

Enel X Insights

MISO 2020/2021 Capacity Auction shows massive increase in Michigan

In April, MISO released the clearing prices for 2020/2021 capacity.¹ A majority of zones nearly doubled from \$2.99/MW-day to \$5.00/MW day. Zone 7, covering Lower Michigan, increased by over 10 times the 2019/2020 clearing price.² The Zone 7 price for 2019/2020 of \$24.30/MW-day increased to \$257.53/MW-day. For a 70% load factor customer, this would be around \$0.00680/kWh increase. The remaining zones would see a more manageable \$0.00006/kWh increase.

Although MISO forecasts more than adequate resources to cover demand and its reserve margin, Zone 7 does not have enough capacity to meet the Local Clearing Requirement (LCR) for the zone. As a result the zone cleared at the Cost of New Entry (CONE).

Historical Auction Clearing Price Comparison

| PY | Zone 1 | Zone 2 | Zone 3 | Zone 4 | Zone 5 | Zone 6 | Zone 7 | Zone 8 | Zone 9 | Zone 10 | ERZs | | | |
|-----------------------|---------|---------|----------|--------|--------|----------|--------|--------|---------|---------|---------------|-----|--|--|
| 2014-2015 | \$3.29 | \$16.75 | | | | | | | \$16.44 | N/A | | N/A | | |
| 2015-2016 | \$3.48 | | \$150.00 | | | \$3.48 | | \$3.29 | | N/A | | N/A | | |
| 2016-2017 | \$19.72 | \$72.00 | | | | | | | \$2.99 | | N/A | | | |
| 2017-2018 | \$1.50 | | | | | | | | | | N/A | | | |
| 2018-2019 | \$1.00 | \$10.00 | | | | | | | | | | N/A | | |
| 2019-2020 | \$2.99 | | | | | \$24.30 | | \$2.99 | | | | | | |
| 2020-2021 | \$5.00 | | | | | \$257.53 | | \$4.75 | \$6.88 | \$4.75 | \$4.89-\$5.00 | | | |
| IMM Conduct Threshold | 25.61 | 25.17 | 25.02 | 25.46 | 26.08 | 25.49 | 25.75 | 24.56 | 23.66 | 24.50 | 26.08 | | | |
| Cost of New Entry | 256.08 | 251.67 | 250.22 | 254.68 | 260.79 | 254.88 | 257.53 | 245.64 | 236.58 | 244.96 | 260.79 | | | |

- Auction Clearing Prices shown in \$/MW-day
- Conduct Threshold is 10% of Cost of New Entry (CONE)

¹ "2020/2021 Planning Resource Auction (PRA) Results," MISO. Accessed at <https://cdn.misoenergy.org/2020-2021%20PRA%20Results442333.pdf>

² "2019/2020 Planning Resource Auction (PRA) Results," MISO. Accessed at <https://cdn.misoenergy.org/20190415%20RASC%202019-20%20PRA%20Results336185.pdf>

Customers with Michigan accounts that are procuring power from third-party suppliers will be directly impacted by the higher capacity prices for any capacity that has not already been procured. A majority of customers in the MISO region are in regulated territories or paying utility default rates. These customers may be impacted if the utilities serving them need incremental capacity to cover customer loads. Enel X advisors and analysts can help customers navigate utility rate change proposals and third-party supply contracts to calculate the impact of these capacity cost changes.