

2024 RTO Membership Analysis

Appendix 3



MISO'S RESPONSE TO THE RELIABILITY IMPERATIVE

- UPDATED FEBRUARY 2024 -

Living Document

This is a “living” report that is updated periodically as conditions evolve, and as MISO, stakeholders and states continue to assess and respond to the Reliability Imperative.



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A Message from John Bear, CEO



We have to face some hard realities.

There are immediate and serious challenges to the reliability of our region's electric grid, and the entire industry – utilities, states and MISO – must work together and move faster to address them.

MISO and its utility and state partners have been deeply engaged on these challenges for years, and we have made important progress. But the region's generating fleet is changing even faster and more profoundly than we anticipated, so we all must act with more urgency and resolve.

Many utilities and states are decarbonizing their resource fleets. Carbon emissions in MISO have declined more than 30% since 2005 due to utilities and states retiring conventional power plants and building renewables such as wind and solar. Far greater emissions reductions – possibly exceeding 90% – could be achieved in coming years under the ambitious plans and goals that utilities and states are pursuing.

Studies conducted by MISO and other entities indicate it is possible to reliably operate an electric system that has far fewer conventional power plants and far more zero-carbon resources than we have today. However, **the transition that is underway to get to a decarbonized end state is posing material, adverse challenges to electric reliability.**

A key risk is that many existing “dispatchable” resources that can be turned on and off and adjusted as needed are being replaced with weather-dependent resources such as wind and solar that have materially different characteristics and capabilities. While wind and solar produce needed clean energy, they lack certain **key reliability attributes** that are needed to keep the grid reliable every hour of the year. Although several emerging technologies may someday change that calculus, they are not yet proven at grid scale. Meanwhile, efforts to build new dispatchable resources face headwinds from **government regulations and policies**, as well as **prevailing investment criteria for financing new energy projects**. Until new technologies become viable, we will continue to need dispatchable resources for reliability purposes.

But fleet change is not the only challenge we face. **Extreme weather events** have become more frequent and severe. **Supply chain and permitting issues** beyond MISO's control are delaying many new reliability-critical generation projects that are otherwise fully approved. **Large single-site load additions**, such as energy-intensive production facilities or data centers, may not be reliably served with existing or planned resources. **Incremental load growth** due to electric vehicles and other aspects of electrification is exerting new pressure on the grid. And **neighboring grid systems are becoming more interdependent** and reliant on each other, highlighting the need for more interregional planning such as the Joint Targeted Interconnection Queue study that MISO conducted with Southwest Power Pool.

This report documents how MISO is addressing these risks through the **Reliability Imperative** – the critical and shared responsibility that MISO, our members and states have to address the urgent and complex challenges to electric reliability in our region. MISO first published a Reliability Imperative report in 2020, and this is the fourth time we've updated it to reflect the changing landscape.

None of the work we must do is easy, but it is necessary. The region's 45 million people are counting on MISO and its utility and state partners to get it right. Thank you for your interest in these important issues.



Executive Summary

THE CHALLENGE: A “HYPER-COMPLEX RISK ENVIRONMENT”

There are urgent and complex challenges to electric system reliability in the MISO region and elsewhere. This is not just MISO’s view; it is a well-documented conclusion throughout the electric industry. The North American Electric Reliability Corporation, a key reliability entity throughout the U.S., Canada and part of Mexico, has described these challenges as a [“hyper-complex risk environment.”](#) These challenges include:

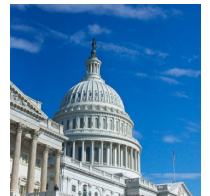
Fleet change: The new weather-dependent resources that are being built, such as wind and solar, do not provide the same critical reliability attributes as the conventional dispatchable coal and natural gas resources that are being retired. While emerging technologies such as long-duration battery storage, small modular reactors and hydrogen systems may someday offer solutions to this issue, they are not yet viable at grid scale.



Regulations, policies and investment criteria: Many dispatchable resources that provide critical reliability attributes are retiring prematurely due to environmental regulations and clean-energy policies. This regulatory environment, along with prevailing investment criteria for financing new energy projects, increases the challenges to build new dispatchable generation — even if it is critically needed for reliability purposes.



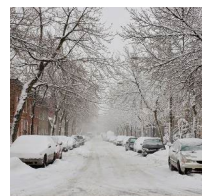
Fuel assurance: Gas resources can face challenging economics to procure fuel because they share the pipeline system with residential and commercial heating and manufacturing uses. Coal plants typically keep large stockpiles of fuel onsite, but coal supplies have tightened due to changing economics, import/export dynamics, supply chain issues and other factors. Aging resources can also be more prone to outages. While renewable resources such as wind turbines do not use “fuel” per se, they are sometimes unavailable due to adverse weather conditions.



Extreme weather events: While extreme weather has always been commonplace in the MISO region, severe weather events that impact electric reliability have been increasing. The [Electric Power Research Institute found](#) that hurricanes are increasing in intensity and duration, heat events are increasing in frequency and intensity and cold events are increasing in frequency. Examples include Winter Storm Elliott in 2022, Winter Storm Uri in 2021, Hurricane Ida in 2021, and Hurricanes Laura, Delta and Zeta in 2020.



Load additions: Some parts of the MISO region are enjoying a resurgence in manufacturing and/or other types of economic growth, with companies planning and building new factories, data centers and other energy-intensive facilities. While such development is welcome from an economic perspective, it can also pose significant reliability risks if the load additions it spurs cannot be reliably served with existing or planned resources.



Incremental load growth: While electricity demand has been flat for many years, it is expected to increase due to the electrification of other sectors of the economy. Electric vehicles are growing in popularity, and the residential and commercial sectors are increasingly using electricity for heating and cooling. These trends will accelerate more due to the electrification tax credits in the 2022 Inflation Reduction Act.





Supply chain and permitting issues: Many projects that have been fully approved through MISO’s Generator Interconnection Queue process are not going into service on schedule due to supply chain issues and permitting delays that are beyond MISO’s control. As of late 2023, about 25 gigawatts (GW) of approved resources are signaling delays that average 650 days to commercial operation.



RELIABILITY IMPERATIVE OVERVIEW

The **Reliability Imperative** is the term MISO uses to describe the shared responsibility that MISO, its members and states have to address the urgent and complex challenges to electric system reliability in the MISO region. MISO’s *response* to the Reliability Imperative consists of numerous interconnected and sequenced initiatives that are organized into four primary pillars, as shown here:

RELIABILITY IMPERATIVE PILLAR	KEY INITIATIVES <i>(partial list)</i>
<p>MARKET REDEFINITION Enhance and optimize MISO’s markets to ensure continued reliability and efficiency while enabling the changing resource mix, responding to more frequent extreme weather events, and preparing for increasing electrification</p>	<ul style="list-style-type: none"> • Ensure resources are accurately accredited • Identify critical system reliability attributes • Ensure accurate pricing of energy & reserves
<p>OPERATIONS OF THE FUTURE Focus on the skills, processes and technologies needed to ensure MISO can effectively manage the grid of the future under increased complexity</p>	<ul style="list-style-type: none"> • Manage uncertainty associated with increasing reliance on variable wind and solar generation • Prepare control room operators to rapidly assess and respond to changing system conditions • Use artificial intelligence & machine learning to enhance situational awareness & communications • Evaluate interdependency of neighboring systems
<p>TRANSMISSION EVOLUTION Assess the region’s future transmission needs and associated cost allocation holistically, including transmission to support utility and state plans for existing and future generation resources</p>	<ul style="list-style-type: none"> • Develop “Futures” planning scenarios using ranges of economic, policy, and regulatory inputs • Develop distinct “tranches” (portfolios) of Long Range Transmission Plan (LRTP) projects • Enhance joint transmission planning with seams partners • Improve processes for new generator interconnections and retirements
<p>SYSTEM ENHANCEMENTS Create flexible, upgradeable and secure systems that integrate advanced technologies to process increasingly complex information and evolve with the industry</p>	<ul style="list-style-type: none"> • Modernize critical tools such as the Day-Ahead and Real-Time Market Clearing Engines • Fortify cybersecurity and proactively address the rapidly evolving cyber threat landscape • Develop cutting-edge data and analytics strategies



RECENT KEY ACCOMPLISHMENTS

MISO and its stakeholders have made great progress under the Reliability Imperative in recent years. Some of our key accomplishments to date include:

Seasonal Resource Adequacy Construct: In August 2022, the Federal Energy Regulatory Commission (FERC) approved MISO's proposal to shift from its summer-focused resource adequacy construct to a new four-season construct that better reflects the risks the region now faces in winter and shoulder seasons due to fleet change, more frequent and severe extreme weather, electrification and other factors. This new construct seeks to ensure that resources will be available when they are needed most by aligning resource accreditation with availability during the highest risk periods in each season.

