Edison transmission territory) versus new generation in the state's MISO zone, comprising the central and southern part of the state (Ameren Illinois transmission territory). While project developers should make siting decisions based in part on the optimal locations for wind and solar production at reasonable costs, they will instead largely base their decision on choosing the RTO with the most lucrative accreditation methodology, particularly if the developers depend on capacity revenue for their economic viability. PJM and MISO have different approaches to accreditation of wind and solar, which are not grounded in the regions' different capacity market designs but have instead arisen idiosyncratically.²⁷ This quirk of differing RTO policies does not promise to consistently deliver the most efficient resource mix for Illinoisans. While capacity values should affect investment decisions where those values accurately reflect the reliability needs of differing regions, capacity values that differ because of arbitrary factors can lead to suboptimal investment decisions.

²⁶ 20 ILCS 3855/1-75(c)(1)(B), (C).

²⁷ Compare PJM Manual 21A Rev. 3 (July 26, 2023) at § 3 with MISO BPM 11 Rev. 28 at Appxs. A and V.

2. A technical conference would lead to better outcomes in FERC proceedings on capacity accreditation

In recent years, the Commission has relied almost exclusively on Section 205 proceedings to resolve complex and often contentious issues regarding capacity accreditation. Section 205 proceedings have important limitations, however, which can impede the Commission's ability to secure a level playing field for supply resources and ensure that consumers are not paying more than is reasonable for resource adequacy.

First, the Commission has interpreted its review of Section 205 filings to exclude consideration of alternative proposals, insofar as the utility's filing need not be the *most* just and reasonable approach.²⁸ As a result, there are few opportunities for the Commission to fully consider the merits of various methods for calculating capacity value in a way that would promote the most optimal approach. Some recent examples include the merits of average versus marginal effective load carrying capability approaches,²⁹ or refinements proposed to MISO's thermal capacity accreditation changes to better reflect periods of risk and resource availability during those periods.³⁰ For a rapidly evolving and highly consequential topic like accreditation, the lack of a forum to explore the advantages and disadvantages of various approaches, rather

²⁸ See, e.g., *PJM Interconnection, L.L.C.*, 147 FERC ¶ 61,103, at P 59 (2014); see *Petal Gas Storage, L.L.C. v. FERC*, 496 F.3d 695, 703 (D.C. Cir. 2007) (“FERC is not required to choose the best solution, only a reasonable one.”); *Cities of Bethany v. FERC*, 727 F.2d 1131, 1136 (D.C. Cir. 1984) (“FERC has interpreted its authority to review rates under [the FPA] as limited to an inquiry into whether the rates proposed by a utility are reasonable—and not to extend to determining whether a proposed rate schedule is more or less reasonable than alternative rate designs.”).

²⁹ See, e.g., *N.Y. Indep. Sys. Operator, Inc.*, 179 FERC ¶ 61,102 at P 77 & n.177 (accepting marginal ELCC approach for NYISO while noting its approval of an average ELCC approach in PJM).

³⁰ See, e.g., *MISO*, 180 FERC ¶ 61,141, at P 79 (Aug. 31, 2022).

than just the narrowly prescribed inquiry into whether a particular proposal is just and reasonable, will lead to suboptimal outcomes.³¹

A technical conference would enable the Commission to hear varying perspectives on how accreditation could be done and the ramifications of different methodologies on market dynamics. This information would then provide the Commission with important context on the comparative limitations or advantages of the accreditation methods brought forward under Section 205, which is critical to a well-founded assessment of whether those methods result in rates that are just and reasonable, and not unduly discriminatory. This information could also provide the foundation for the Commission to act under Section 206, if needed.

As the Petition notes, the risk modeling that underlies capacity accreditation has a significant effect on the reasonableness and fairness of its outcomes.³² However, the Commission does not always have the opportunity to review modeling approaches used, as they are often governed by manuals rather than in tariffs, or are viewed as out of scope in a filing that makes changes building on that modeling. While any practice affecting rates (including load forecasting and risk modeling) is subject to the Commission's jurisdiction, these consequential

³¹ Ideally, the utility's Section 205 filing will reflect consideration of alternatives at the stakeholder level, in the case of regional transmission organizations. But the stakeholder process does not always provide a viable setting for consideration of alternatives given that the RTO may surprise stakeholders relatively late in the process with new components or changes, *see, e.g.*, Joint Comments and Partial Protest Of Massachusetts Attorney General Maura Healey and the Maine Office of the Public Advocate, Docket No. ER22-1528, Accession No. 20220421-5164, at 8-11 (describing ISO-NE's last minute decision to support a three-year delay in eliminating the minimum offer price rule), or fail to provide sufficient analysis to enable stakeholders to compare alternatives, *see, e.g.*, Comments of Clean Energy Advocates, Docket No. ER22-772-000, Accession No. 20220126-5218, at 78-81 (describing NYISO's rushed process to consider major accreditation changes, which provided stakeholders only 7 days to consider analysis prior to a critical vote). Nor is the utility obligated to file whatever proposal receives the greatest level of stakeholder support.

