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October 16, 2013

The Honorable Kimberly D. Bose
Secretary
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, D.C. 20426

**Re: Section 205 Filing of the Midcontinent Independent System Operator, Inc. Regarding Gaming Risks Associated with Make Whole Payments
Docket No. ER14-____-000**

Dear Secretary Bose:

Pursuant to Section 205 of the Federal Power Act (“FPA”), 16 U.S.C. § 824d, and Part 35 of the regulations of the Federal Energy Regulatory Commission (“FERC” or “Commission”), 18 C.F.R. § 35, *et seq.*, the Midcontinent Independent System Operator, Inc. (“MISO”)¹ submits proposed revisions to its Open Access Transmission, Energy, and Operating Reserve Markets Tariff (“Tariff”) to prevent potential gaming behavior aimed at improperly extracting from MISO’s markets certain make-whole payments.

MISO requests an effective date of October 17, 2013, *i.e.*, one day after the date of this filing, and expedited Commission action, because once the potential gaming opportunities are made public by this filing, the proposed Tariff revisions should be applied immediately to prevent any party from exploiting the identified vulnerabilities.

¹ MISO will transition to new eTariff software this November. This transition will require the transfer of all Tariff information from MISO’s current software to the new eTariff software. To facilitate this transition, MISO wishes to refrain from submitting eTariff filings from November 4 through November 27. In order for MISO to ensure compliance with all FERC imposed deadlines relating to MISO’s Tariff, Rate Schedules, or Service Agreements under the MISO Tariff, MISO respectfully requests the Commission’s consideration of this transition schedule should the Commission impose compliance filing directives with respect to the instant filing.

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I. BACKGROUND

MISO's Independent Market Monitor ("IMM") has identified the following three types of gaming practices that Market Participants can potentially engage in to unduly receive make-whole payments under the Tariff.

- Updating Offer costs to increase Day-Ahead RSG Make Whole Payments ("DA RSG MWP").
- Updating the Real-Time Economic Minimum Limit, Ramp Rate, or otherwise not following dispatch, to increase Real-Time RSG Make Whole Payments ("RT RSG MWP")
- Using an Offer strategy to cause an "oscillating" Day-Ahead Schedule to increase Day-Ahead Margin Assurance Payment ("DAMAP") and Real-Time Offer RSG Payment ("RTORSGP").

Upon due consideration, MISO agrees with the IMM's assessment and recommendations regarding the above matters. Accordingly, the present filing proposes revisions to the relevant Tariff provisions to address the above-described practices, and to limit make-whole payment eligibility.

In addition, MISO agrees with the IMM that it would be appropriate to specify in the Tariff the types of make-whole payments for which eligibility may be removed by MISO pursuant to Module D of the Tariff for Resources found to be manipulating or gaming the associated payment mechanisms.

The proposed Tariff revisions to address each of these four situations are discussed below.

II. DESCRIPTION OF PROPOSED TARIFF REVISIONS

A. Next Day Offer Updates

1. Rationale for Revisions

Once Resources are committed for the current Operating Day, Market Participants can update their Offer cost data for the next day, knowing that the next day's Day-Ahead Energy and Operating Reserve Market ("Day-Ahead Market") may select those Resources based on their Minimum Run Time physical operating parameter, rather than economics² (or, Minimum Interruption Time for Demand Response Resource – Type I). The increase in a Resource's Offer cost data may

² Affidavit of David B. Patton at P 5.

result in undue Day-Ahead Revenue Sufficiency Guarantee (RSG) Make Whole Payments.