LRTP Tranche 1: The first of four planned portfolios of Long Range Transmission Planning (LRTP) projects was [approved by the MISO Board of Directors](#) in July 2022. This tranche of 18 projects represents a total investment of \$10.3 billion – the largest portfolio of transmission projects ever approved by a U.S. Regional Transmission Organization. These projects will integrate new generation resources built in MISO's North and Central subregions, supporting the reliable and affordable transition of the fleet and further hardening the grid against extreme weather events.

Reliability-Based Demand Curve: MISO's Planning Resource Auction (PRA) was not originally designed to set higher capacity clearing prices as the magnitude of a shortfall increases. This lack of a "warning signal" can mask an imminent shortfall – as occurred with the 2022 PRA. Accurate capacity pricing is also crucial to make effective investment and retirement decisions. MISO worked with its stakeholders to design a Reliability-Based Demand Curve that will improve price signals in the PRA. Full implementation is planned for the 2025 PRA, subject to FERC proceedings.

Futures Refresh: The MISO Futures utilize a range of economic, policy and technological inputs to develop three scenarios that "bookend" what the region's resource mix might look like in 20 years. In 2023, MISO updated its Futures to lay the groundwork for LRTP Tranche 2 and to better reflect evolving decarbonization plans of MISO members and states. The refreshed Futures also model how the financial incentives for clean energy in the 2022 Inflation Reduction Act could further accelerate fleet change. The refreshed Futures are indicated with an "A" (e.g., Future 2 was updated and renamed Future 2A).

System Enhancements: The Market System Enhancement (MSE) program made significant progress in 2023. In March, the Energy Management System upgrade was moved into service. This provides a more stable platform with improved visualization while enhancing functionality and user experience. MISO also took delivery of the Reliability Assessment Commitment for the Real-Time Market Clearing Engine, which will improve application security and reduce solution time. MISO also completed Model Manager Phase 2, which connects internal applications to improve model data propagation. MSE will continue to deliver more new products, including Day-Ahead and Real-Time Market Clearing Engine items.

MISO PRIORITIES GOING FORWARD

While far from a complete list, some of MISO's key priorities for 2024 include:

Attributes: In 2023, following an in-depth look at the challenges of reliably operating an electric system in a rapidly transforming landscape, MISO published an [Attributes Roadmap](#) of recommended solutions to address the potential scarcity of three priority attributes that appear to pose the most acute risks: system adequacy,



flexibility and system stability. The recommendations include further modernizing the resource adequacy construct, focusing market signals on emerging flexibility needs, and requirements for new capabilities from inverter-based resources. Next, MISO will prioritize attribute solution integration, including handoffs to MISO business units and stakeholder groups and the scoping of ongoing analysis.

Accreditation: MISO must ensure resource accreditation values reflect what we can expect to receive during high-risk periods. For non-thermal resources, MISO’s recommended approach blends a probabilistic methodology with availability during tight conditions, leveraging principles from the thermal accreditation reform implemented in 2022. MISO has proposed a three-year transition to the new methodology that will be applied to all non-emergency resources following the transition period. A FERC filing is planned for 2024.

LRTP Tranche 2: Work to develop the Tranche 2 portfolio of LRTP projects is progressing, with approval by MISO’s Board of Directors anticipated in 2024. Planning is complex, but MISO will continue to balance the need to plan quickly with the need to develop a robust, lowest-cost portfolio. Tranche 2 is based on the refreshed Future 2A, which reflects all decarbonization plans of MISO members and states. As with Tranche 1, MISO anticipates Tranche 2 will deliver sufficient benefits to qualify under the Multi-Value Project cost allocation mechanism, with costs allocated only to the subregion where benefits are realized.

CALL TO ACTION: WE MUST WORK TOGETHER AND MOVE FASTER

In light of the urgent and complex risks to electric reliability in the MISO region, utilities, states and MISO must all act with more urgency and more coordination to avoid a looming mismatch between the pace of adding new resources and the retirement of older resources in the MISO region. This means we must:

- Refine generation resource plans across MISO by accelerating the addition of reliability attributes and moderating retirements to avoid undue reliability risk
- Maintain transition resources as reliability “insurance” until promising new technologies become viable at grid scale
- Identify areas of risk in which electricity providers, states and MISO must coordinate

CONTINUED STAKEHOLDER INPUT IS CRUCIAL

Many of the ideas and proposals in this report reflect a great deal of technical input from MISO stakeholders. MISO appreciates stakeholder feedback on the Reliability Imperative, and we look forward to continuing the dialogue. This document is a “living” report that MISO regularly updates.



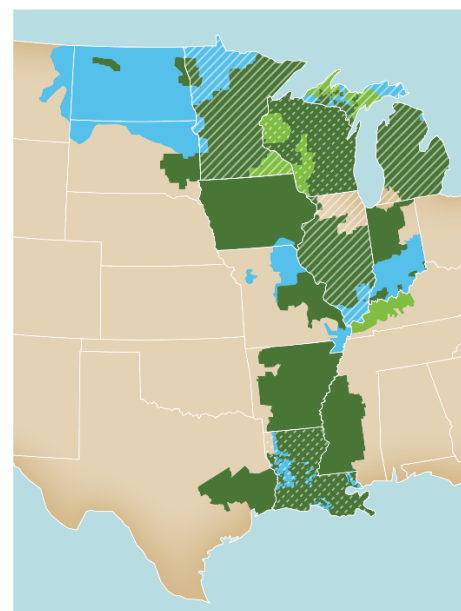
Challenges Driving the Reliability Imperative

COMPLEX POLICY LANDSCAPE

As the map indicates, many utilities and states in the MISO region have adopted policies and goals to decarbonize their resource fleets. Currently, about 75% of the region's total load is served by utilities that have ambitious decarbonization and/or renewable energy goals.

Without question, utilities and states are making remarkable progress toward their goals. Carbon emissions in MISO have already declined more than 30% since 2005, and far greater reductions are expected going forward.

Currently, wind and solar generation account for about 20% of the region's total energy. Under MISO modeling scenario Future 2A, which reflects all the clean-energy goals that utilities and states have publicly announced, wind and solar are projected to serve 80% of the region's annual load by 2042. Fleet change of that magnitude would foster a 96% reduction in carbon emissions compared to 2005 levels – which would be an extraordinary accomplishment for a region that was predominately reliant on fossil fuels not that long ago.



- MISO Region
- Utilities with 80%+ Targets
- Utilities with 50%+ Targets
- ▨ States with Enforceable Decarbonization Goals
- ▨ States with Aspirational Decarbonization Goals

But at the same time, complex challenges to electric system reliability have been steadily materializing throughout the U.S. in recent years, including in MISO. These challenges are driven by a combination of economic, technological and policy-related factors along with extreme weather events. Here is a look at some of these challenges and the drivers associated with them:

TIGHTENING SUPPLY

Over the last 10-plus years, surplus reserve margins in MISO have been exhausted through load growth and unit retirements. Since 2022, MISO has been operating near the level of minimum reserve margin requirements. While MISO has implemented several reforms to help avert near-term risk, more work is urgently needed to mitigate reliability concerns in the coming years. In fact, the region only averted a capacity shortfall in 2023 because some planned generation retirements were postponed and some additional capacity was made available to MISO.

However, MISO cannot count on such actions being repeated going forward. Indeed, the North American Electric Reliability Corporation (NERC) [projects](#) the MISO region will experience a 4.7 GW shortfall beginning in 2028 if currently expected generator retirements actually occur. Notably, NERC says that shortfall will occur *even if* the 12-plus GW of new resources that are expected to come online by then actually materialize. This is because the new resources that are being built have significantly lower accreditation values than the older resources that are retiring, as is discussed in more detail below.



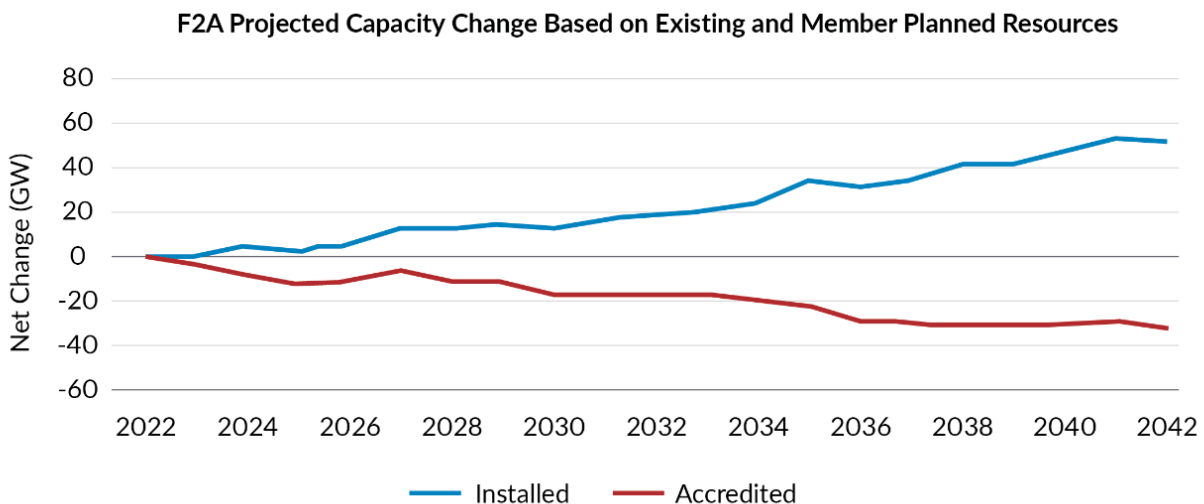
An annual planning tool called the **OMS-MISO Survey** tells a similar story. The survey compiles information about new resources utilities and states plan to build and older assets they intend to retire in the coming years. [The 2023 survey](#) shows the region’s level of “committed” resources declining going forward, with a potential shortfall of 2.1 GW occurring as soon as 2025 and growing larger over time. MISO administers the survey in partnership with the [Organization of MISO States \(OMS\)](#), which represents the region’s state regulatory agencies.

