

**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

**Midwest Independent Transmission)
System Operator, Inc.)**

**Docket Nos. ER04-691-004
EL04-104-000**

COMMENTS OF THE ORGANIZATION OF MISO STATES

I. BACKGROUND

On October 5, 2004, the Midwest Independent Transmission System Operator (Midwest ISO) filed compliance tariffs in this docket. The Commission has requested comments by October 26, 2004. The Organization of MISO States (OMS) offers the following comments on two aspects of the compliance filing.

II. FINANCIAL TRANSMISSION RIGHTS

1. Technical and Implementation Issues in Adjusting FTR Allocations

The Midwest ISO filing provides that the initial allocations of FTRs for the period March 1, 2005 through May 31, 2006 will have two stages. The first stage will allocate FTRs for the period March 1, 2005 through August 31, 2005, and the second stage will allocate FTRs from September 1, 2005 through May 31, 2006.

The OMS supports the proposed two-staged implementation proposed by the Midwest ISO for the following reasons. On a going forward basis, the Midwest ISO proposal results in allocations of FTRs for a twelve-month period beginning June 1 and going through to May 31. This twelve-month period will coincide with the same twelve-month period used by PJM. In addition, this proposal will allow Midwest ISO's market participants approximately three months

of experience with the new day-ahead and real-time markets before making nominations in the second stage. Finally, allowing an initial allocation for a shorter period of time gives the Midwest ISO and its stakeholders a window of opportunity to discover any problems that might emerge in this untried allocation process, as well as time to propose changes before the subsequent (stage two) allocation process is implemented.

2. Transition Mechanism ^{*/}

In paragraph 182 of the FERC August 6 Order, the OMS submitted a request for rehearing or clarification on the issue regarding the allocation of FTRs to market participants taking network service that have multiple year contracts on seasonal network resources. The FERC has not yet acted on rehearing on this issue. Therefore, the Midwest ISO is changing its tariff to exclude FTR allocations to these load-serving entities. However, the Midwest ISO has proposed tariff language to allow market participants taking network service that designate their network resources for a period of less than one year to be allocated FTRs based on their historical designations of network resources.

While the OMS supports the need to allocate FTRs to some of the load-serving entities in states that have retail access and do not have network resources under contract for one year or longer, to do so while denying FTRs to other market participants that have multi-year contracts for network resources that are seasonal is unduly discriminatory. If one of the criteria for eligibility for FTR allocations is having an annual contract for network resources, then that criterion should be applied uniformly to all market participants.

The OMS requests that the FERC adopt the Midwest ISO proposal to allow FTRs to be allocated to market participants that do not have network resources under contract for one year or

^{*/} The Pennsylvania Public Utility Commission abstains from comment on this section.

longer as a transition mechanism, but renews its plea to allow FTRs to be allocated to market participants that have multi-year contracts on seasonal network resources.

III. MARKET READINESS ISSUE

FERC's August 6, 2004, Order on MISO's Transmission and Energy Market Tariff (TEMT), provides, at paragraph 55:

55. On market readiness, we will require the Midwest ISO to consult with and adopt OMS's recommendations for metrics related to commercial operations readiness and the testing plan. The Midwest ISO must certify to the Commission, 30 days before market startup, the reliability and readiness of its systems. The Commission will not approve the start of the markets until it receives the certification. We will also require the Midwest ISO's independently evaluated Verification Plan to be filed with the Commission, on an informational basis, at least three months prior to the market start. We also request that OMS make an informational filing to advise the Commission of OMS's views on market readiness.

The Midwest ISO stated, at page 5 of its transmittal letter accompanying the October 5 compliance filing:

In response to paragraph 55 of the EMT Order, representatives of the Midwest ISO and OMS met to discuss the issues surrounding the OMS's recommendation for metrics related to commercial operations readiness and the testing plan. These discussions have resulted in an action plan, subject to final OMS Board of Directors approval, by which the Midwest ISO and OMS will continue to work in concert on readiness metrics through the Midwest ISO Metric Interpretative Guidance (MIG) Task Force. This process will provide the OMS the opportunity to review and provide comments on the report published by the MIG Task Force directly to the Midwest ISO or the Commission if the OMS Board of Directors so chooses. The OMS will also have the opportunity for continued input on the Midwest ISO's readiness review processes, testing efforts and outcomes in anticipation of the start of the Energy Markets.

The OMS agrees with MISO's compliance language regarding the continued process between MISO and OMS regarding market readiness. The OMS will use the two processes already established, which include the Metrics Interpretative Guide (MIG) Task Force and the Readiness Advisor, including the reports issued by these entities. The OMS is and will continue

to be involved in these processes and may provide comments on the reports issued by the MIG Task Force and Readiness Advisor. The OMS may use the information obtained in participation and collaboration of these two processes to make recommendations on additional metrics and may make an informational filing 30 days prior to market start-up to advise the Commission on OMS's views on market readiness as requested by the FERC in paragraph 55 of its August 6, 2004 Order on the MISO Transmission Energy Market Tariff.

IV. CONCLUSION

The Organization of MISO States submits these comments because a majority of the members have agreed to generally support them. The following members generally support these comments, with the exception noted herein. Individual OMS members reserve the right to file separate comments regarding the issues discussed in these comments.

North Dakota Public Service Commission
Michigan Public Service Commission
Iowa Utilities Board
Wisconsin Public Service Commission
Minnesota Public Service Commission
Montana Public Service Commission
Pennsylvania Public Utility Commission
Missouri Public Service Commission

For procedural reasons, these members are not able to express a formal position at this time:

Illinois Commerce Commission
Public Utilities Commission of Ohio
Kentucky Public Service Commission
Indiana Utilities Regulatory Commission

Members not participating in these comments are:

South Dakota Public Service Commission

Nebraska Power Review Board
Manitoba Public Utilities Board

The Minnesota Department of Commerce and the Iowa Consumer Advocate, as a
associate members of the OMS, participated in these comments and generally support these
comments.

Respectfully Submitted,
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Dated: October 26, 2004

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing Notice of Intervention on all parties on
the official service list compiled by the Secretary in this proceeding.

Dated at Des Moines, Iowa, this 26th day of October, 2004.

William H. Smith, Jr.
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