

Public Consumer Group Sector's Comments on
MISO's Hot Topic for Pricing – Adequate Price Signals

Rather than provide a detailed response to each MISO question, the Public Consumer Group Sector provides broader comments on the areas of pricing and adequate price signals. Generally, the Public Consumer Group Sector does not believe there should be any significant concerns with pricing signals in the MISO energy market. The MISO energy market already provides price signals indicating when the cost of energy is relatively high and low, along with reflecting areas with more and less constraints in the transmission system. Further, even if there were any need to refine the price signals, which does not appear to be necessary, it would not be reasonable to do so at this time. The Public Consumer Group Sector notes that the economy is in the delicate process of slowly recovering from an economic recession, so adding uncertainty to this recovery through price changes for a fundamental input in the economy is not advisable. Tinkering with pricing would accomplish nothing other than adding confusion to the system needlessly at a time when such changes could have far-reaching negative effects on the economy.

As to capacity prices, the Public Consumer Group Sector believes that current low pricing levels appear to reasonably correspond with supply and demand. Given that the region is awash in excess capacity, low capacity prices do not appear to signal that anything is “broken” in the overall market construct. In short, it is not the job of MISO’s energy markets to make particular asset owners whole for their investment, but only to offer them the opportunity – over the long run – to earn a fair return. Given that MISO is not facing any generation shortages or reliability concerns, it is difficult for the Public Consumer Group Sector to support significant changes to the energy market and/or capacity market without seeing greater evidence of the need for such changes. Significant changes to energy policy such as capacity markets changes must be supported and justified before they will be supported by the Public Consumer Group Sector. Neither MISO nor any other party has adequately shown our Sector any need to change the capacity market at this time; further, the Public Consumer Group Sector has significant skepticism regarding the benefits of a centralized capacity auction construct or that it is workable construct in traditionally regulated states.

The Public Consumer Group Sector notes that MISO could provide further information by explaining, for example, how MISO’s current voluntary capacity market for resource adequacy would fit with MISO’s most recent capacity market proposal for resource adequacy that is currently being discussed in the Supply Adequacy Work Group. Further, it would be helpful for MISO to explain the financial impacts of MISO’s recent capacity market proposal for resource adequacy and the associated benefits of MISO’s recent capacity market proposal, including the

effects on the current fragile economy given that electricity is such a fundamental input in the economy.

Finally, despite some major transmission constraints in the MISO footprint, the market prices of financial transmission rights do not appear to be accomplishing the goal of expediting the construction of new transmission lines to resolve known problems. This may be an area where MISO should consider improving price signals – as well as exploring whether price signals are the problem.