Consider a Resource that has an Energy Offer of \$25/MWh, with a Minimum Run Time of 16 hours, for Operating Day 8/1/2013. Based on the Day-Ahead Market clearing, the Resource is scheduled to provide 40 MW for hours 17-24 on 8/1/2013. As a result of the 8/1/2013 Day-Ahead Market clearing, 8 hours of the Resource's Minimum Run Time has been satisfied. Therefore, the Day-Ahead Market clearing for 8/2/2013 (the next Operating Day) will honor the Minimum Run Time and commit the Resource for at least the first 8 hours of the day. Since the Minimum Run Time represents a physical operating characteristic of a Resource, the Day-Ahead Market will not violate that parameter based on economics. Therefore, if the Resource owner updated its Energy Offer to \$150/MW, it would still be committed based on its Minimum Run Time, but it would be paid a Day-Ahead RSG Make-Whole Payment based on an increased Energy Offer of \$150/MWh. If the Day-Ahead Locational Marginal Price ("LMP") for 8/2/2013 were \$20, the Resource would receive a \$5,200 Day-Ahead RSG Make-Whole Payment ($40 \text{ MW} * [\$150 \text{ Offer} - \$20 \text{ LMP}]$). However, based on the Energy Offer that was originally used to commit the Resource of \$25/MWh, it should have only received a Day-Ahead RSG Make-Whole Payment of \$200 ($40 \text{ MW} * [\$25 \text{ Offer} - \$20 \text{ LMP}]$).

In order to prevent this potential gaming activity, MISO proposes to use the lesser of the "as-committed" and "as-dispatched" Offer parameters for the Hours of the Operating Day that are impacted by the Minimum Run Time parameter. Based on the prior example, the "as-committed" Energy Offer for 8/2/2013 would be the original \$25/MWh Offer, since that was the Offer that was in place when the original commitment decision was made. The "as-dispatched" Energy Offer for 8/2/2013 would be for \$150/MWh, since that was the Offer that was used by the Security Constrained Economic Dispatch ("SCED") in the Day-Ahead Market. Since the Minimum Run Time used by the Day-Ahead Market on 8/2/2013 was 16 hours, MISO proposes to apply the lesser of logic to the first 8 Hours of the Operating Day, as those were the Hours impacted by the Minimum Run time.

2. Summary of Revisions

MISO proposes to revise Section 39.3.2B of the Tariff ("Day-Ahead Revenue Sufficiency Guarantee Payments"), to modify the Day-Ahead RSG calculation to use the lesser of the "as-committed" costs and the "as-dispatched" costs during the affected hours of the commitment period. In particular, the evaluation of what parameters to use between the "as-committed" and "as-dispatched" day-ahead Offers will occur if a Resource meets the following criteria: (1) the Resource is scheduled to provide MW during the last Hour of the prior Operating Day; (2) the Resource is scheduled to provide MW during the first Hour of the SCUC Instructed Hours of Operation in the current Operating Day; and (3) the Resource has a positive initial on Hours value (*i.e.*, the number of hours elapsed since the Resource was online in the

prior Operating Day up to the start of the current Operating Day, as calculated in the Day-Ahead Market process) that is less than the Resource's Minimum Run Time for the current Operating Day.

B. Post-Reliability Assessment Commitment Updates

1. Rationale for Revisions

A Resource that is committed by MISO during any Look Ahead Commitment ("LAC") or Reliability Assessment Commitment ("RAC") process may force uneconomic output after being committed. The Resource can do so by increasing its Hourly Economic Minimum Limit³, decreasing its Ramp Rate, or going off-control⁴ (*i.e.*, a status of no longer being capable of following MISO dispatch). These actions may result in undue Real-Time RSG Make Whole Payments for the energy volume above the Resource's "as-committed" Hourly Economic Minimum Limit.

The following example (Example 1) illustrates how a Market Participant can force the uneconomic output of a Resource, resulting in an undue Real-Time RSG Make-Whole Payment based on the Tariff's current calculation methodology. Consider a Resource that has a real-time Hourly Economic Minimum Limit of 120 MW and a real-time Energy Offer of \$25 from 0 MW to 120 MW and \$75 for each MW above 120 MW. Assume the Resource was committed economically in the Real-Time Energy and Operating Reserve Market ("Real-Time Market") and the Real-Time LMP is \$30, resulting in a Dispatch Target for 120 MW of Energy.