Other drivers of the region’s tightening supply picture include:

- U.S. Environmental Protection Agency (EPA) regulations that prompt existing coal and gas resources to retire sooner than they otherwise would.
- Wall Street investment criteria that make it more challenging to build new dispatchable generation, even if it is critically needed for reliability purposes.
- The approximately \$370 billion in financial incentives for clean-energy resources in the federal Inflation Reduction Act.

DECLINING ACCREDITED CAPACITY

Fleet change is creating a gap between the region’s levels of installed and accredited generation capacity. **Installed capacity** is the maximum amount of energy that resources could theoretically produce if they ran at their highest output levels all the time and never shut down for planned or unplanned reasons. **Accredited capacity**, by contrast, reflects how much energy resources are realistically expected to produce during times when they are needed the most by accounting for their performance, which includes limiting factors such as their forced outage rates during adverse weather conditions.



The chart above is from [MISO Future 2A](#), which reflects the publicly announced decarbonization plans of MISO-member utilities and states. As the chart shows, the region’s level of *installed* capacity – the blue line – is forecast to increase by nearly 60 GW from 2022 to 2042 due to the many new resources –



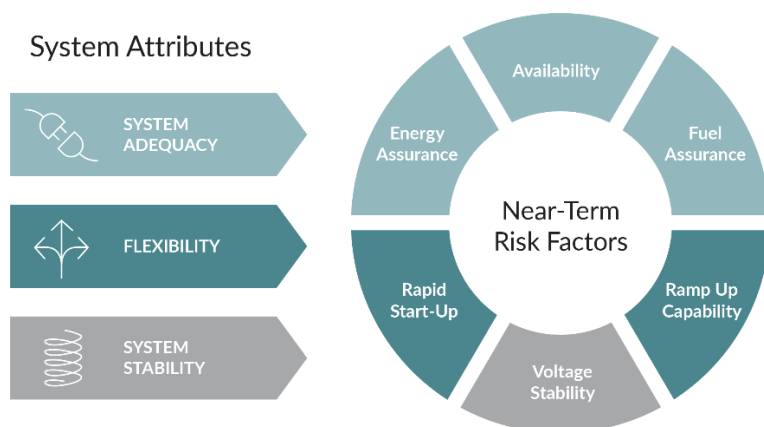
primarily wind and solar – that utilities and states plan to build in that 20-year time period.¹ But because those new wind and solar resources have significantly lower accreditation values² than the conventional resources that utilities and states plan to retire in the same 20-year period, the region’s level of *accredited* capacity – the red line – is forecast to decline by a net 32 GW by 2042.

MISO modeling indicates that a reduction of that magnitude could result in load interruptions of three to four hours in length for 13-26 days per year when energy output from wind and solar resources is reduced or unavailable. Such interruptions would most likely occur after sunset on hot summer days with low wind output and on cold winter days before sunrise and after sunset.

NEED FOR SYSTEM RELIABILITY ATTRIBUTES

Reliably navigating the energy transition requires more than just having sufficient generating capacity; it also requires urgent action to avoid a looming shortage of broader **system reliability attributes**. In 2023, MISO completed a foundational analysis of attributes, with a focus on three priority attributes where risk for the MISO system is most acute:

- **System adequacy** is the ability to meet electric load requirements during periods of high risk. MISO focused on the near-term risk factors of availability, energy assurance and fuel assurance.
- **Flexibility** is the extent to which a power system can adjust electric production or consumption in response to changing system conditions. MISO focused on the near-term risk factors of rapid start-up and ramp-up capability.
- **System stability** is the ability to remain in a state of operating equilibrium under normal operating conditions and to recover from disturbances. MISO focused on the nearest-term risk factor of voltage stability.



No single type of resource provides every needed system attribute; the needs of the system have always been met by a fleet of diverse resources. However, in many instances, the new weather-dependent resources that are being built today do not have the same characteristics as the dispatchable resources they are replacing. While studies show it is possible to reliably operate the system with substantially lower levels of dispatchable resources, the transformational changes require MISO and its members to study, measure, incentivize and implement changes to ensure that new resources provide adequate levels of the needed system attributes.

¹ It is not a typical industry practice for utilities and states to publicly announce their resource plans a full 20 years in advance, which is the time horizon that MISO used for the MISO Futures. Thus, this forecast should be viewed as a “snapshot in time” that will change going forward as utilities and states solidify their resource plans.

² In the Future 2A model, retiring conventional resources are accredited at 95% or more of their nameplate capacity, while wind is accredited at 16.6% and solar declines over time to 20%. Accreditation values will vary depending on the methodologies and assumptions that were used to create them.



In December 2023, MISO published an [Attributes Roadmap report](#) that recommends urgent action to advance a portfolio of market reforms and system requirements and to provide ongoing attributes visibility through regular reporting.

EMERGING TECHNOLOGIES SHOW PROMISE BUT ARE NOT YET VIABLE AT GRID SCALE

A number of emerging technologies are being developed that could potentially mitigate the challenges described above. They include long-duration battery storage, carbon capture, small modular nuclear reactors and “green” hydrogen produced from renewables, among others.

However, while these technologies show promise for the future, they are not yet commercially viable to be deployed at scale. MISO is actively engaged in tracking the progress of these technologies and is preparing to incorporate them into the system if/when the opportunity arises.

MISO does expect the commercial viability timelines of these technologies to be accelerated by the \$370 billion in financial incentives for clean energy in the 2022 Inflation Reduction Act. In recognition of that, MISO modeled those incentives in the refreshed MISO Futures. More information on emerging technologies is available in MISO’s [2022 Regional Resource Assessment](#).

LOAD ADDITIONS ARE SURGING

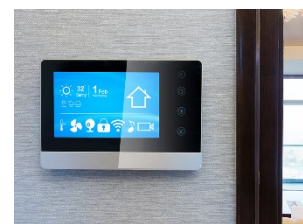
Some parts of the MISO region are enjoying a resurgence in manufacturing and/or other economic growth, with companies planning and building new factories, data centers and other energy-intensive facilities. For example, in the MISO South subregion that spans most of Arkansas, Louisiana, Mississippi and a small part of Texas, there are discussions and plans to build a variety of new manufacturing plants for steel, hydrogen, liquified natural gas and other heavy industry that could add more than 1,000 megawatts (MW) of new load. The tax credits for clean-energy manufacturing in the Inflation Reduction Act are helping to drive some of these additions.



While such development is welcome from an economic perspective, it can also pose significant grid reliability risks if the large load additions it spurs cannot be reliably served with existing or planned resources.

LOAD GROWTH DUE TO INCREMENTAL ELECTRIFICATION

While year-over-year demand for electricity in MISO has been fairly flat for many years, it is expected to increase going forward due to the electrification trends in other sectors of the economy. Electric vehicles are growing in popularity, and the residential and commercial building sectors are increasingly using electricity for heating and cooling purposes — with a desire to source this new electric load from renewables. These trends will likely accelerate even more due to the substantial financial incentives in the Inflation Reduction Act for electric vehicles, rooftop solar systems and electric appliances.





The impacts of these trends could be significant. In MISO’s 2021 [Electrification Insights report](#), MISO found that electrification could transform the region’s grid from a summer-peaking to a winter-peaking system and that uncontrolled vehicle charging and daily heating and cooling load could result in two daily power peaks in nearly all months of the year.

DELAYS TO APPROVED GENERATION PROJECTS

In addition to reliability being challenged by declining accredited capacity, electrification and load additions, another concern is that a large number of fully approved and much-needed new generation projects are being delayed by supply chain issues, regulatory issues, and other external factors beyond MISO’s control.

As of late 2023, about 25 GW of fully approved generation projects in MISO’s Generator Interconnection Queue had missed their in-service deadlines by an average of 650 days, with developers citing supply chain and permitting issues as the two biggest reasons for the delays. An additional 25 GW of fully approved queue projects had not yet missed their in-service deadlines as of late 2023, but MISO expects many of them will also be delayed by external factors.

As the region’s capacity picture continues to tighten, the possibility that upward of 50 GW of fully approved new generation projects could be delayed by external factors beyond MISO’s control is deeply concerning.