³² *See* ACPA Petition at 20-21, & 27.

but technical matters are often not fully discussed in Section 205 filings. For example, in MISO's 2021 filing to revise its approach to thermal resource accreditation and introduce a seasonal capacity construct, parties noted ways in which MISO's underlying loss of load expectation modeling was an inaccurate foundation for the changes proposed, but the Commission dismissed these as out-of-scope given the lack of changes to the modeling.³³ A technical conference, including topics in ACPA's proposed Panel 3, would provide an opportunity for the Commission to hear additional context about the critical questions arising in risk modeling so that it can review Section 205 filings with a greater understanding of the nuances that may influence various parties' position in those subsequent proceedings.

The current default approach of considering changes through individual utility Section 205 proceedings also provides limited opportunities for the Commission to compare accreditation approaches across RTOs, and to understand whether differences are meaningful or appropriate. In the context of Section 205 filings, the Commission is often reluctant to engage with differences across RTOs, sometimes accepting superficial explanations that factors varying across the regions justify differences.³⁴ The wide variation in accreditation approaches across RTOs, as highlighted in the Petition, creates uncertainty and challenges for project developers and investors, can also be challenging for state regulators overseeing resource planning, and may result in market inefficiencies. For example, currently thermal resources in SPP and ISO-NE are

³³ *MISO*, 180 FERC ¶ 61,141, at P 86 (“We find that such concerns are beyond the scope of this filing insofar as they pertain to calculations that already occur independently of the addition of seasonality to the LOLE analysis.”).

³⁴ *See, e.g., N.Y. Indep. Sys. Operator, Inc.*, 153 FERC ¶ 61,022, at P 78 (2015) (rejecting arguments that buyer-side mitigation should apply to a narrower set of New York resources, similar to the rule in PJM, with explanation that “PJM's markets are fundamentally different from NYISO's, such that what may be appropriate for PJM is not necessarily appropriate for NYISO”).

accredited based on their installed capacity, whereas those same resources in MISO and PJM would face capacity derates based on their forced outages.³⁵ Nothing in the fundamentals of resource adequacy suggests that there would be any difference between these regions that would justify accounting for forced outages in one case, but not another. But this stark difference has been allowed to persist. Because the Commission tends to permit a wide range in practices among RTOs without clear articulations of why these differences are justified, it cannot exercise a leadership role in recognizing and encouraging best practices. This creates inefficiencies as each RTO tends to reinvent the wheel on accreditation, rather than having guidance on best practices to adapt as needed. We have recently observed this in SPP, which has taken several years to develop a customized “performance-based accreditation” approach to account for forced outages, but has still not included changes that would adjust capacity accreditation based on correlated outages.³⁶ A technical conference addressing these issues—particularly if accompanied by a well-considered set of questions for parties to address in comments following the conference—would greatly aid in identifying best practices that could and should be applied across the regions. Even if the Commission does not take action based directly on this record, RTO members and stakeholders could become better informed about practices in other regions, improving the proposals brought before the Commission.

³⁵ Compare text accompanying nn.7-8 (describing SPP and ISO-NE accreditation methodologies based on installed capacity), with *PJM Interconnection, L.L.C.*, 176 FERC ¶ 61,056, at P 70 (2020) (acknowledging that PJM’s accreditation for “unlimited resources” does not reflect correlated outages) & *MISO*, 180 FERC ¶ 61,141, at P 277 (describing unforced capacity-based accreditation for thermal resources in MISO).

³⁶ See RR 554 - Resource Adequacy Performance Based Accreditation for Conventional Resources Recommendation Report (Jul. 31, 2023), at 1-2 (describing SPP Revision Request process to address accreditation for conventional resources as beginning in 2019), available at <https://www.spp.org/Documents/70158/SAWG%20Meeting%20Materials%2020230926-27.zip>.

