

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

Midcontinent Independent System Operator, Inc.) Docket No. ER17-284-000

**MOTION TO INTERVENE AND COMMENTS OF
THE NATURAL GAS SUPPLY ASSOCIATION
IN SUPPORT OF COMPETITIVE RETAIL SOLUTION**

The Natural Gas Supply Association (“NGSA”) hereby respectfully moves to intervene in the above-captioned proceeding and submits its comments in support of the Competitive Retail Solution (“CRS”) proposal submitted by Midcontinent Independent System Operator, Inc. (“MISO”) on November 1, 2016.¹

I. MOTION TO INTERVENE

NGSA represents integrated and independent energy companies that produce and market domestic natural gas. Established in 1965, NGSA encourages the use of natural gas within a balanced national energy policy, and supports the benefits of competitive markets. NGSA promotes increased supply and the reliable, efficient delivery of natural gas to customers.

NGSA advocates for competitive wholesale power markets that provide the appropriate price signals that encourage natural gas-fired power generators to make investments that are needed to meet their performance obligations, including securing

¹ See *MISO*, Proposed Competitive Retail Solution in new Module E-3 and corresponding revisions to existing Tariff sections in Modules A, D, and E-1, Docket No. ER17-284-000 (submitted Nov. 1, 2016).

reliable contractual arrangements for delivered natural gas. As such, NGSA has a substantial interest in this proceeding that cannot be adequately served by any other party. Accordingly, NGSA respectfully moves to intervene and requests that it be granted full rights as a party to this proceeding.

III. COMMENTS

A. The proposed Forward Resource Auction will help MISO's Competitive Retail Areas meet resource adequacy needs without relying on out-of-market actions that distort market signals.

NGSA supports MISO's proposal to establish a Forward Resource Auction within its proposed Competitive Retail Solution ("CRS") that will augment its existing Planning Resource Auction to ensure that the future resource adequacy needs of its Competitive Retail Areas are appropriately met. Currently, the Competitive Retail Areas within MISO do not have a sufficient mechanism in place to address long-term resource adequacy.² MISO is concerned that there may be inadequate capacity in the Competitive Retail Areas as early as 2018, primarily due to coal plant retirements and merchant generators opting to participate in other regional organized markets in which they can secure capacity payments.³

NGSA believes that this proposed resource adequacy mechanism can provide a way forward to address many of MISO's resource adequacy issues without resorting to non-

² See *id.*, Transmittal Letter at pp. 15-16. If approved, state-regulated areas will not be subject to the auction and will be able to continue to rely on their existing integrated resource planning to ensure load-serving entities are able to meet their load obligations.

³ *Id.* at p. 36.

market mechanisms that will distort competitive market signals in the wholesale market.⁴ NGSAs are concerned about the implications of current state efforts to create non-market mechanisms intended to subsidize resources that are no longer cost-competitive. Such subsidies have the potential to create market distortions by incenting those otherwise uneconomic resources to submit below-cost offers that will result in depressed clearing prices within MISO. Moreover, such subsidies distort the resource mix within MISO that would have otherwise been selected in a competitive market construct and discriminate against natural gas-fired generation. The Supreme Court of the United States recently clarified the boundary for state action in relation to wholesale power markets in *Hughes v. Talen Energy Marketing, LLC*, finding that states cannot interfere with the prices cleared in regional organized markets, which would intrude on the exclusive jurisdiction of the Federal Energy Regulatory Commission.⁵

Fuel diversity is essential and smart, yet no fuel source for power generation should be disadvantaged through a market-distorting subsidy. Greater use of natural gas for electricity generation has produced significant reductions in U.S. carbon emissions because, over its lifecycle, natural gas emits only about half the carbon dioxide of other fossil fuels when combusted. With additional advantages over other fuels in sulfur dioxide, mercury, nitrogen oxide and particulate matter emissions, natural gas is poised to become an even more important part of energy portfolios as it helps states and regions comply with their clean energy objectives.

⁴ There are a variety of mechanisms that RTOs use to ensure resource adequacy. NGSAs support competitive market mechanisms that send the appropriate price signals to generators. However, NGSAs do not take a position on the value of one particular resource adequacy approach over another.

⁵ See 136 S. Ct. 1288, 1297-1299 (2016).

Thus, this CRS proposal limits market distortions, appropriately compensates all types of power generation and encourages new suppliers to enter the MISO market. For these reasons, the proposal is a preferred market-based alternative for ratepayers, offering both reliable and low-cost power that is sustainable over the long-term, relative to state-approved subsidies or mandates.

B. This proposal improves market participant certainty; thereby allowing generators a greater opportunity to make investments that will allow them to more reliably serve MISO's needs.

NGSA views well-functioning markets and competitive market signals as vital to energy reliability, affordability, and cost-effective investment in energy infrastructure. Long-term efficiency in any market stems from sound competitive market signals that deploy resources and capital to where they are needed and consequently valued.

As stated in an April 2016 INGAA Foundation Inc. study of pipeline investment required through 2035, the Midwest will have significant power-generation demand growth requiring large investments in pipelines.⁶ In fact, this study states that pipeline flows to the Midwest are expected to more than triple from the current average of 1.7 Bcfd to nearly 5.5 Bcfd by 2035.⁷ Thus, finding ways to support investment in pipeline infrastructure within the MISO footprint has never been more critical.

MISO's CRS should pave the way for generators to receive sufficient capacity payments that may induce investment in long-term reliability. Such investments may entail, among other things, securing dual fuel capability, firm gas transportation and/or

⁶ The INGAA Foundation Inc., *North American Midstream Infrastructure Through 2035: Leaning into the Headwinds*, ICF International, April 12, 2016, at 15.

⁷ *Id.* at p. 44.

firm delivered supplies, as well as generator backing of new pipeline infrastructure that is needed to serve the growing power load requirement in the Midwest. However, if out-of-market state subsidies suppress the optimal function of markets by picking winners and losers based on criteria that are not best for the energy consumer, it will be increasingly difficult for generators to receive capacity payments that provide compensation sufficient to encourage such investment.

IV. CONCLUSION

NGSA supports MISO's proposed CRS as an important step that will allow market forces to meet the region's future resource adequacy needs in a reliable and cost-effective manner and to incent investment in needed pipeline infrastructure. For this reason, we urge the Commission to approve this proposal.

Respectfully submitted,

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