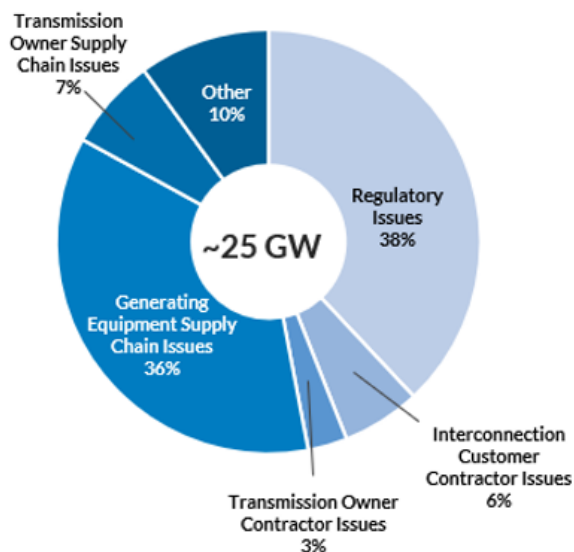
FUEL ASSURANCE RISKS

The transition to a low- to no-carbon electric grid also poses risks in the realm of fuel assurance. These risks impact conventional coal and gas resources that provide reliability attributes such as system adequacy, flexibility and system stability that may be becoming scarce due to fleet change.

Coal resources have historically been considered fuel-assure because large stockpiles of fuel can be stored on-site. However, coal supplies have tightened in recent years due to a confluence of factors, including contraction of the mining and transportation sectors and supply chain issues. These factors increase the risk that coal plants will be unable to perform due to a lack of fuel availability. Coal resources can also be affected by extreme winter weather freezing onsite coal piles and/or impacting coal-handling equipment.

Gas-fired resources are also subject to fuel-assurance risks because they rely on pipelines to deliver gas to them. However, because the pipeline system was largely built for home-heating and manufacturing purposes, gas power plants sometimes face very challenging economic conditions to procure the fuel they need to operate. In the MISO region, this has historically occurred during extreme winter weather events that drive up home-heating needs for gas. Many gas generators in MISO do not have “firm” fuel-delivery

25 GW of fully approved & much-needed generation projects are delayed by supply chain and other issues



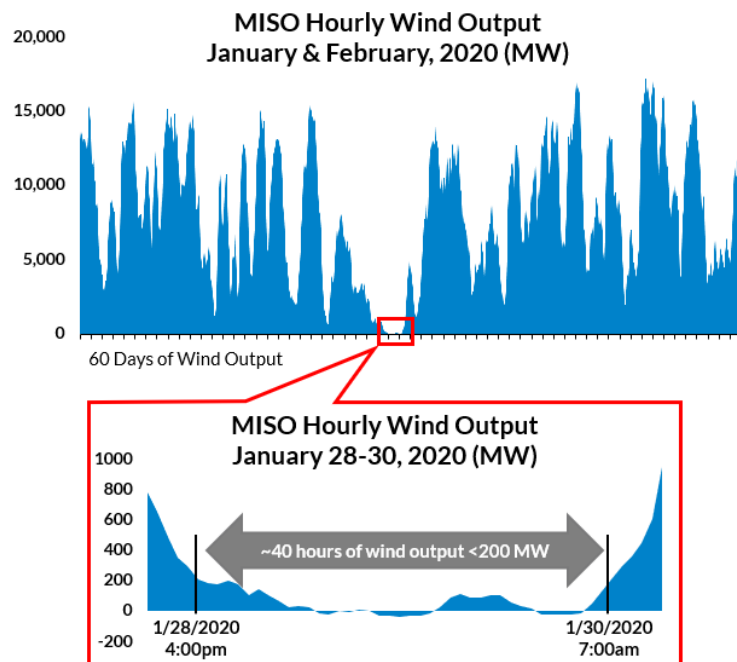


contracts, opting instead for less costly “interruptible” pipeline service or a blend thereof. Only about 27% of the gas generation that responded to MISO’s [2023-2024 Generator Winterization Survey](#) indicated it had firm transport contracts in place for all of their supplies during the 2023-2024 winter season. Additionally, gas power plants, gas pipelines and coal generators can be forced out of service by icing and other effects of severe winter weather — as has occurred in the MISO region and elsewhere with increasing frequency.

WIND DROUGHTS

Wind resources can experience “fuel” availability challenges in the form of highly variable wind speeds. Consequently, the energy output of wind can fluctuate significantly on a day-to-day and even an hour-by-hour basis — including multi-day periods when output drops far below average.

For example, over 60 consecutive days in January-February 2020, hourly wind output in MISO averaged more than 8,000 MW. However, as the chart shows, for 40 consecutive hours in the middle of that 60-day block, average hourly wind output dropped to less than 47 MW, and only once exceeded 200 MW in any single hour.



An even longer and broader “wind drought” occurred during Winter Storm Uri in 2021 when the MISO, Southwest Power Pool, Electric Reliability Council of Texas and PJM regions all experienced 12 consecutive days of low wind output.

Wind turbines can also be unavailable in extremely cold weather. While turbines equipped with special “cold weather packages” are designed to operate in temperatures as low as minus 22 F, they generally cut off if temperatures dip below that point. Still, it is important to keep in mind that all types of generators struggle in extreme cold, not just wind turbines.

EPA REGULATIONS COULD ACCELERATE RETIREMENTS OF DISPATCHABLE RESOURCES

While MISO is fuel- and technology-neutral, MISO does have a responsibility to inform state and federal regulations that could jeopardize electric reliability. In the view of MISO, several other grid operators, and numerous utilities and states, the U.S. Environmental Protection Agency (EPA) has issued a number of regulations that could threaten reliability in the MISO region and beyond.

In May 2023, for example, EPA proposed a rule to regulate carbon emissions from all existing coal plants, certain existing gas plants and all new gas plants. As proposed, the rule would require existing coal and gas resources to either retire by certain dates or else retrofit with costly, emerging technologies such as carbon-capture and storage (CCS) or co-firing with low-carbon hydrogen.



MISO and many other industry entities believe that while CCS and hydrogen co-firing technologies show promise, they are not yet viable at grid scale — and there are no assurances they will become available on EPA’s optimistic timeline. If EPA’s proposed rule drives coal and gas resources to retire before enough replacement capacity is built with the critical attributes the system needs, grid reliability will be compromised. The proposed rule may also have a chilling effect on attracting the capital investment needed to build new dispatchable resources.

RISKS IN NON-SUMMER SEASONS

In the past, resource adequacy planning in MISO focused on procuring sufficient resources to meet demand in the peak hour of the year, which normally occurs on a hot and humid summer day when air conditioning load is very high. If utilities had enough resources to reliably meet that one peak hour in the summer, the assumption was they could operate reliably for the other 8,759 hours of the year.

That assumption no longer holds true. Widespread retirements of dispatchable resources, lower reserve margins, more frequent and severe weather events and increased reliance on weather-dependent renewables and emergency-only resources have altered the region’s historic risk profile, creating risks in non-summer months that rarely posed challenges in the past.

This changing risk profile is why MISO shifted from its annual summer-focused resource adequacy construct to a new framework that establishes resource adequacy requirements on a seasonal basis for four distinct seasons: summer (June-August); fall (September-November); winter (December-February); and spring (March-May). This new seasonal construct also seeks to ensure that resources will be available when they are needed most by aligning resource accreditation with availability during the highest risk periods in each season.





Pillar 1: Market Redefinition

MISO established the energy and ancillary service markets nearly two decades ago when the composition of, and the risks to, the energy industry were very different from today. MISO's [Markets of the Future report](#) indicates that the region's foundational market constructs will continue to be effective going forward, but only with significant revisions. Further informed by the attributes analysis completed in 2023, MISO is enhancing and optimizing its market constructs and products to ensure they continue to deliver reliability and value in the face of fleet change, extreme weather events, electrification and load additions. This work occurs under four themes within the Market Redefinition pillar of the Reliability Imperative, as discussed below.

UNCERTAINTY AND VARIABILITY

In the planning horizon, MISO is addressing the changing risk profile and enhancing market signals for new resource investments. MISO's original resource adequacy construct was designed for a conventional fleet of resources where reliability risk was concentrated during the typical summer peak period. This is no longer the case. Factors such as aging conventional resources, more frequent and severe weather events and increased reliance on weather-dependent renewables have altered the region's historic risk profile, creating new risks in non-summer months and at differing times of the day. As the generation mix further diversifies, the accreditation process of evaluating each generator's contribution to the system is a critical reliability and planning mechanism.

In 2022, FERC approved MISO's proposal to shift from the annual, summer-based resource adequacy construct to a new construct with four seasons. The new seasonal construct also aligns the accreditation of thermal resources with availability in the highest-risk periods. These changes, implemented in the 2023-2024 Planning Resource Auction (PRA), are already delivering positive market outcomes, such as more proactive outage coordination among stakeholders and incentivizing improved unit performance.