By reducing its Ramp Rate or going off-control, the Resource can generate in excess of 120 MW, and the Unit Dispatch System ("UDS") will echo back the output of the Resource as its Dispatch Target for Energy, allowing it to pass the Excessive and Deficient Energy eligibility criteria. Assume the Resource provides 150 MW of Energy by employing this gaming method. Under the current Tariff, this Resource is eligible for Real-Time RSG Make-Whole Payment for its entire output. As a result, for each MW above 120 MW, the Resource would receive an additional Real-Time RSG Make-Whole Payment of \$45 (\$75 Energy Offer cost minus \$30 LMP).

A Market Participant can also update its real-time Hourly Economic Minimum Limit to force the uneconomic output of a Resource. Consider another example (Example 2), where the same Resource described in Example 1 updates its real-time Hourly Economic Minimum Limit to 150 MW.

In this example, the UDS would respect the real-time Hourly Economic Minimum Limit of 150 MW and dispatch the Resource for 150 MW of Energy.

³ *Id.* at P 13.

⁴ *Id.* at P 16.

Assuming the Resource followed its Dispatch Target for Energy, it would inject 150 MW, and similar to Example 1, under the current Tariff, would be eligible for Real-Time RSG Make-Whole Payment for its entire output. As a result, for each MW above 120 MW, the Resource would receive an additional Real-Time RSG Make-Whole Payment of \$45 (\$75 Energy Offer cost minus \$30 LMP).

To prevent the type of potential gaming activity described in Example 1 above, under the proposed Tariff revisions, a Resource that is either not Dispatchable, or reduces its Hourly Ramp Rate from the time of commitment, in 4 or more consecutive intervals, would fail a set of eligibility criteria newly defined herein as the Real-Time Revenue Sufficiency Guarantee Full Payment Criteria. Under this proposed approach, the Resource described in Example 1 above would fail the Real-Time RSG Full Payment Criteria. Consequently, the Resource would only be eligible for Real-Time RSG Make-Whole Payment up to its “as-committed” real-time Hourly Economic Minimum Limit of 120 MW. In this example, the result would be a Real-Time RSG Make-Whole Payment of \$0.

To prevent the type of gaming activity described in Example 2 above, under the proposed Tariff revision, a Resource that changes its real-time Hourly Economic Minimum Limit after the time of commitment would fail the Real-Time RSG Full Payment Criteria. Therefore, the Resource in Example 2 would fail the Real-Time RSG Full Payment Criteria and would only be eligible for Real-Time RSG Make-Whole Payment up to its “as-committed” Real-Time Hourly Economic Minimum Limit of 120 MW. In this example, the result would be a Real-Time RSG Make-Whole Payment of \$0, similar to Example 1.

These types of eligibility criteria are consistent with those already in place for Real-Time Offer Revenue Sufficiency Guarantee Payment (“RTORS GP”).⁵ While eligibility for Real-Time RSG Make-Whole Payments must be recognized for the cost of a Resource up to its “as-committed” Real-Time Economic Minimum Limit (*i.e.*, the commitment costs), any amount of energy output above the “as-committed” real-time Hourly Economic Minimum Limit should be evaluated using the same or similar eligibility criteria as used for RTORS GP to avoid undue Real-Time RSG Make-Whole Payments.

In addition, to avoid increasing the total Real-Time RSG Make-Whole Payment for a Resource that fails the Real-Time RSG Full Payment Criteria, the proposed calculation will also include any additional energy margins that result from the RSG Credit Adjustment⁶. The need to include such additional energy margins can be illustrated by considering the same Resource as was defined in Example 2. Also assume the Startup Cost of the Resource is \$10,000 and the real-time LMP is \$80.

⁵ Section 40.3.5.1, *et seq.* of Tariff; Affidavit of David B. Patton at P 20.

⁶ Affidavit of David B. Patton at P 21.

Based on the current Tariff, and a Dispatch Target for Energy of 150 MW, the Resource would receive a Real-Time RSG Make-Whole Payment of \$3,250, which is equal to the difference between its costs ($\$15,250 = \$10,000$ startup cost + $\$5,250$ Incremental Energy Cost) and its revenue ($\$12,000 = 150 \text{ MW} * \80 LMP).

