

Sierra Club's Proposed Decision Option clarifying Options 8, 9, and 12

To facilitate discussion at the hearing, we offer the following proposed decision option that clarifies and synthesizes Decision Options 8, 9, and 12.

Decision Option

Establish the following process to evaluate the prudence of utilities' self-commitment decisions through the fuel clause adjustment proceedings:

Step 1: Beginning with each utility's March 2021 annual fuel cost forecasting proceeding, utilities should forecast coal fuel supply requirements for the July 1, 2021-July 1, 2022 reporting period by modeling each coal unit in economic commitment status. In this modeling conducted for fuel cost forecasting, utilities should be required to include the start-up and cycling costs that would be incurred if the unit were committed economically by the ISO, rather than start-up and cycling costs associated with a manual commitment election or must-run status.

Step 2: Where a utility elects to designate a unit as self-committed to operate in MISO, the utility must adopt a "clear and auditable mechanism" for tracking its daily forward-looking analyses used to inform its commitment decisions ("record-keeping requirement"), as follows [combined/modified options 8 & 9¹]:

Beginning July 1, 2021, utilities must collect, and maintain a record of, the following forward-looking information each day at the time each unit commitment decision is made:

1. **Locational Marginal Price ("LMP") forecast.** Daily forecasted LMPs for the following week. Forecasts may be developed in-house by the utility or procured from an external company. The utility should regularly retroactively review these forecasts to address systemic biases. *[clarification of Option 9]*
2. **Unit operational costs.** These data should include unit fuel costs and unit variable operations and maintenance (O&M) costs as separate line items.
 - a. Fuel costs
 - i. Marginal fuel costs submitted to MISO *[November 2019 Order]*
 - ii. Any fuel costs excluded from the MISO offer curve, including those treated as fixed costs due to contractual terms *[Option 8e]*
 - b. Variable O&M costs
 - i. Consumables and waste O&M costs *[clarification of November 2019 Order]*
 - ii. Predictive preventative maintenance O&M costs *[Option 8d]*
3. **Unit start-up and cycling costs.** The start-up and cycling costs should accurately reflect the cost associated with the level of unit cycling that is expected using economic commitment. *[clarification of Option 9]*
4. **Unit Commitment status and decision** *[clarification of Option 9]*

¹ The auditable mechanism was proposed in Option 9, and we clarify that it would include the information listed in the filing requirements from the November 2019 Order [Commission Order, Docket E-999/AA-18-373, November 12, 2019] and would be supplemented with additional data requirements, many of which are included in Option 8.

- a. Unit commitment status at the time the commitment decision is made
- b. Unit commitment status that is planned
- 5. **Projected net margin (net revenue / net losses)** *[calculated based on 1,2,3 above]*
 - a. For each day for the next week
 - b. Total margin for the week

NOTE: The Commission should find that utilities are only required to use this record-keeping system where a utility self-commits a unit. Where a *utility instead offers the unit using MISO's economic commitment process, this record-keeping would not be required, as the utility's burden of proof that it is making prudent commitment decisions would be met.*

Step 3: Beginning with the March 2022 fuel cost true-up proceeding, the Commission should signal that it may disallow actual fuel costs incurred as a result of imprudent commitment decision-making, as shown by the data collected through the record-keeping mechanism and through the data below. "Imprudent commitment" is where 1) the utility self-committed the unit even though the daily analyses did not support self-commitment and 2) the unit then produced energy at a higher variable cost than could otherwise be procured from the MISO energy market (i.e., a net market energy loss). [Sierra Club Initial and Surreply Comments]

Utilities should collect the following information on actual unit performance on an hourly basis, or else at the highest level of granularity possible. Utilities should make this information available in the annual true-up docket beginning in March 2022. [Sierra Club Initial and Surreply Comments]

- 1. Day-ahead data:
 - a. Day-ahead locational marginal price at unit node (\$/MWh) *[Nov 2019 Order 10e]*
 - b. Day-ahead dispatch minimum (MW) *[Nov 2019 Order 10h]*
 - c. Whether Day-Ahead Cleared = Day-Ahead Dispatch Minimum (0 or 1) *[Nov 2019 Order 10n]*
 - d. Day-ahead locational marginal price representative of utility load zone (\$/MWh) *[Nov 2019 Order 10l]*
 - e. Day-ahead MISO Energy Market payment (\$) *[Nov 2019 Order 10p]*
 - f. Day-ahead ancillary services revenues and any other make-whole payments (\$) *[Option 8a]*
- 2. Real-time data:
 - a. Real-time locational marginal price at unit node (\$/MWh) *[Nov 2019 Order 10g]*
 - b. Real-time dispatch minimum (MW) *[Nov 2019 Order 10i]*
 - c. Real-time locational marginal price representative of utility load zone (\$/MWh) *[Nov 2019 Order 10m]*
 - d. Real-time MISO Energy Market payment (\$) *[Nov 2019 Order 10q]*
 - e. Real-time ancillary services revenues and any other make-whole payments (\$) *[Option 8a]*
- 3. Length of minimum decommit time for each unit (hours) *[Option 8i.i.]*

4. Commit status (Null / Economic / Emergency / Must Run / Outage / Not Participating) *[Nov 2019 Order 10b]*
5. Dispatch Status for Energy (Null / Economic / Self Schedule) *[Nov 2019 Order 10c]*
6. Cleared MW *[Nov 2019 Order 10d]*
7. Actual production in MWh (for all 8,760 hours of the year) *[Nov 2019 Order 10o]*
8. The accounting or as-burned cost of fuel (\$/MWh) *[Modification of Nov 2019 Order 10j]*
9. Any fuel costs excluded from the accounting or as-burned cost of fuel, including those treated as fixed costs due to contractual terms (\$/MWh) *[Option 8e]*
10. The accounting variable O&M cost (\$/MWh) *[Modification of Nov 2019 Order 10k]*
11. Net benefit/(cost) using total production costs (\$) *[Modification of Nov 2019 Order 10t]*
12. Average heat rate at economic minimum and economic maximum levels. *[Nov 2019 Order 10 x and y]*

The following additional relevant information and analysis should also be provided as part of the true-up process:

1. Number of times in the analysis period that each unit incurred losses over a duration greater than or equal to its minimum decommit time; *[Option 8i.ii]*
 - a. Of the periods identified in (1), the number of periods when losses were greater than the relevant startup cost (warm or cold startup cost, depending on the length of the period); *[Option 8i.iii]*
 - b. Sum of losses in excess of startup cost that were incurred during periods identified in (2). *[Option 8i.v]*
2. Labeling of any hours with unavoidable self-commitment, with a cause listed for the self-commitment in that hour (e.g., testing, contract, dispatch of co-owned generation). *[Option 8f]*