MISO completed an evaluation of potential paths for non-thermal accreditation reforms 2022. This resulted in a proposed accreditation reform that leverages the principles from the thermal accreditation reform implemented in 2022, aligning the accreditation methodology for all resource types (except for emergency-only resources). MISO has proposed a transition period to begin applying the new accreditation methodology in the 2028-2029 planning year. The design work is expected to be finished with a filing with FERC in 2024.

The PRA was not designed to set higher capacity clearing prices as the magnitude of a shortfall increases. This lack of a "warning signal" can instill a false sense of calm among PRA participants, masking an imminent shortfall – as occurred with the 2022 PRA. MISO is working with its stakeholders to enhance pricing within the capacity construct by designing a Reliability-Based Demand Curve (RBDC) to better reflect MISO's market guiding principles, reliability risk and help avoid uneconomic retirements. Full implementation is planned for the 2025-2026 PRA, subject to FERC proceedings.



While the RBDC improves price signals in the planning horizon, MISO is also working on pricing reforms in the operating horizon. These focus on **scarcity pricing** when demand and reserve requirements exceed available supply in real time, often happening during extreme events when MISO enters emergency procedures to manage challenging conditions.

MISO's reforms to scarcity pricing will help incentivize appropriate market behavior, manage congestion throughout events and value reserve shortages appropriately, ultimately providing greater transparency and minimizing manual market intervention. MISO's focus areas for 2024 are updating the value of lost load, demand curves and forced-off assets that become physically disconnected from the grid due to weather-related transmission events. MISO has been presenting ideas at the [Market Subcommittee](#) stakeholder group. These enhancements will begin in 2024, with complete implementation expected by 2025.

Lastly, informed by the analysis of critical reliability attributes and in light of the changing reliability risk profiles in the region, MISO will work with stakeholders in 2024 to reevaluate the traditional risk metrics used in the industry for resource adequacy assessments and improve the underlying risk models.

RESOURCE MODELS AND CAPABILITIES

To avoid a looming shortage of necessary voltage stability attributes, as detailed in the [Attributes Roadmap](#), MISO will advance a multistep technology standard to require capabilities from inverter-based resources to support grid stability at interconnection. In January 2023, MISO embarked on a path to improve inverter-based resource performance requirements using a reliability risk-based approach to evaluate potential gaps in MISO's current tariff. MISO finalized the proposed Tariff language in November to address the highest priority performance requirements and capabilities. This proposal is Phase 1 of the recommended four-phase approach, and this cross-matrix "resource models and capabilities" project will continue in the Interconnection Process Working Group (IPWG).

Another area of focus is MISO's work toward compliance with **FERC Order 2222**, which facilitates the participation of distributed energy resources (DERs) in wholesale electricity markets. DERs are small-scale resources such as rooftop solar panels, electric battery storage systems or electric vehicles and their charging equipment. In isolation, these resources would not have much impact on the grid, but when they are aggregated into a larger block, they can be impactful. MISO is developing a plan to comply with this order through broad collaboration with stakeholders, members, regulators, distributors and DER aggregators.

IDENTIFYING LOCATIONAL NEEDS

Another critical focus associated with increased uncertainty and variability is challenging reserve deliverability due to congestion. Historically, MISO utilized reserve zones to procure and reliably deliver reserves. MISO is working to implement improved locational granularity in its reserve products to ensure deliverability. Updating the reserve zones more frequently should enhance market efficiency and system reliability since there would be better alignment between zonal definitions and system conditions.

In addition to the local deliverability of resources, MISO will explore approaches to better hedge congestion through MISO's Auction Revenue Rights (ARR) mechanism and the Financial Transmission



Rights market. Evaluation has identified gaps and is exploring potential areas of improvement, including updating approaches for allocating ARRs, more granular periods, and ways to incentivize outages that better align with day-ahead energy models.

ENHANCING COORDINATION

As operational uncertainty and complexity increase, MISO continues to improve coordination across stakeholders and external entities, including neighboring grid operators. The collaborative **OMS-MISO Survey** provides a prompt view of resource adequacy over the five-year horizon, characterizing relative levels of resource certainty. MISO's **Regional Resource Assessment (RRA)** provides a collective 20-year view of the evolution of members' resource plans. It aims to provide insights that help members, states and MISO prepare for the energy transition. MISO's [Attributes Roadmap](#) specifically identifies the need for evolved coordination between MISO's resource adequacy assessments and MISO state and member planning process to ensure attribute sufficiency. MISO is committed to continued analysis, transparency and collaboration in the Resource Adequacy stakeholder forum.

One example is how transmission owners and MISO are working together on **ambient-adjusted ratings (AARs)** and **seasonal ratings** on transmission lines in the region, per the requirements of FERC Order 881. While using more accurate line ratings does not diminish the need to build new transmission, having the most accurate line rating information can help ensure that the region's transmission system is fully utilized and delivers its maximum value. MISO has engaged in extensive discussions with its transmission owners and consulted with other interested stakeholders to develop a compliance approach that meets the requirements of FERC Order 881 and is consistent with MISO's Tariff.

“Our market products and the signals they send need to evolve and reflect the new realities and trends that we are experiencing. Input and support from our stakeholders will be key in the effective and timely implementation of these changes.”

Todd Ramey, MISO Senior Vice President, Markets and Digital Strategy



Pillar 2: Operations of the Future

MISO's control room operations are also challenged by fleet change, extreme weather and other risk drivers. In addition to implementing lessons learned from past events such as Winter Storm Elliott, forward-looking work is underway to ensure MISO has the capabilities, processes and technology to anticipate and respond to operational opportunities and challenges. This work, termed Operations of the Future, focuses on five buckets of work: (1) operations preparedness, (2) operations planning, (3) uncertainty and variability, (4) situational awareness and critical communications and (5) operational continuity.

OPERATIONS PREPAREDNESS

Tomorrow's control room will be very different from today. Operations preparedness is critical to managing the rapidly changing system conditions, increased volumes of data and enhanced technologies and tools that operators face. To ensure that control room personnel are ready to manage reliability effectively and efficiently in this new and continually evolving environment, MISO is developing improved operations simulation tools and enhancing operator training. In the future, operator and member training and drills will leverage a robust simulator that mirrors production and can quickly incorporate and maintain real-time event scenario simulations with broad, controlled access capabilities.

“In the past, predicting load and generation was relatively straight-forward. In the future, the operating environment will be much more variable, and we need the people, processes and technology to deal with that variability.”

Jennifer Curran, MISO Senior Vice President, Planning & Operations
and Chief Compliance Officer

OPERATIONS PLANNING

Operations planning helps MISO to remain a step ahead of the shifting energy landscape. System operators need to quickly access insights into the future and processes that enable the continued reliable and efficient operation of the bulk electric system. In the future, it will be necessary to leverage information in new ways. The ability to quickly model and analyze realistic planning scenarios will enable operators to develop and modify operating day plans from start to execution. Operators will be better prepared to manage increased uncertainty in resource availability with operational planning processes that are centralized and streamlined and outages that are proactively scheduled leveraging predictive economic impact analysis and power system studies.



UNCERTAINTY AND VARIABILITY

The increase in variable generation such as wind and solar has introduced greater uncertainty. Today, operators leverage a variety of market products and other analytics-based tools to manage uncertainty. To help manage increasing complexity, MISO is using machine-learning to predict net uncertainty for the upcoming operating day, using probabilistic forecasts and advanced analytics. With this more complete view, operators can create daily risk assessments that – when coupled with new dynamic reserve requirements – incentivize efficient unit-commitment decisions.

In the future, operators will need to manage the grid reliably and efficiently through tight margins, high-ramping periods, and increased variability by optimizing a risk management framework that accurately provides a risk profile based on net uncertainty impacts and by leveraging predictive economic impact analysis and power system studies.

SITUATIONAL AWARENESS AND CRITICAL COMMUNICATIONS

Situational awareness and critical communications will become even more important as operating risks become less predictable and more difficult to manage in day-to-day operations. New control room technologies and capabilities, improved real-time data capabilities and more complex operating conditions, driven by new load and generation patterns, will require MISO and its members to communicate even more quickly and efficiently.

Today, MISO operations rely heavily on the expertise of its operators. While operators have access to significant amounts of data related to weather, load and more, they must manually synthesize that data into useable information. Although this has worked well historically, solutions must envision a future with more complex information and operators who may not possess the same historical knowledge.

In the future, operators will need an integrated toolset that leverages artificial intelligence and machine learning, combined with additional data and analytics. Improvements in how MISO sees and navigates will give operators important information automatically. Systems will provide situational awareness insights for operators based on their function in the control room. Operators will analyze information and create new displays in real time to quickly assess the impacts of operational situations. Dynamic views of the state of the system will ensure operators can maintain the appropriate level of situational awareness while also reducing operator burden and automating key communication requirements, especially during critical events.

