

# Aggregations in Opt-Out States

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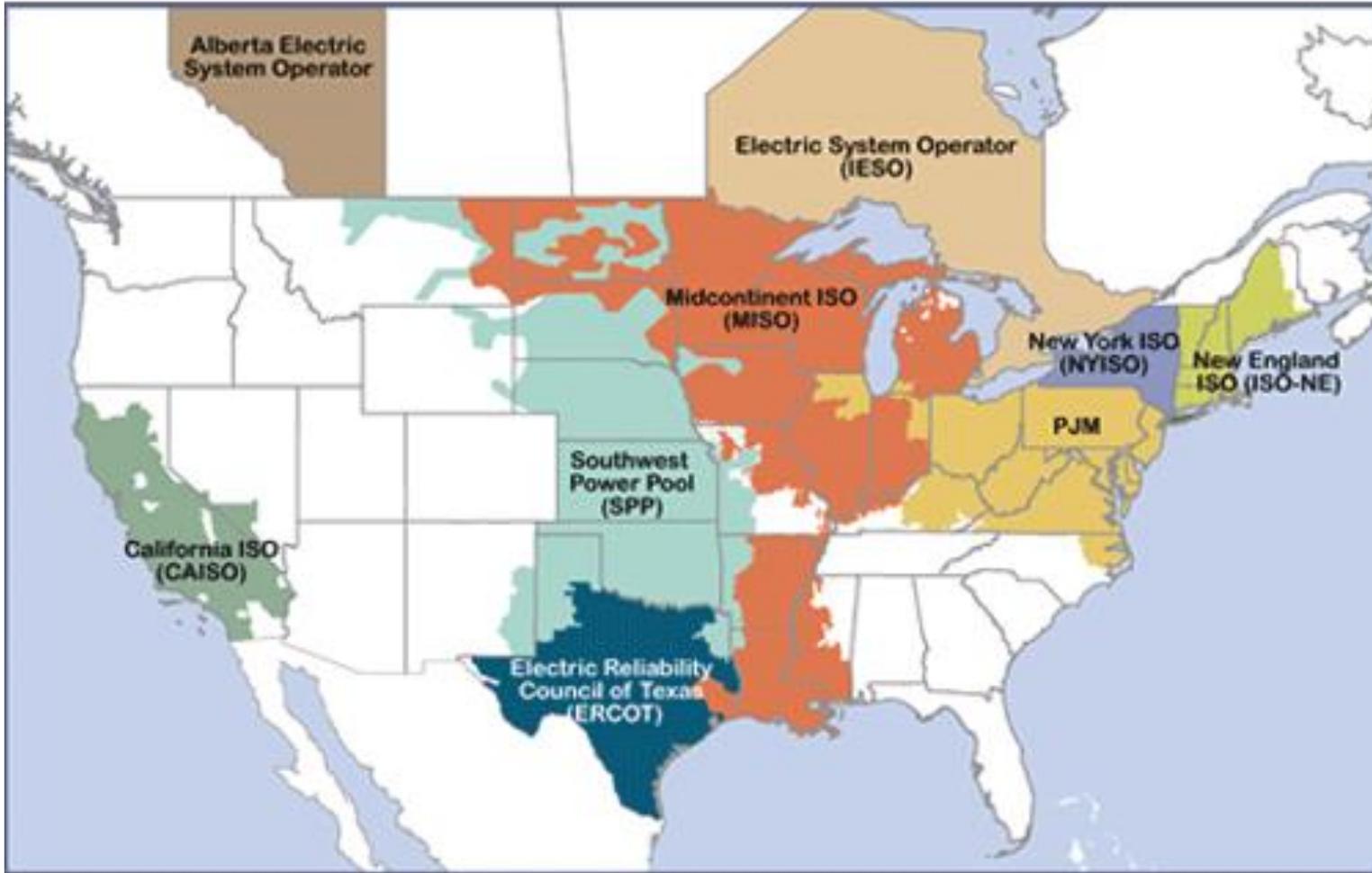
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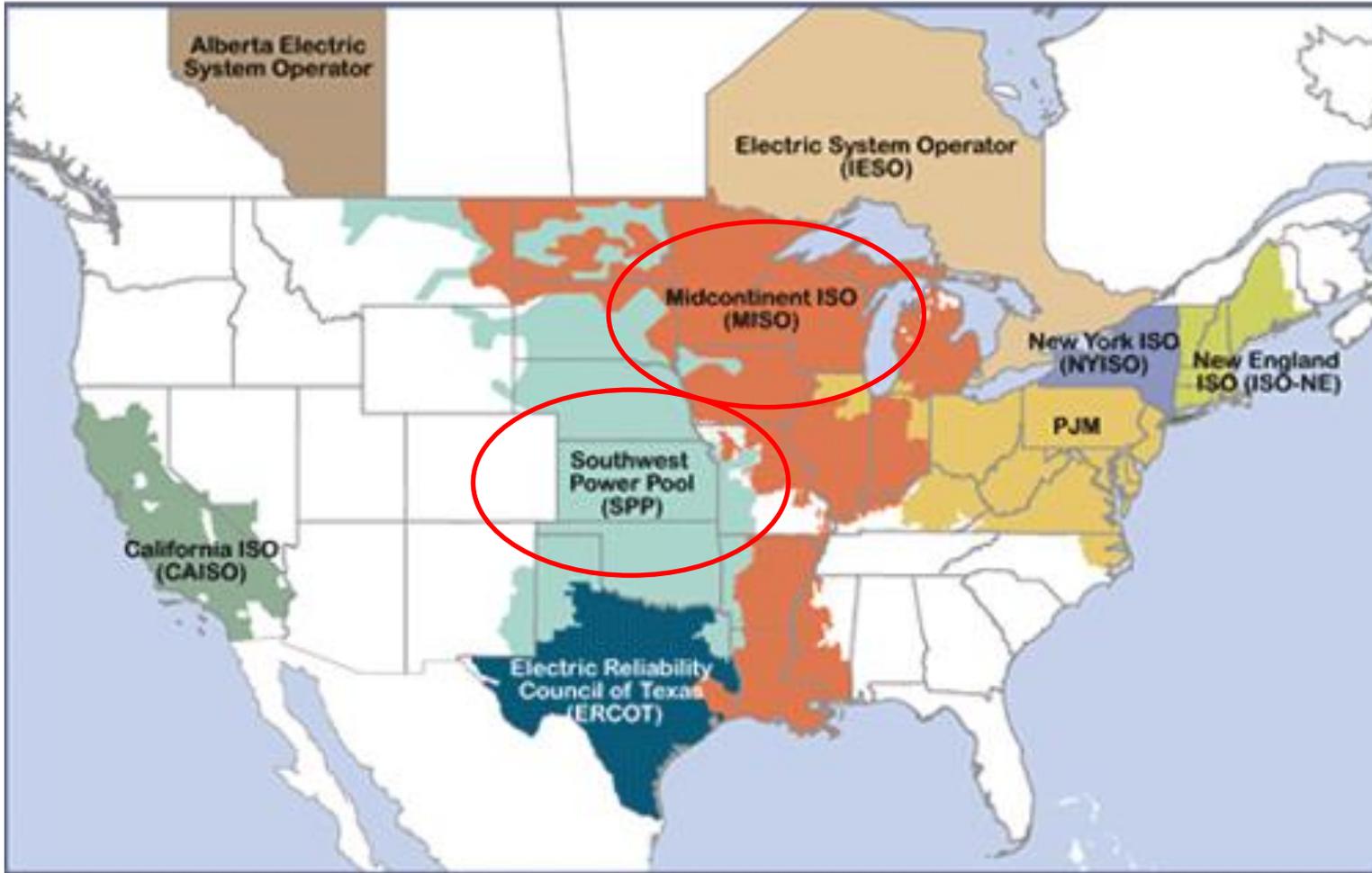
# Order 719 Opt Out