By comparison, under the proposed Real-Time RSG Full Payment Criteria, the Resource would only be eligible for a Real-Time RSG Make-Whole Payment up to its 120 MW “as-committed” real-time Hourly Economic Minimum Limit. This would result in a make-whole payment of \$3,400, which is equal to the difference between its costs ($\$13,000 = \$10,000$ startup cost + $\$3,000$ Incremental Energy Cost) and its revenue ($\$9,600 = 120 \text{ MW} * \80 LMP). That is, if the proposed eligibility criteria are not met, a Resource that fails the Real-Time RSG Full Payment Criteria would receive a Real-Time RSG Make-Whole Payment that is \$150 *greater* than if it had not failed such criteria.

To avoid such an incongruous result (*i.e.*, total Real-Time RSG Make-Whole Payment increasing when a Resource fails the proposed eligibility criteria for full payment), MISO proposes that the calculation include any additional energy margins from the RSG Credit Adjustment. In this example, the Resource is earning additional revenue of \$5 per MW ($\80 LMP minus $\$75$ Offer) from 120 MW up to 150 MW. This additional energy margin is included as revenue, resulting in a make-whole payment of \$3,250, which is equal to the difference between its costs ($\$13,000 = \$10,000$ startup cost + $\$3,000$ Incremental Energy Cost) and its revenue, plus any additional energy margin ($\$9,750 = 120 \text{ MW} * \$80 \text{ LMP} + 30 \text{ MW} * \5).

2. Summary of Revisions

MISO proposes to revise Real-Time Revenue Sufficiency Guarantee Credit⁷ to prevent the potential updating of the real-time Hourly Economic Minimum Limit, Hourly Ramp Rate, or otherwise not following dispatch, to increase Real-Time RSG Make Whole Payments. Additionally, MISO proposes to introduce a new term in Module A, Real-Time Revenue Sufficiency Guarantee Full Payment Criteria, to support the development of new Real-Time RSG Make-Whole Payment eligibility criteria. Failure to meet such criteria may result in a decreased payment. The new eligibility criteria will create an incentive for Market Participants to keep a Resource’s physical operating parameters consistent between the time of commitment and the time of dispatch. The Real-Time RSG Full Payment Criteria in Section 40.3.3.b.vi includes the following requirements:

- A Resource must not receive an Excessive/Deficient Energy Deployment Charge, pursuant to Section 40.3.4 of Module C⁸.

⁷ Section 40.3.3.b.vi.

⁸ Proposed Section 40.3.3.b.vi(1)(a).

- The Resource's real-time Economic Minimum Dispatch must be less than or equal to the maximum of the following: (1) the as-committed Hourly Economic Minimum Limit; (2) the as-committed self-schedule MW, where the Energy Dispatch Status is self-schedule; (3) the Hourly Regulation Minimum, if scheduled to potentially provide Regulation Reserve. For Demand Response Resource-Type I, the real-time Dispatch Target for Energy must be less than or equal to the as-committed Targeted Demand Reduction Level⁹.
- For Resources where all limits used within a specified Dispatch Interval have a dispatchable range of greater than 1 MW, the following ramp rate criteria must be satisfied:

(1) The real-time ramp rate utilized by the Unit Dispatch System must be greater than 0.5 MW per minute;

(2) The real-time ramp rate utilized by the Unit Dispatch System must be greater than 0.5 percent of the real-time Hourly Economic Maximum Limit per minute, and must not decrease except where:

(i) the output is greater than or equal to 90 percent of the Hourly Economic Maximum Limit, in which case the ramp rates must be greater than 0.5 MW/minute; and (ii) the output is less than or equal to the real-time Hourly Economic Minimum Limit plus 10 percent of the Hourly Economic Maximum Limit, in which case the ramp rates must be greater than 0.5 MW/minute¹⁰.

In the event a Resource fails the Real-Time RSG Full Payment Criteria in four (4) or more consecutive Dispatch Intervals in a particular Hour, it will fail for that Hour and all remaining contiguous Hours in the Real-Time SCUC Instructed Hours of Operation¹¹. Once failure occurs, the Resource will receive a reduced Real-Time RSG Make-Whole Payment for the affected Hour(s). The reduction will include two aspects, a reduction in the energy revenue calculation, and the consideration of any additional energy margins resulting from the Real-Time RSG Make-Whole Payment reduction.