Additionally, enhancements to communications protocols, such as system declarations, will ensure that control rooms have the information they need when they need it. Automated messaging triggered by specific process and procedure actions will reinforce compliance with NERC standards.

OPERATIONAL CONTINUITY

Operational continuity capabilities need to evolve to align with the changing technologies, resource portfolio and threat landscape. Improved tools and updated processes are vital to ensuring that MISO can reliably operate the grid, mitigate risks, and, if necessary, recover quickly in the event of disruptions to toolsets or control centers.



Pillar 3: Transmission Evolution

The ongoing shift in the resource fleet and the substantial projected increase in load pose significant challenges to the design of the transmission system in the MISO region. MISO's Transmission Evolution work addresses these challenges in concert with other elements of the Reliability Imperative framework.

Under Transmission Evolution, MISO holistically assesses the region's future transmission needs while considering the allocation of transmission costs. This work creates an integrated transmission plan that reliably enables member goals while minimizing the total cost of the fleet transition, inclusive of transmission and generation. It also improves the transfer capability of the transmission system — meaning its ability to effectively and efficiently move energy from where it is generated to where it is needed.

LONG RANGE AND INTERREGIONAL TRANSMISSION PLANNING

Regional Long Range Transmission Planning (LRTP) and interregional planning are important parts of the Transmission Evolution pillar. The LRTP effort is developing four tranches of new backbone transmission to support MISO member plans for the changing fleet. In July 2022, the MISO Board of Directors [approved](#) LRTP Tranche 1. The 18-project portfolio of least-regret solutions is focused on MISO's Midwest subregion, representing \$10.3 billion in investment. The projects in Tranche 1 will provide a wide range of value, including congestion and fuel savings, avoided capital costs of local resources, avoided transmission investments, resource adequacy savings, avoided risk of load shedding and decarbonization.

“We see very little risk of over-building the transmission system; the real risk is in a scenario where we have underbuilt the system. Similarly, across markets and operations, our job is to be prepared.”

Clair Moeller, MISO President

This transmission investment hinges on appropriate allocation of the associated costs. MISO's Tariff stipulates a roughly commensurate “beneficiaries pay” requirement that must be met while balancing the divergent needs of MISO's three subregions. Because Tranches 1 and 2 primarily benefit the Midwest subregion, costs will only be allocated there. As Tranches 3 and 4 progress, other approaches may be considered based on stakeholder discussion. Work on Tranche 2 is progressing, with an anticipated approval by MISO's Board of Directors in 2024.

Futures refresh

MISO's future scenarios, or [Futures](#), set the foundation for LRTP. The Futures help MISO hedge uncertainty by “bookending” a range of potential economic, policy and technological possibilities based on factors such as load growth, electrification, carbon policy, generator retirements, renewable energy levels, natural gas prices and generation capital cost over a 20-year period.



Member and state plans often do not provide resource information for the full 20-year study period covered by LRTP. Although MISO does not have authority over generation planning or resource procurement, this lack of information creates a gap in the resources needed to serve load and meet member goals. MISO fills the gap through resource expansion analysis, which seeks to find the optimal resource fleet that minimizes overall system cost while meeting reliability and policy requirements. The resulting resource expansion plans are used with their respective Future to identify transmission issues and solutions.

To lay the groundwork for Tranche 2 and to better understand potential future needs based on the most recent plans, legislation, policies and other factors, MISO [refreshed](#) its three Futures in 2023. While the defining characteristics of each Future remained the same (e.g., load forecast and retirement assumptions), updates were made to data and information that inform the potential resource mix. Among other factors, this includes state and member plans, capital costs, operating and fuel costs and defined resource additions and retirements. MISO also modeled the impacts of the clean energy tax credits in the federal Inflation Reduction Act because those incentives are expected to accelerate the transition to a decarbonized grid.

Future 2A, the focus of Tranche 2, indicates that fleet change will increase in velocity due to stronger renewable energy mandates, carbon reduction goals and other policies. Future 2A projects a 90% reduction in carbon emissions by 2042 and forecasts that wind and solar will provide 30% of the region's energy a full 10 years earlier than the previous Series 1 Futures that were used for Tranche 1.

Planning for an uncertain future

When planning for larger, regional solutions that address needs 20 years into the future, there is inherent uncertainty, which is why LRTP is designed to identify “least-regrets” transmission solutions. Appropriately managing this uncertainty is a key function of planning. In developing Future 2A, MISO leveraged the consensus on policy goals among MISO members and states about how quickly change would occur. Additionally, MISO's comprehensive processes and robustness testing demonstrate the benefits and needs of transmission solutions that achieve member goals and minimize costs, including several iterations of analyses for Future 2A and other scenarios.

Other visibility tools

As the system becomes more interdependent and interconnected, MISO provides information to members about the outcomes and impacts of their individual plans when studied in the aggregate. Anticipating and communicating changing risks and future systems needs within the planning horizon is critical to ensure continued reliability.

As described earlier in this report, the **OMS-MISO Survey** compiles information about new resources that utilities and states plan to build and older assets they intend to retire in the coming years. While this tool looks several years ahead, certainty is lower in later years when many significant risks will need to be addressed.

Because utility and state plans can be less specific and certain, cover a shorter timeframe and are not always publicly available, MISO conducts the **Regional Resource Assessment (RRA)** to capture more information and details. The RRA aggregates utility and state plans and goals – both public and private –



over a 20-year planning horizon to shed light on regional fleet evolution trends and timing. The information is then used to model potential reliability needs and gaps that may arise and may be leveraged to inform and advance analysis of resource attributes. In the future, new tools will provide stakeholders with ongoing access to RRA information for greater visibility into the impact of these future system changes.

Interregional initiatives

MISO continually works with its neighboring grid operators, Southwest Power Pool (SPP) and PJM, to address issues on the seams. Joint, coordinated, system plan studies are regularly conducted to assess reliability, economic and/or public policy issues. The studies can be more targeted in scope with a shorter study cycle or can be more complex, requiring a longer study period.



The Joint Targeted Interconnection Queue (JTIQ) initiative with SPP is an example of a recent complex study initiative. This unprecedented, coordinated effort identified a portfolio of proposed transmission projects that align with both MISO's and SPP's interconnection processes. These projects will create additional transmission capability to enable generator interconnections in both regions.

In October 2023, the U.S. Department of Energy (DOE) [announced](#) it would award \$464.5 million in federal funding under the Grid Resilience and Innovation Partnerships (GRIP) program to the JTIQ portfolio. This historic opportunity significantly reduces the estimated investment for new transmission lines that will benefit seven states. A FERC filing to obtain approval of cost allocation for the JTIQ portfolio will be submitted in early 2024, and MISO Board approval will be sought thereafter. The process SPP and MISO followed to coordinate the study proved to be effective and significantly more efficient than typical Affected System Studies. Based on its success, the process will be included in the 2024 filing to enable improved coordination in the future.

PLANNING TRANSFORMATION

MISO's planning tools and processes must also evolve as the transitioning resource mix increases the complexity of transmission planning. In response, Planning Transformation, another component of the Transmission Evolution pillar, will develop aligned, adaptable and flexible processes and tools over the next five to 10 years to recognize and address emerging transmission threats and risks identified in markets and operations.

The new [MISO Transmission Expansion Plan \(MTEP\) Portal](#) is a major step in this transformation. The system launched in October 2023 and helps MISO staff and transmission owners manage project data more efficiently and effectively, and it will save hundreds of work hours each year. It also provides stakeholders better support for submitting, updating, tracking and managing MTEP projects and enables more transparency.

Other measures – such as the Generator Interconnection Portal and technology evaluation of resource siting – are already implemented, underway or planned for the future. These include evolving technology



for the resource transition, adapting planning criteria to enhance system resiliency and robustness, and integrating model data.

RESOURCE UTILIZATION

The Resource Utilization initiative focuses on improving resource utilization planning to include a dynamic generator retirement process, more rapid generator interconnections and resource reliability attributes that are addressed throughout the resource lifecycle.

To improve the generator retirement process, asset owners are now required to provide one-year advance notice of resource retirements, an increase from the prior 26 weeks. Quarterly retirement studies have also been instituted to better forecast the engineering workload needed to conduct analyses, and other changes are being implemented that help align retirements with MTEP processes and improve visibility of retirements to stakeholders.

MISO is also working to ensure its processes do not impede generator interconnections. Although MISO's queue processes have been effective in cycles with typical volumes, they are not sufficient for managing recent request volumes that are growing exponentially compared to historical norms. This significantly increases the time it takes MISO to complete studies, which drives more project withdrawals, provides less certainty of early study results, and, ultimately, complicates late-stage studies. These issues are compounded by many speculative projects, despite years of reforms on "first ready, first served" principles.

Improvements to customer-facing and backend operational queue processes over the past several years have enabled more efficient application processing. However, additional changes are needed to manage the dramatic growth in applications, further expedite the interconnection process and maximize transparency and certainty to customers.