Source: FERC

- FERC Order 719 was issued in 2008
  - ▣ Reduced barriers of participation for DR in wholesale markets
  - ▣ Allowed states to opt out
  
- Many states in the MISO and SPP region opted out
  - ▣ States are primarily vertically integrated
  - ▣ Of 19 total states, 16 opted out

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# Order 2222 impact on the opt out

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- Order 2222 (generally) does *not* offer an opt out
  - ▣ One exception: Opt in mechanism for small utilities with less than 4M MWh of retail sales in the previous fiscal year
  - ▣ A DR resource in a heterogeneous aggregation is not subject to the opt out/opt in, however, a homogeneous DR aggregation is considered DR, so subject to Order 719 (incl. opt out/opt in)
  
- Implications
  - ▣ States will no longer be able to opt out to comply with Order 2222
  - ▣ Moreover, FERC is considering whether to reverse the DR opt out as well

# MISO and SPP states: Where are we at?

RTO/ISO	2020	
	Demand Resources (MW)	Percent of Peak Demand <sup>8</sup>
CAISO <sup>1</sup>	3,290	7.0%
ERCOT <sup>2</sup>	3,939.0	5.1%
ISO-NE <sup>3</sup>	476.2	1.9%
MISO <sup>4</sup>	13,024.0	11.1%
NYISO <sup>5</sup>	1,274.1	4.2%
PJM <sup>6</sup>	8,915.0	6.0%
SPP <sup>7</sup>	34.2	0.1%
<b>Total</b>	<b>30,787.5</b>	<b>6.6%</b>

Source: FERC, 2021\*

- Demand response exists in each wholesale market (at varying levels)
- Aggregations do exist in small numbers in the MISO/SPP markets and have provided value to the system
  - MISO June 10, 2021 Maximum Generation Event saw 400+ MW of aggregated DER participation over a three-hour Load Modifying Resource dispatch\*
- Existing, untapped DERs could provide additional value
  - Organization of MISO States expressed concern over reserve margins “trending towards their minimum requirements” and the ability for quick deployment of DERs over slower incumbent generation that could be more expensive to ratepayers†