First, the eligible Production Costs and energy revenue will be based upon a modified eligible MW value. The eligible MW will be equal to the lesser of the following: (1) the Actual Energy Injection; (2) the Excessive Energy threshold; or

⁹ Proposed Section 40.3.3.b.vi(1)(b).

¹⁰ Proposed Sections 40.3.3.b.vi(1)(c)(i) through 40.3.3.b.vi(1)(c)(iii).

¹¹ Proposed Section 40.3.3.b.vi(1)(c)(iii).

(3) the as-committed Hourly Economic Minimum Limit. For Demand Response Resource Type-I, the eligible MW value is equal to the lesser of: (1) the Actual Energy Injection; or (2) the as-committed Targeted Demand Reduction Level¹².

In addition, MISO will include any additional energy margin resulting from the Real-Time RSG Make-Whole Payment reduction. Additional energy margin is calculated as the greater of: (1) the difference between (a) energy revenue associated with Actual Energy Injections between the eligible MW and Non-Excessive Energy; and (b) the Production Costs for the Energy associated with Actual Energy Injections between the eligible MW and Non-Excessive Energy; and (2) zero¹³.

C. Ramp Modeling Changes

1. Rationale for Revisions

Resources may use hour-to-hour changes in their day-ahead Offers to receive a Day-Ahead Schedule that is “oscillating,” in the sense of having alternating, significantly contrasting hourly values between the Hourly Economic Minimum Limit and Hourly Economic Maximum Limit. This Offer strategy may result in undue Day-Ahead Margin Assurance Payments (DAMAP) and Real-Time Offer Revenue Sufficiency Guarantee Payments (RTORSGP) due to ramp rate modeling differences between the Day-Ahead and Real-Time Markets¹⁴. The opportunity to obtain additional DAMAP is based on the concept of *infeasible* energy¹⁵, which is the amount of energy a Resource is not capable of producing when ramping (in the up direction) in the Real-Time Market between hourly Day-Ahead Schedules for Energy. The opportunity to obtain additional RTORSGP is based on *unavoidable* energy¹⁶, which is the amount of energy a Resource cannot avoid producing when ramping (in the down direction) in the Real-Time Market between hourly Day-Ahead Schedules for Energy.

The following examples illustrate how a Market Participant can use a Day-Ahead Market Offer strategy to causes an oscillating Day-Ahead Schedule for Energy from Hour to Hour, thereby increasing the amount of DAMAP and RTORSGP paid to the Resource in the Real-Time Market. A Market Participant can cause an oscillating Day-Ahead Schedule for Energy from Hour to Hour via its Day-Ahead Energy Offer Curve or its Economic Minimum and Maximum Limits.

¹² Proposed Section 40.3.3.b.vi(2)(b)(i).

¹³ Proposed Section 40.3.3.b.vi(2)(b)(ii).

¹⁴ Affidavit of David B. Patton at P 25.

¹⁵ *Id.* at P 26.

¹⁶ *Id.*

Consider a Resource that has a day-ahead Hourly Economic Minimum Limit of 100 MWs, a day-ahead Hourly Economic Maximum Limit of 300 MWs, and a 1 MW/Minute day-ahead Hourly Ramp Rate that offers economically into the Day-Ahead Market for the entire Operating Day. During the even hours of the day, the Resource offers its Energy at \$0/MWh and during the odd hours of the day, the Resource offers its Energy at \$250 MWh. Assume that the Resource is committed for the entire Operating Day and that the Day-Ahead LMP is \$50 for each Hour. The Resource would clear at its day-ahead Hourly Economic Minimum Limit of 100 MW in Hour 1 and every odd hour thereafter, and would clear at 160 MW, or 60 times its ramp rate above its day-ahead Hourly Economic Minimum Limit, in Hour 2 and every even hour thereafter.