3. A Technical Conference on Capacity Accreditation should address Several Emergent Questions that Are Not Currently Being Adequately Addressed in Section 205 Filings

As explained in the prior two sections, capacity accreditation is a topic of extremely active discussion at the RTO/ISO stakeholder level, and the Commission is likely to face multiple Section 205 filings in the coming months. While the technical conference will provide a valuable forum to discuss general principles that could inform resolution of those matters, it will also provide a chance for the Commission to consider emerging issues in capacity accreditation that may not be directly presented in the forthcoming Section 205 filings. We believe the following topics are ripe for a comprehensive discussion after being inadequately addressed in the capacity accreditation discussion at the RTO level. Many RTOs have made clear that additional accreditation or modeling issues will need to be addressed in subsequent filings, i.e., that these processes will be iterative.³⁷ Thus, there is still ample opportunity for the Commission to shape consideration of these emerging issues and develop a record that can inform more durable decision-making.

First, any technical conference examining capacity accreditation should recognize the increasingly important role of modeling (especially Loss of Load Expectation, or LOLE models) in driving accreditation outcomes across the country, and include a panel specifically focused on those models, such as ACPA proposes. In particular, the Direct-LOL accreditation methodology MISO is likely to submit in its next Section 205 filing on capacity accreditation explicitly assigns accreditation value to classes of resources based on their (modeled) performance during the

³⁷ See, e.g., Takahashi, M., PJM Board Letter Substantive Direction (Sept. 27, 2023), available at <https://www.pjm.com/-/media/about-pjm/who-we-are/public-disclosures/20230927-pjm-board-letter-re-its-decision-within-the-cifp-ra.ashx> (noting accreditation issues for further consideration); MISO, *supra* n.10.

(modeled) highest risk hours of each season.³⁸ As a result, the inputs and calculations entered into MISO's LOLE model are extremely important: if the model inaccurately captures the risk of correlated outages in certain resource types, then the accreditation of those resources will be equivalently inaccurate. If the model incorrectly predicts the types of events that are likely to cause heavy load on the system, it will accredit resources based on their contribution during the wrong risk hours. And if the model has an overly simplistic weather model, then its predicted output from weather-dependent resources will similarly suffer. How storage resources are dispatched in a model will have a significant impact on the model's projected hours of greatest resource adequacy risk, and thus an impact on the capacity value of resources other than storage. More attention is being paid to LOLE (and ELCC and other) modeling in stakeholder processes, but it is often difficult for stakeholders to collect the information they need to give meaningful feedback on modeling choices made by RTOs because so many of those choices are hidden from the public. This has always been a challenge; but it is becoming a more urgent one as the essential function of these models increases. Any panel discussing this topic should make sure to address not just best practices on how to run a system model (i.e., how to model weather variation and other high-risk-low-probability events in an unpredictable world), but also how to solicit input from impacted stakeholders on those models when so much about them lacks transparency.

Second, a technical conference would provide an opportunity for the Commission to consider cost allocation and state equity issues associated with the ongoing shift from accreditation based on average to marginal reliability contributions. Specifically, a marginal accreditation process will tend to undervalue the fleet-wide benefits provided by resources that

³⁸ *See supra.*

tend to perform in tandem with other like resources (e.g., solar).³⁹ As a result, regions that have invested more heavily in those resources will get less accredited value for their installed capacity than they are in fact providing to the grid (i.e., utilities that have invested heavily in solar/wind will see the benefits of those investments socialized across the entire RTO region). PIOs are involved in many stakeholder processes concerning marginal accreditation, and believe that this issue has been insufficiently addressed. Failure to address this issue can impose a cost on the utilities (and their customers) who either choose, or are required by state policy, to diversify their power generation away from fossil fuels. This methodology can also allow other utilities to benefit as free-riders, especially in a multi-state RTO/ISO context. The Commission should ensure there is an opportunity to discuss policy options for minimizing that perverse incentive without undermining the overall accreditation regime.

Third, a technical conference could examine an as-yet unexplored issue of how to account for the inability of certain resources to respond quickly to late-arising resource shortfalls. Existing RTO approaches to accreditation typically do not account for resource inflexibility, i.e., there is no negative accreditation impact for a unit being unavailable due to lack of advanced notice to start up or procure fuel.⁴⁰ Such treatment only makes sense in a world where RTOs can perfectly predict system needs as much as 24 hours in advance. In practice, this is not the case: although any system planner will of course try to make conservative estimates about system

³⁹ N. Schlag, Z. Ming, A. Olson, L. Alagappan, B. Carron, K. Steinberger & H. Jiang, *Capacity and Reliability Planning in the Era of Decarbonization: Practical Application of Effective Load Carrying Capability in Resource Adequacy*, Energy and Environmental Economics, Inc. (Aug. 2020), at 13, <https://www.ethree.com/wp-content/uploads/2020/08/E3-Practical-Application-of-ELCC.pdf>.