\*2021 Assessment of DR and AMI (FERC, 2021)

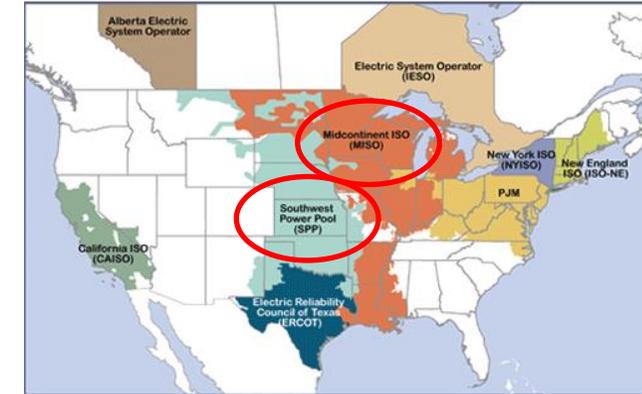
† State Response to 2022-2023 PRA Results (Org. of MISO States, 2022)

# MISO and SPP states: Where are we at?

- Sixteen of Nineteen states in MISO and SPP opted out under Order 719
  - ▣ IL is the only fully competitive state in MISO and has active aggregations at the retail and wholesale market levels
  - ▣ KS and OK did not opt out, however, their markets were functionally closed until recent commercial and industrial customer aggregation activity
  
- Has any state reversed the opt out?
  - ▣ AR\* investigated this issue but chose *not* to reverse the opt out despite recommendations from its DER investigation
  - ▣ MI† *partially* reversed its opt-out for the 10% of retail customers that have retail choice

\*Docket No. 16-028-U, Order 10 (AR PSC, 2018)

† Case No. U-20348 (MI PSC, 2019)



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# Logistics of reversing the opt out: Jurisdiction

- States in MISO/SPP may have concern over maintaining jurisdiction
  - Where aggregations do exist, state regulators have generally taken one of two approaches:
    - Assume implicit jurisdiction due to jurisdiction over regulated utilities and DERs interconnected in their territory (option used by majority of states)
    - Declare explicit jurisdiction over aggregators (in MISO/SPP, this is solely AR\* despite having no aggregations participating in the wholesale market level)

- FERC and ISO/RTOs recognize this “implicit” jurisdiction via Order 2222 text
  - Supported by Order 2222 text along with (preliminary) MISO and SPP Order 2222 compliance filings

*\*In the matter of an investigation of policies related to DERs (AR PSC, 2018)*

*† Order 2222 Compliance Filing (MISO, 2022)*

*“DER interconnections to the distribution system are based on [regulator] rules, and as mentioned previously, [the regulator] may choose to develop and oversee Technical Review processes, including any [regulator]-defined DER interconnection rules. Under the proposal, [regulators] may also put rules in place governing operational overrides of [aggregated DER].” †*

# Logistics of reversing the opt out: Role of state regulator

- States in MISO/SPP may have concern over developing rules to govern aggregators and their role
- States in MISO/SPP with active aggregations have ad hoc rules that borrow heavily from existing processes
  - ▣ Rely on more general DER registration processes from the retail utility and/or resource registration processes from the ISO/RTO
  - ▣ Rely on existing data governance practices and rules from the retail utility and/or ISO/RTO
- Dual participation between retail and wholesale markets necessitates coordination
  - ▣ Order 2222 language puts the burden on aggregators to collect and report required data to all parties
  - ▣ Role of regulator applies to each DER because DERs in aggregations must comply with local regulation

*Possible roles and responsibilities of state regulators with respect to coordination may include but would not be limited to:*

- *developing interconnection agreements and rules;*
- *developing local rules to ensure distribution system safety and reliability, data sharing, and/or metering and telemetry requirements;*
- *overseeing distribution utility review of DER participation in aggregations;*
- *establishing rules for multi-use applications; and*
- *resolving disputes between DER aggregators and distribution utilities over issues such as access to individual DER data. – FERC Order 2222*

# What is next?

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- Michigan opened a proceeding considering a full reversal of the opt out\*
  - ▣ Note that they partially reversed the opt out previously
- Minnesota is expected to initiate a docketed proceeding\*
- Indiana just began a stakeholder process on Order 2222 implementation †
  
- States may be interested in beginning this process ahead of ISO/RTO Order 2222 for a variety of reasons
  - ▣ Possible FERC reversal of Order 719 opt out; Order 2222 compliance
  - ▣ Improve resource adequacy, capture value from existing and future resources
  - ▣ Take advantage of aggregation-specific benefits such as quick and accurate response, distributed locations, etc.
  - ▣ Support other state policy priorities
  - ▣ Learn via a slower onramp

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