In the Real-Time Market, assume the Resource does not change its Offer parameters. As a result, the Resource would be dispatched at 100 MW in the first Hour, up until the beginning of the second hour. In the second Hour, the Resource would be dispatched from 100 MW up to 160 MW throughout the Hour, resulting in an hourly integrated output, or Non-Excessive Energy, of 130 MW. Then in Hour 3, the Resource would be dispatched down from 160 MW to 100 MW throughout the Hour, resulting in Non-Excessive Energy of 130 MW. This hourly outcome of oscillating Day-Ahead Schedule for Energy from Hour to Hour would continue for the remaining Hours of the Operating Day.

With regard to the even Hours of the Operating Day, the Resource would be paid DAMAP in these Hours as a result of the Market Participant's day-ahead Offer strategy and the resultant real-time dispatch. Since the Day-Ahead Schedule for Energy in Hour 2 is 160 MW, but the integrated output is 130 MW, the Resource would be eligible for DAMAP. DAMAP ensures that a Resource's Day-Ahead Margin is not eroded by the real-time dispatch by comparing the cost of buying out of a day-ahead position at the Real-Time LMP versus the cost savings of not having to produce the Energy at its real-time Energy Offer. In Hour 2, the cost of buying out of the day-ahead position is 30 MW (the difference between the Day-Ahead Schedule for Energy of 160 MW and the Non-Excessive Energy of 130 MW) times the Real-Time LMP of \$50. The cost savings of not having to produce the Energy is the 30 MW difference times their Energy Offer of \$0. Therefore, the Resource would receive a DAMAP of \$1,500 (\$1,500 minus \$0) in Hour 2, and all remaining even Hours of the Operating Day. However, this \$1,500 DAMAP was essentially manufactured by the Market Participant through its day-ahead Offer strategy.

With respect to the odd Hours of the Operating Day, the Resource will be paid RTORSGP in those Hours as a result of the Market Participant's day-ahead Offer strategy and the resultant Real-Time dispatch. Since the Day-Ahead Schedule for Energy in Hour 3 is 100 MW, but the Non-Excessive Energy is 130 MW, the Resource would be eligible for RTORSGP. RTORSGP ensures that a Resource is kept whole for any amount of Energy produced in the Real-Time Market above the Resource's cleared Day-Ahead Schedule by comparing the cost of producing the

Energy (Incremental Energy Cost) to the LMP payment for producing the Energy. In Hour 3, the cost of producing the Energy is 30 MW (the difference between the Non-Excessive Energy of 130 MW and the Day-Ahead Schedule for Energy of 100 MW) times the Energy Offer of \$250 / MWh. The LMP payment for producing the Energy is the same 30 MW times the Real-Time LMP of \$50. Therefore, the Resource would receive a RTORSGP of \$6,000 (\$7,500 minus \$1,500) in Hour 3, and all remaining even Hours of the Operating Day. However, this \$6,000 RTORSGP was also essentially manufactured by the Market Participant through its day-ahead Offer strategy.

In addition to using the day-ahead Energy Offer curve to cause an oscillating Day-Ahead Schedule for Energy from Hour to Hour, a Market Participant could also achieve a similar result by changes to its day-ahead Hourly Economic Minimum Limit and day-ahead Hourly Economic Maximum Limits from Hour to Hour.

Consider the same Resource as described above, except that in the even Hours, they set their day-ahead Hourly Economic Minimum Limit and day-ahead Hourly Economic Maximum Limit equal to 100 MW and in the odd Hours they set their day-ahead Hourly Economic Minimum Limit and day-ahead Hourly Economic Maximum Limit equal to 160 MW. This day-ahead Offer strategy would yield the same oscillating Day-Ahead Schedule for Energy from Hour to Hour, and would also result in similar DAMAP and RTORSGP paid to the Resource.

In order to address the market gaming opportunities identified in the preceding examples, MISO proposes to add new eligibility criteria to the DAMAP and RTORSGP components of the Real-Time Price Volatility Make Whole Payment. These new eligibility criteria will evaluate a Resource's day-ahead Hourly Economic Minimum Limit, day-ahead Hourly Economic Maximum Limit, and day-ahead Energy Offer to determine if a Resource has manipulated its day-ahead Offer in such a way as to manufacture an oscillating Day-Ahead Schedule for Energy. In the event that a Resource fails such criteria, the Resource will be made ineligible for DAMAP and RTORSGP.

