Demand Response Participation Rules (MSC-2024-6)

Market Subcommittee

January 16, 2025

Purpose & Key Takeaways

Purpose: Discuss improvements to demand response participation rules in response in part to FERC's recent enforcement orders

Key Takeaways:

- Several instances of inappropriate market behavior have been identified for demand resources
- Provide some additional clarification on why some of these proposed changes are necessary
- Revised tariff rules based on stakeholder feedback have been proposed and posted
- MISO plans to make a tariff filing by 2025 Q1-end

Problems with Demand Response Participating as a Supply Resource in MISO Markets

Rules for Demand Response

Rules for Demand Response participation as a supply side resource are primarily twofold:

- An MP representing the demand response resource has requirements for performance, and
- Performing as required is measured through M&V procedures

These rules apply for all demand response types (DRRs, LMRs & EDRs)

MISO Tariff addresses these rules with

- A Market Participant selling Energy, Operating Reserve, …. (e) respond to the Transmission Provider's directives to start, shutdown, or change output levels of Resources, in accordance with the terms specified in the Offer … (Section 38.2.5.d.ii.e)
- Because it is impossible to directly measure the energy that a demand resource in a DRR, LMR, or EDR would have consumed in the absence of the Setpoint Instruction, ….M&V criteria are used to determine the performance of DRRs, LMRs or EDRs … (Attachment TT)
- For LMRs: A Market Participant must possess ownership or equivalent contractual rights to the load reduction service arising through the end-use customer (BPM 011 & Module E-1)

MP: market participant, M&V: measurement & verification, LMR: load modifying resource, DRR: demand response resource, EDR: emergency demand response

Problems with Demand Response

Payment for Artificial Curtailments

- Demand Response Resources are getting payment from the MISO market for doing nothing, i.e. claiming that they decreased their load when they didn't.
  - MP must take action (i.e. drop load) in response to a MISO instruction.

Payment for "inflated" baselines - how performance is measured

- MPs have engaged in market manipulation by inflating their baselines.

Fraudulent Registration

- Creating demand response assets (e.g., LMRs) from an aggregation of end-use customers without consent and contractual arrangements of such customers
- Inflating performance of the demand response assets beyond their known capabilities

MISO Feedback Response: Demand Response Participating as a Supply Resource in MISO Markets

- MISO requested any additional feedback on these issues following the November 7th MSC meeting.
- Two stakeholders submitted feedback. Those items are located here: https://www.misoenergy.org/engage/stakeholder-feedback/2024/msc-demand-response-participation-rules-msc-2024-6-20241107/
- A MISO response has also been posted in the same location

Revised Proposal

Payment for Artificial Curtailments

Getting paid for doing nothing

Proposed Solution

- Require meter data, updated regularly, including all non-event hours, to better monitor production activity and market behavior
  - Further addressed in proposed tariff Att TT (4)*
- Require an executive attestation on the DRR reductions, that they were curtailed, similar to the one required in Schedule 30
  - Further addressed in proposed tariff Att TT (4)
- Currently offers being submitted that offer instantaneous demand response, levels of control not possible for the resource, offers that clear for days at a time
  - Further addressed in proposed tariff 39.2.5(c), 40.2.5(e)

*:meter data can be submitted in the DRT (demand response tool) through the Meter Data Management Screen

Inflated Baselines

Manipulations to make response appear larger than achieved

Proposed Solution

- Specify how/when DRR testing must occur
  - Further addressed in proposed tariff 39.2.1B
- Change the calculated baseline so that
  - ~~Event hours are used for preclusion from baseline calculation rather than event days~~
    - Delayed until systems are ready
  - when MISO does not have sufficient non-event~~s~~ ~~hours~~ days to calculate a baseline, use the minimum MW values for event days in the calculation
    - Further addressed in proposed tariff Att TT (3) i b
- Screen offer parameters to ensure they are consistent with the resource's ability
  - Further addressed in proposed tariff 39.2.5(c), 40.2.5(e)

Fraudulent Registration

Registering an aggregated resource in the market without actual consent or contract with end use customers

Proposed Solution

- MISO requires ARCs to submit signature pages of contracts or agreements ARCs have with end-use customers, to prevent such manipulation.
- MISO proposes to require the same from any MP registering demand response assets
- MISO proposes to draw a random sample of end-use customer contracts for systematic review to check on the validity of the registered aggregated resource
- Further addressed in proposed tariff 38.2.2, 38.6, 38.7.2, 69A.3.5, 69A.3.6

ARCs: aggregators of retail customers

Additional proposed tariff requirements

Module D enhancements:

- Address physical or economic withholding
  - Further addressed in proposed tariff 63.3
- Institute Reference Level calculations for DRRs (section 64.1.4)
  - Further addressed in proposed tariff 64.1.4

DRR offer floor:

- Require offers for energy in the DA & RT markets to at least be at the NBPT value, which changes monthly
  - Further addressed in proposed tariff 39.1.2, 39.2.5(f), 39.2.5A (c), 39.3.2C, 40.1.2 (a), 40.2.5(h), 40.2.6 (d), 40.2.8, 40.3.3.4(b), 40.3.3.4(c), Module A (actual energy withdrawals)

NBPT: net benefits price threshold

Other Considerations

DRRs providing operating reserve service

- The limit on the amount of spinning reserve service clearing from DRRs is currently at 40% of the total requirement.
  - Some stakeholders have requested MISO to increase or eliminate this limit.
  - Other stakeholders have requested MISO to assess the actual performance of DRRs providing this reliability service.
- MISO is currently investigating DRR performance in the contingency reserve markets.
- Revisiting the disqualification and charges for **DRRs** providing contingency reserves is appropriate at this time, and reflected in the proposed tariff
- Inappropriate DAMAP provisions addressed
- Further addressed in proposed tariff 40.2.4 (b), 40.2.4 (c), 40.3.4 e, 40.3.4 i , 40.3.6.4

Enabling price responsive demand

- Currently demand is modeled on the supply side, this is the fundamental cause of these gaming opportunities and constrains the design of efficient mechanisms.
- Market structures should provide opportunities for demand to better participate on the demand side
  - ability to make consumption decisions based on the *value* of energy consumed compared to the prevailing market price
- Creating a true two-sided market is a necessary but not a sufficient condition for an efficient power balance market.
- Not addressed

Next Steps

Stakeholder Feedback Request

- MISO is requesting any additional feedback on **Demand Response Participating as a Supply Resource in MISO Markets (MSC-2024-6** by January 31, 2025
- Questions:
  - Any improvements to the redline Tariff language?
  - Any proposals for further design changes?

- Feedback is managed through the MISO website: https://www.misoenergy.org/engage/stakeholder-feedback/

Next Steps

- Finalize Tariff language
- Develop Tariff filing and implementation timelines
  - MISO plans to make a tariff filing by 2025 Q1-end
- Draft BPM language

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