As a result, MISO paused accepting interconnection applications for the 2023 cycle, with plans to resume in March 2024 after receiving FERC approval on multiple process improvements to ensure better interconnection requests are submitted. The 2024 cycle is anticipated to begin in the fall of 2024, as it has in previous years.

Tariff changes approved by FERC in January 2024 increase financial commitments and withdrawal penalties and require interconnection customers to provide greater site control for projects. FERC did deny a MISO proposal to cap the size of queue study cycles to ensure they do not exceed a certain percentage of MISO load. However, FERC provided guidance on how MISO could implement a cap in the future, as well as other improvements that will enable the dispatch of existing resources with new interconnection requests. MISO believes these changes will decrease applications and result in higher-quality, more viable projects entering the queue. A reduction in project withdrawals may ultimately reduce network upgrades between studies and provide greater planning certainty for customers and MISO.

In July 2023, FERC issued Order 2023 to ensure that generator interconnection customers can interconnect to the transmission system in a reliable, efficient, transparent, timely and nondiscriminatory manner. The order is mostly consistent with the queue changes MISO has already implemented and

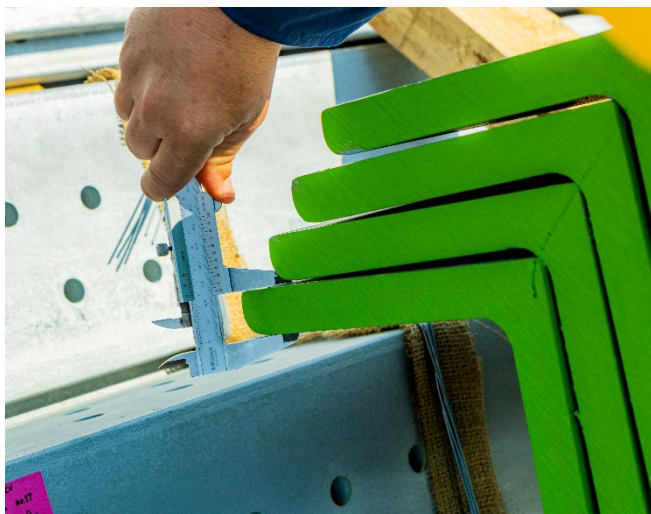


intends to implement going forward. MISO is reviewing the order to assess potential changes and compliance needs.

Lastly, as described in the Resource Models And Capabilities section of this report, MISO is advancing a multistep technology standard to require capabilities from inverter-based resources to support grid stability through the Interconnection Process Working Group. This cross-matrix work is further described in MISO's [Attributes Roadmap report](#) as a solution to mitigate the potential shortage of system stability attributes.

Delays outside of MISO's control

Despite improvements MISO has made to its Generator Interconnection Queue, many fully approved projects are not going into service on schedule due to supply chain issues and permitting delays that are beyond MISO's control. As of late 2023, about 25 gigawatts (GW) of resources that were fully approved through MISO's queue process had missed their in-service deadlines by an average of 650 days, with developers citing supply chain and permitting issues as the two biggest reasons for the delays. An additional 25 GW of fully approved queue projects had not yet missed their in-service deadlines as of late 2023, but MISO expects many of them will also be delayed by external factors.





Pillar 4: System Enhancements

Continual system enhancements and modeling refinements are the bedrock of MISO's response to the Reliability Imperative. The ongoing complexities of the electric industry landscape necessitate paramount upgrades to facilitate reliability-driven market improvements. The Market System Enhancement (MSE) program stands out as a visionary endeavor, focusing on upgrading, building and launching new systems with improved performance, security and architectural modularity. This strategic emphasis enhances MISO's capability to respond swiftly and efficiently and deliver new market products that align with the evolving industry landscape.

MISO places strategic importance on enabling a mature hybrid cloud capability to future-proof the technological infrastructure and foster a resilient and adaptable organizational framework. Simultaneously, the commitment to fostering a flexible work environment amplifies MISO's readiness for ongoing technological changes. This dynamic approach, centered on securely harnessing hybrid cloud technology, optimizes the work environment, positioning MISO for future advancements. The integration of these strategies underlines MISO's forward-looking approach and establishes its leadership in embracing advanced technologies for safeguarding operations.

MARKET SYSTEM ENHANCEMENT (MSE) PROGRAM

The MSE program, initiated in 2017, is a transformative force in reshaping MISO's market platform. Its focus on creating a more flexible, upgradeable and secure system underscores its pivotal role in accommodating the region's evolving portfolio and technology changes. The achievements in 2023 highlight the program's commitment to continuous improvement. The upgrade of the Energy Management System, completion of Phase 2 Core Development, and advancements in the Day-Ahead Market Clearing Engine and Real-Time Market Clearing Engine showcase MSE's impact on improving functionality, user experience, business continuity and security posture. This program is not merely a technological upgrade; it is a strategic initiative that positions MISO to meet the demands of the future electric grid.

“For MISO to continue to deliver on our mission, we must prioritize our plan to address the right strategic drivers that will enable us to accommodate the region’s evolving portfolio and technology changes. The work we do in System Enhancements supports the transformational efforts across the Reliability Imperative and will increase value to our stakeholders.”

Todd Ramey, Senior Vice President, Markets and Digital Strategy



WORK ANYWHERE

MISO's strategic move toward future-proofing its technological infrastructure involves enabling and maturing hybrid cloud capabilities. This initiative goes beyond technology; it embraces the transformative strategy of realizing a flexible work environment that transcends conventional boundaries. The delicate balance between the freedom to work remotely and stringent adherence to security and compliance requirements signifies a definitive change in how MISO approaches work. This shift sets the stage for a more agile and responsive workforce, enhancing productivity and embracing the evolving nature of work. Simultaneously, adopting a well-managed hybrid cloud platform forms the backbone of MISO's technological evolution, allowing seamless operations between on-premises data centers and the public cloud. This combination fortifies organizational resilience and propels MISO into a future where adaptability is the key to sustainable success.

SECURITY OF THE FUTURE

MISO's commitment to seamlessly integrating cutting-edge technologies is underpinned by a dedication to security, reliability and efficiency. This includes initiatives designed to fortify MISO's approach to cybersecurity. Refining identity and access management practices, adopting a proactive zero-trust approach and transforming asset management data quality and timeliness demonstrate MISO's proactive stance against the evolving cyber threat landscape. The commitment extends beyond external threats to assessing security best practices for the internal environment. The ongoing thorough review to evaluate and implement the latest security protocols, conduct regular audits and stay abreast of emerging threats exemplifies MISO's dedication to securing tomorrow.

DATA AND ANALYTICS

MISO's data strategy is a comprehensive framework that goes beyond a simple upgrade — it is a visionary approach to enhancing MISO's data capabilities. The three key priorities — fostering an enterprise culture, delivering a holistic process framework and providing a curated environment — fortify MISO's position as a leader in the energy sector. This strategy modernizes tools, platforms, technologies and processes and empowers teams to model, simulate, analyze and visualize data for informed decision-making. Through a focused and well-defined program, MISO is set to realize a data platform that not only meets the needs of today but is agile enough to adapt to the evolving landscape of data requirements.



MISO Roadmap

As illustrated below, the **MISO Roadmap** outlines MISO’s priorities to help its members to reliably achieve their plans and goals. The MISO Roadmap resides on MISO’s [public website](#).

--- MISO Roadmap ---

MARKET REDEFINITION INITIATIVES	2024				2025			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Uncertainty & Variability								
Resource Adequacy - Risk Model, Mitigation and Accreditation								
Market Price Alignment During Scarcity								
Resource Models & Capabilities								
Ensure Sufficient Attributes								
Implement Distributed Energy Aggregated Resources (DEAR)								
Demand Response Participation								
Identifying Locational Needs								
Effective Congestion Hedging								
Deliverability of More Flexible, Quick Ramping Market Products								
Enhance Coordination								
Transmission Capability								
Information to Aid Market Decisions								
Bulk Seams Efficiency								
OPERATIONS OF THE FUTURE INITIATIVES	2024				2025			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Operations Preparedness								
Enable Robust Simulation Environment								
Operations Planning								
More Frequent Model Changes								
Align Operational Planning Processes								
Uncertainty & Variability								
Quantify Net Uncertainty								
Situational Awareness & Critical Communication								
Increase Operator Situational Awareness & Visualization								
Maximize Operator Decision-Making Consistency and Efficiency								
Modernize Control Room Critical Communications								
Operational Continuity								
TRANSMISSION EVOLUTION INITIATIVES	2024				2025			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Long Range & Interregional Transmission Planning								
LRTP Tranche 1: Midwest Least Regrets								
LRTP Tranche 2: Midwest Continued Progression								
LRTP Tranche 3: South Region								
LRTP Tranche 4: Midwest/South Interconnection								
Enhance Joint Transmission Planning with Seams Partners								
Explore New Sustainable Cost Allocation Mechanisms to Fit Future Transmission Needs								
Planning Transformation								
Evolve Planning Tools for Resource Transition								
Enhance System Resiliency and Robustness								
Integrate Planning Model Data (Model Manager Phase 3)								
Resource Utilization								
Streamline Resource Interconnection by Implementing Queue Reforms and Order 2023								
Enhance Visibility into Expected Commercial Operation Dates of New Generation Resources								
SYSTEM ENHANCEMENTS INITIATIVES	2024				2025			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Market System Enhancements								
Next Generation Market System								
Work Anywhere								
Flexible Work Environment								
Hybrid Cloud Capability								
Business Continuity								
Security of the Future								
Identify, Protect Against, and Detect Advanced Threats								
Improve Identity and Access Management Practices								
Data & Analytics								
Curated Environment Enabling Intuitive Data Exploration and Utilization								
Process Framework to Advance Analytical Capabilities and Trusted Decision-Making								
Enterprise Culture Where Robust Data Standards are Embedded and Embraced								



MISO's Role

This report is written from MISO's perspective. However, the responsibility for ensuring grid reliability and resource adequacy in the MISO region is not MISO's alone. It is shared among Load Serving Entities (LSEs), states and MISO, each of which have designated roles to play.