2. Summary of Revisions

MISO proposes revisions to Section 40.3.5.4 (RTORSGP Eligibility for Day-Ahead Committed Hours for Generation Resources, Demand Response Resources-Type II and External Asynchronous Resources) and Section 40.3.6.4 (DAMAP Eligibility) in Module C of its Tariff to address the Offer strategy that causes an oscillating Day-Ahead Schedule to increase the DAMAP and RTORSGP payments. The proposed remedy for this potential market gaming opportunity is to revise the eligibility criteria for both components, DAMAP and RTORSGP, of the Real-Time Price Volatility Make Whole Payment.

In order to eliminate any undue RTORSGP as a result of unavoidable energy, the day-ahead Offer will be evaluated each Hour based on the following criteria.

First, there must be a non-zero Day-Ahead Schedule for Energy in the prior Hour. Second, for the Day-Ahead Schedule for Energy in the prior Hour, the price on the day-ahead Energy Offer in the current Hour may not increase by a level greater than 10 percent from the price on the day-ahead Energy Offer in the prior Hour¹⁷. Third, the day-ahead Hourly Economic Maximum Limit in the current Hour may not decrease, by greater than five (5) times the day-ahead Hourly Ramp Rate¹⁸, from the minimum of the following: (1) the Day-Ahead Schedule for Energy in the prior Hour; or (2) the day-ahead Hourly Economic Maximum Limit in the prior Hour. In the event that a Resource fails any such RTORSGP eligibility criteria, the Resource will be ineligible for RTORSGP for that Hour. *See* proposed Section 40.3.5.4(d).

In order to eliminate any undue DAMAP as a result of infeasible energy, the day-ahead Offer will be evaluated each Hour based on the following criteria. First, there must be a non-zero Day-Ahead Schedule for Energy in the prior Hour. Second, for the Day-Ahead Schedule for Energy in the current Hour, the price on the day-ahead Energy Offer in the current Hour may not decrease by a level greater than 10 percent from the price on the day-ahead Energy Offer in the prior Hour. Third, the maximum of the following: (1) the day-ahead Hourly Economic Minimum Limit in the current Hour; or (2) the as-committed self-schedule MW in the current Hour when the Energy Dispatch Status is self-schedule, may not increase by a level greater than five (5) times the day-ahead Hourly Ramp Rate from the maximum of: (1) the Day-Ahead Schedule for Energy in the prior Hour; (2) the Day-Ahead Hourly Economic Minimum Limit in the prior Hour; or (3) the as-committed self-schedule MW in the prior hour when the Energy Dispatch Status in the prior Hour is self-schedule. In the event that a Resource fails any such DAMAP eligibility criteria, the Resource will be ineligible for DAMAP for that Hour. *See* proposed Section 40.3.6.4(e).

D. RSG Make-Whole Payments for Which Eligibility May be Removed

1. Rationale for Revisions

MISO and the IMM¹⁹ believe it is appropriate to specify in the Tariff all types of make-whole payments for which eligibility may be removed by MISO under Module D of the Tariff for Generation Resources found to be manipulating or gaming the related payment mechanisms. As such, in addition to those make-whole payments already referenced, MISO proposes to introduce the two components of the Price Volatility Make-Whole Payment (DAMAP and RTORSGP) and also include the new regulation mileage make-whole payment introduced as a result of Order No. 755. Frequency Regulation Compensation in the Organized Wholesale Power Markets,

¹⁷ *Id.* at P 32.

¹⁸ *Id.* at P 23; *Id.* at 32.

¹⁹ *Id.* at P 36.

Order No. 755, 137 FERC ¶ 61,064 (2011). Manual Redispatch make-whole payment (“MRD MWP”) refers to a specific subset of the DAMAP and RTORSGP calculation. By including DAMAP and RTORSGP, there is no longer a need to specially reference the MRD MWP. As such, MISO proposes to remove MRD MWP from the list of referenced make-whole payments.

