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-M-E-M-O-R-A-N-D-U-M-

**DATE:** June 4, 2004

**TO:** Blanca S. Bayó, Commission Clerk and Administrative Services Director

**FROM:** Jennifer S. Brubaker, Senior Attorney, General Counsel *JSB*

**RE:** GridFlorida Market Design Issues Workshop Status Report – Docket No. 020233-EI

Please put the attached Status Report in the docket file.

JSB/mrd

- CMP \_\_\_\_\_
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FPSC-COMMISSION CLERK

Post-Workshop Status Report  
June 4, 2004

Docket No. 020233-EI  
Review of GridFlorida Regional Transmission Organization (RTO) Proposal  
Market Design Issues Workshop  
May 19, 2004

**Issue 1 – Market Design and Congestion Management**

**Issue 2 – Market Power Monitoring and Mitigation**

The Applicants have been unable to reach a consensus on the various aspects of a market design. The Applicants stated that since their market design proposal of September 19, 2002, the FERC has issued several position papers that recognize regional differences and different local market conditions and structures. Based on this increased flexibility in developing a market design, at least a couple of the Applicants are now considering whether changes to the September 19, 2002 proposal are warranted. Therefore, the Applicants' position paper on market design and congestion management outlined various issues or options for discussion, rather than a specific market design proposal. At the workshop, the Applicants indicated their goal was to take comments from the stakeholders on the various options and reach a consensus on a GridFlorida market design.

While a couple of the stakeholders provided pre-workshop comments identifying a preliminary preference for certain market design options, most of the stakeholders indicated that it was difficult to respond to the various issues without having a specific position outlined. It was indicated that the various components of market design, congestion management, and market monitoring and mitigation were so interrelated, the stakeholders were unable to endorse one component without knowing what the other components of the market design would be. In addition, several stakeholders indicated that the market design aspects identified were essentially "Day 2" design issues and consensus on those aspects was not necessary to implement a "Day 1" independent system operator system. The Applicants indicated that they could not support a "Day 1" operation, without knowing the details of a "Day 2" operation.

Through input received from comments at the workshop, pre-workshop comments, and post-workshop comments, the Applicants expect to develop a unified market design, congestion management, market power monitoring and mitigation proposal.

**Issue 3 – Resource Adequacy**

There appears to be general consensus that the Florida Public Service Commission, through its authority established by the Grid Bill, should continue to establish the appropriate level of generation and transmission capacity for the state.

#### **Issue 4 – Treatment of Capacity Benefit Margin (CBM)**

The Applicants proposed three options for the treatment of capacity benefit margin. Option 1 suggests no CBM whereby no entity, including the RTO, would be allowed to reserve CBM. All capacity resources necessary to maintain reliability would have to be contained within the RTO. Option 2 addresses the Peninsular Florida/Georgia Interface whereby CBM is allowed in the ATC calculation only for the interface and allows access to resources outside Peninsular Florida in an emergency. Option 3 indicates that all control areas would have access to resources located in other control areas. The Applicants did not endorse a specific option.

Several of the participants stressed the importance of CBM being calculated appropriately for reliability purposes. However, no specific option was endorsed.

#### **Issue 5 – Continued Review of RTO Costs and Benefits**

The Applicants/ICF have distributed the cost/benefit project description. As of the date of the workshop, ICF has received approximately 60% of the data needed for the first model calibration test. ICF has indicated that three months are needed to complete the study; the study should be completed in early September, 2004. The cost of the study is projected to be approximately \$510,000, based on the three change cases included in the project description.

Several of the participants had questions and expressed concerns regarding the details of the ICF project description, the data being gathered for the study, and the presentation of the study results. For example, it was requested that the outcome of the ICF study be shown on a per load serving entity basis and not simply aggregated to show the impacts on FPSC jurisdictional versus non-jurisdictional entities. It was also suggested that ICF had not requested certain data that was thought to be essential to developing the base case forecast.

Most of the stakeholders agreed that a representative working group should be assembled to discuss the key assumptions for the model, review the input data, evaluate the change cases and discuss the results of the ICF study. It was suggested that face-to-face meetings of the working group and the Applicants/ICF would be the most beneficial. The Applicants agreed to follow-up on these suggestions.

A Commissioner workshop has been scheduled on June 30, 2004 to provide a forum for all participants in this docket to discuss the ICF project description and the assumptions to be used in the cost/benefit study.

#### **Issue 6 – Review of Current Regulatory/Legislative Environment**

All of the workshop participants will continue to monitor the regulatory and legislative environment.

### **Wrap-up Issues Workshop Scheduled for August 5, 2004**

Several participants have requested that the wrap-up workshop currently scheduled be delayed. It has been suggested that this workshop be used to not only identify outstanding issues, but to discuss the results of the ICF cost/benefit study. It is expected that the study will be completed in early September and a workshop could be scheduled shortly thereafter.

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