LSEs are utilities, electric cooperatives and other types of entities that are responsible for providing power to end-use customers. In most (though not all) of the MISO region, LSEs have designated service territories and are regulated by state agencies. LSEs have exclusive authority to plan and build new generation resources and to make decisions about retiring existing resources, with oversight from state agencies as applicable by jurisdiction.

MISO performs certain transmission planning functions but does not plan or build new generation or decide which existing resources should retire. MISO exercises functional control of its members' generation and transmission assets with the consent of its members and per the provisions of its Tariff, which is subject to approval by FERC. By operating these assets as efficiently as possible on a region-wide basis, MISO generates substantial cost savings and other reliability benefits that would not otherwise be realized.

MISO also establishes and administers resource adequacy requirements for LSEs and states, as applicable by jurisdiction. These include:

- A **Planning Reserve Margin (PRM)** that sets the level of contractually obligated resources that MISO can call into service when normally scheduled resources go offline for planned or unplanned reasons or when demand surges due to extreme weather conditions or other factors. The PRM is set through MISO's stakeholder process.
- A **Planning Resource Auction (PRA)** that LSEs can use to procure needed resources or sell surplus resources. LSEs can "opt out" of the PRA by using their own resources or negotiating bilateral contracts with other entities.
- **Resource accreditation metrics** that determine how much "credit" various types of resources receive toward meeting resource adequacy requirements based on factors such as their unplanned outage rates.
- **Locational procedures** that determine how much capacity is needed in certain parts of the MISO region for reliability purposes and how much can be imported from and exported to other locations, among other things.

MISO engages with a broad range of stakeholders to share ideas and discuss potential solutions to the challenges facing the region. The Reliability Imperative work also involves a robust, collaborative dialogue across the many forums within the stakeholder process. The collaboration that takes place in these forums has provided valuable policy and technical-related feedback, and MISO is committed to continuing that engagement.



MISO INITIATIVES ARE INTERCONNECTED AND SEQUENCED

MISO's strategic priorities are connected and build upon each other. Success in one area depends on progress in another, so efforts must be coordinated and sequenced. For example, achieving reliable and economically efficient grid operations requires new tools and processes to be developed under the Operations of the Future workstream and market enhancements to be developed under the Market Redefinition workstream.

Given the urgent and complex challenges that are facing the region, it is crucial for MISO members, states and MISO to work together to execute on the reforms that are needed.

The MISO Value Proposition

MISO creates substantial cost savings and other benefits by managing the grid system on a regional basis that spans all or parts of 15 states and one Canadian province. Before MISO was created, the system was managed by 39 separate Local Balancing Authorities (LBAs), which made the grid much more fragmented and far less economically efficient than it is today.

The benefits that MISO created in calendar year 2022 range from \$3.3 billion to \$4.5 billion, according to the [Value Proposition study](#) that MISO performs every year. That represents a benefit-to-cost ratio of about 12:1 when compared to the fees that utilities pay to be members of MISO. MISO creates benefits in a variety of ways, including through efficient dispatch and reduced need for assets. Since the Value Proposition study was launched in 2007, the cumulative benefits that MISO has created exceed \$40 billion. And notably, that figure does not reflect all the benefits MISO creates due to the conservative approach that MISO uses to conduct the study.

While continuing to use this conservative approach, MISO anticipates that it will create even more benefits going forward by helping its members and states to achieve their decarbonization goals in a reliable manner. In June 2022, MISO looked at those anticipated future benefits in a supplemental report called the [Forward View of the Value Proposition](#). That report estimates the value that MISO will create going forward in two ways that are not specifically reflected in the "standard" Value Proposition study: (1) the value of sharing carbon-free energy from areas with higher levels of renewables to regions with lower levels, and (2) the value of sharing flexibility attributes that are required to integrate those new renewables while maintaining reliability.

MISO found that by including these two additional value streams, MISO's total benefit-to-cost ratio would increase from approximately 12:1 today to approximately 26:1 by 2040. This illustrates that while there are indeed many challenges associated with fleet change, there are also tremendous economic benefits that utilities and states can realize by pursuing their decarbonization goals as members of MISO.



Informing the Reliability Imperative

MISO's response to the Reliability Imperative has been informed by years of conversations with stakeholders. MISO has also undertaken numerous studies to assess the region's changing risk profile and to explore how reliability is being affected by various drivers. This work includes:

Attributes Roadmap: This study looks at three key electric system attributes where near-term risk is most acute: (1) System Adequacy, (2) Flexibility and (3) System Stability. The Attributes Roadmap recommends advancing a combination of current and new proposals as well as providing ongoing attributes visibility through regular reporting.



Renewable Integration Impact Assessment (RIIA): This study assesses the impacts of integrating increasingly higher levels of renewables into the MISO system. RIIA indicates that planning and operating the grid will become significantly more complex when greater than 30% of load is served by wind and solar. However, RIIA also indicates that renewable penetrations of greater than 50% could be reliably achieved if utilities, states, and MISO coordinate closely on needed actions.



Regional Resource Assessment (RRA): The RRA is a recurring study based on the plans and goals MISO members have publicly announced for their generation resources. The RRA aggregates these plans and goals to develop an indicative view of how the region's resource mix might evolve to meet utilities' stated objectives. The RRA aims to help utilities and states identify new and shifting risks years before they materialize, creating a window to develop cost-effective solutions.



MISO Futures: The MISO Futures utilize a range of economic, policy and technological inputs to develop three future scenarios that "bookend" what the region's resource mix might look like in 20 years. The Futures inform the development of transmission plans and help MISO prioritize work under the Reliability Imperative. Series 1 was published in 2021. In 2023, MISO updated the report to Series 1A to reflect evolving member/state plans and the clean energy incentives in the Inflation Reduction Act, among other things.

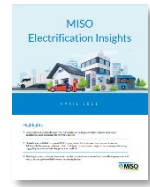


Markets of the Future: This report illustrates how and when MISO's market structures will need to evolve in order to accommodate the transformation of the energy sector. The needs are presented in four broad categories: (1) Uncertainty and Variability, (2) Resource Models and Capabilities, (3) Location and (4) Coordination. This report helped establish the foundation for the work MISO is currently doing to identify critical system attributes.



The February (2021) Arctic Event: This report discusses lessons learned from Winter Storm Uri, which affected the MISO region and other parts of the country in February 2021. MISO and its members took emergency actions during the event to prevent more widespread grid failures. Uri illustrated how extreme weather can exacerbate the challenges of fleet change. Preparing for extreme weather is a major part of MISO's response to the Reliability Imperative.





Electrification Insights: This report explores the challenges and opportunities the grid could face from the growth of electric vehicles and the increasing electrification of other sectors of the economy, such as homes and businesses. The report indicates electrification could transform the MISO grid from a summer-peaking to a winter-peaking system, and that vehicle charging and daily heating and cooling load could result in two daily power peaks nearly all year.

From this groundwork, we know there are many challenges ahead. But we also believe we can respond to the Reliability Imperative in a manner that enables our members to achieve their resource plans and policy objectives. We are determined to do the hard work required to ensure our members benefit from MISO membership.

Acronyms Used in This Report

DER: Distributed Energy Resource

FERC: Federal Energy Regulatory Commission

GW: Gigawatt

JTIQ: Joint Targeted Interconnection Queue

LBA: Load Balancing Authority

LSE: Load Serving Entity

LRTP: Long Range Transmission Planning

MSC: Market Subcommittee

MISO: Midcontinent Independent System Operator

MSE: Market System Enhancement

MTEP: MISO Transmission Expansion Plan

MW: Megawatt

NERC: North American Electric Reliability Corporation

OMS: Organization of MISO States

PAC: Planning Advisory Committee

PRA: Planning Resource Auction

PRM: Planning Reserve Margin

RBDC: Reliability-Based Demand Curve

RIIA: Renewable Integration Impact Assessment

RRA: Regional Resource Assessment

SPP: Southwest Power Pool

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