2. Summary of Revisions

MISO proposes revisions to Section 65.3.5 (“Removal of Revenue Sufficiency Guarantee Eligibility”) of Module D of the Tariff to remove “MRD MWP” from the list of referenced make-whole payments and identify the following types of make-whole payments for which eligibility may be removed by MISO for any Generation Resource determined to be manipulating or gaming the mechanisms for making such payments:

- Day-Ahead RSG Credit;
- Real-Time RSG Credit;
- Day-Ahead Margin Assurance Payment
- Real-Time Offer RSG Payment; and
- Undeployed Regulating Mileage Revenue Sufficiency Guarantee

III. SUPPORTING DOCUMENTS

In addition to this Transmittal Letter, the following documents are being submitted with this filing:²⁰

Tab A – Redlined Version of the Tariff

Tab B – Clean Version of the Tariff

Tab C – Affidavit of David B. Patton

IV. PROPOSED EFFECTIVE DATE AND REQUEST FOR EXPEDITED TREATMENT AND WAIVER

MISO respectfully requests that the Commission waive its requirements, pursuant to 18 C.F.R. § 35.11 (2013), as set forth at 16 U.S.C. § 824d, in order to allow a proposed effective date one day following the date of this filing, *i.e.*, October 17, 2013. MISO believes the requested waiver, one-day effective date, and expedited treatment are necessary to ensure timely and effective resolution of the gaming issues noted above. The Commission has granted an effective date of one day after filing for recent MISO filings involving gaming issues to prevent the use of gaming strategies disclosed in those filings.²¹ Similarly, such an effective date is necessary here to avoid the potential for Market Participants to engage in such strategies while the proposed Tariff revisions are pending before the Commission.

In addition, MISO respectfully submits that the requirements of Section 35.13 of the Commission's regulations that have not been specifically addressed herein are inapplicable to this filing. To the extent that the Commission determines the requirements of Section 35.13 or any other rules to be applicable, MISO respectfully requests waiver of the requirements of such provisions.

²⁰ The Tariff provisions revised herein will reflect changes pending Commission acceptance, or otherwise required, in the following proceedings: ER12-678-003; ER13-984-000, ER12-1194-000, ER11-4081-002, ER12-678-002, ER13-187-003, ER13-2124-000, ER12-480-006, ER13-2295-000, ER13-2298-000, ER12-1265-005, ER12-1265-006, ER13-2295-001, ER12-1266-005, and ER13-1718-001.

²¹ *See, e.g.*, July 2011 Order, 136 FERC ¶ 61,025 at P 26 (accepting MISO's proposed Tariff changes for the DAMAP make whole payment effective one day after filing, based on a finding that "the sooner the new method of calculation goes into effect, the sooner the market can be confident that Day-Ahead Margin Assurance Payments are being properly awarded."); Letter order issued in Docket No. ER13-1004 (Mar. 13, 2013) (accepting DAMAP revisions to Schedule 27 effective one day after filing based on MISO's request to avoid potential gaming opportunities).

V. NOTICE AND SERVICE

A. Notice

Please place the following persons on the official service list in this proceeding:

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* Persons designated to receive official service.

B. Service Requirements

MISO has served a copy of this filing electronically, including attachments, upon all persons listed on the Commission's eService list for the above-referenced proceeding, Tariff Customers, MISO Members, Member representatives of Transmission Owners and Non-Transmission Owners, MISO Advisory Committee participants, as well as all state commissions within the Region, and the Organization of MISO States. In addition, the filing has been posted electronically at <https://www.misoenergy.org/Library/FERCFilingsOrders/Pages/FERCFilings.aspx>, on MISO's website, for other interested parties in this matter.

VI. CONCLUSION

Wherefore, for all the reasons stated above, MISO respectfully requests that the Commission accept the proposed Tariff revisions effective October 17, 2013, *i.e.*, one day after the date of this filing, and that the Commission act on this filing expeditiously.

Sincerely,

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The Honorable Kimberly D. Bose
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