⁴⁰ One notable exception is that under MISO's current accreditation regime, so-called Schedule 53 resources (conventional thermal units) are held somewhat accountable for failing to show up (over a 24+ hour period) in their unit-level accreditation. See MISO Tariff, Schedule 53.

needs, it is simply not possible to predict any of the several contingencies (including outages at other generators, or inaccurate load forecasts) that might create an energy need. Generators that can't respond on short notice provide less resource adequacy value in these circumstances, as seen in both PJM and ISO New England during Winter Storm Elliott.⁴¹ Yet this limitation is not currently accounted for, to the detriment of accurate price signals and compensation for flexible resources. Synapse Energy Economics recently published a report describing the need to account for inflexibility in capacity accreditation in ISO New England, and discussing changes to existing modeling approaches that would be needed to achieve this greater degree of accuracy.⁴² The Commission should ensure there is an opportunity for experts to weigh in on how to accurately determine the capacity value of resources that can be available but require long lead times.

Fourth, the Commission should ensure the conference addresses the question of how to account for variation in individual units' fuel supply availability in the accreditation process. It is broadly known that gas units underperformed during both of the two most recent winter storms (Uri and Elliot) that caused significant resource scarcity across the central and eastern United States, primarily because several gas facilities that would otherwise have been capable of operating had their gas supplies cut. There are a few different options RTOs have considered to

⁴¹ Gravelin, J., *Implementation of ISO-NE Operating Procedure #4 on Saturday December 24, 2022* (Dec. 29, 2022), available at <https://www.iso-ne.com/static-assets/documents/2022/12/op4-report-nepool-committees-12-24-22.pdf> (noting 8,630 MW of generation resources unavailable due to start time); PJM, *Winter Storm Elliott Frequently Asked Questions* at 8 (Apr. 12, 2023), available at <https://www.pjm.com/-/media/markets-ops/winter-storm-elliott/faq-winter-storm-elliott.ashx> (“Operators also looked at long-lead-time resources that were beyond the window for calling on, which was about 3,000 MW going into the weekend.”).

⁴² Jason Frost, et al., Synapse Energy Economics, Inc., *The Impact of Resource Inflexibility on Capacity Accreditation in New England* (Mar. 7, 2023), available at https://www.synapse-energy.com/sites/default/files/Capacity%20Accreditation%20for%20Inflexible%20Resources%202023_03_07.pdf.

address the problem of fuel scarcity, including imposing fuel assurance requirements on units, changing system operations to account for possible fuel shortages, or simply holding units accountable for fuel supply failures in their future capacity accreditation.⁴³ But there is no consensus around which strategy makes the most sense; and if system planners fail to account for the possibility of fuel supply failures (which also tend to be correlated across multiple units), overall system reliability will suffer, and generators may not be sufficiently incented to enter into firm fuel supply arrangements or nominate fuel in a timely manner. Ongoing discussions suggest that RTOs may lack the information needed to fully incorporate fuel supply considerations into accreditation⁴⁴—suggesting that more collaboration or support from the Commission may be needed. In addressing this issue, the Commission should also make sure to invite experts who can speak to firm versus non-firm supply contracts, and the degree to which (if at all) firm supply contracts can be counted on to outperform non-firm supply contracts when the system is dealing with different weather-related crises.

PIOs support the issue scope suggested in ACPA’s Petition and proposed agenda, and welcome ideas other parties may have for topics for discussion that go beyond what the Commission can expect to show up in near-term Section 205 filings.

Granting the American Clean Power Association’s request for a technical conference on capacity accreditation can help build the record, improve the quality of utility Section 205 filings, and assist the Commission in reaching well-supported and durable decisions on capacity

⁴³ SPP’s Supply Adequacy Working Group is actively considering each of these possibilities.

⁴⁴ See, e.g., PJM, *PJM Capacity Market Fuel Assurance Accreditation* (July 10, 2023), at slide 3, available at [https://www.pjm.com/-/media/committees-groups/cifp-ra/2023/20230710/20230710-item-02a---pjm-fuel-security-cifp-proposal-final-\(003\).ashx](https://www.pjm.com/-/media/committees-groups/cifp-ra/2023/20230710/20230710-item-02a---pjm-fuel-security-cifp-proposal-final-(003).ashx) (“PJM plans to collect data on this with the intention of further analyzing it to support any beneficial class-level distinction in transportation service level in the future.”).

accreditation matters, all of which can lead to improved resource adequacy and greater reliability across the country.

Respectfully submitted,

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