

UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

Midwest Independent Transmission)	Docket ER11-4337-000
System Operator, Inc.)	
)	
Order No. 745 Compliance Filing)	

**Notice of Intervention and
Comments of the Organization of MISO States**

I. Background

On August 19, 2011, the Midwest ISO filed with Federal Energy Regulatory Commission (Commission) a compliance filing in accordance with the provisions of the Commission's Order 745.¹ In the filing, the Midwest ISO describes and proposes (a) the use of a net benefits test to determine a price threshold above which demand response resources would be compensated for load reductions with a payment equal to the full LMP, (b) a method for allocating among market participants the cost of payments made for such load reductions, and (c) the measurement and verification protocols that would be used to measure and confirm such load reductions.

II. Notice of Intervention

Pursuant to Rule 214(a)(2) of the Federal Energy Regulatory Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214(a)(2), the Organization of MISO States ("OMS") gives notice of intervention in the above-captioned proceeding. Service

¹ *Demand Response Compensation in Organized Wholesale Energy Markets*, Order No. 745, FERC Stats. and Regs. ¶ 31,322 (2011).

of all pleadings, documents, and communications in this matter should be made on the following:

William H. Smith, Jr.
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III. Comments

A. OMS continues to support its position that the correct compensation for demand response load reductions is LMP – Retail Rate and that the cost of payments made for load reductions should be directly assigned to the Load Serving Entity that provides retail service to the customer that makes load reductions.

This is the third proceeding involving demand response compensation and cost allocation in which the OMS has provided comments to the Commission.

On October 2, 2009, in Docket No. ER09-1049-002, the Midwest ISO filed a plan to comply with the provisions of Order 719 relating to the participation of Aggregators of Retail Customers (ARCs) in wholesale regional markets. The filing contained proposed tariff revisions which had the objective of accommodating the participation of ARCs in Midwest ISO markets. Among other provisions in that filing, the Midwest ISO proposed: (1) To compensate ARCs by subtracting the retail rate paid by participating retail customers from the LMP (LMP-Retail Rate), and (2) To directly assign the costs of payments made by the Midwest ISO to ARCs to the Load Serving Entity (LSE) that provides retail service to the participating retail customer. The OMS submitted comments to the Commission in support of that filing, in particular in support of the proposed compensation and cost allocation mechanism.²

OMS also filed comments in the Commission's rulemaking proceeding in Docket RM10-17-000 that resulted in the issuance of Order 745.³ In its comments, OMS reiterated its position that the correct compensation for demand response load reductions is LMP – Retail Rate and that the cost of payments made for load reductions

² Comments of the Organization of MISO States, Docket ER09-1049-002, November 5, 2009.

³ Comments of the Organization of MISO States, Docket RM10-17-000, May 13, 2010.

should be directly assigned to the Load Serving Entity that provides retail service to the customer that makes load reductions. OMS also filed a petition for rehearing of Order 745 on the basis that the Commission's decisions regarding demand response compensation and cost allocation in that order were in error.⁴

However, OMS wants to make it clear that this recitation of its position on demand response compensation and cost allocation should not be construed as a "collateral attack" on Order 745. As noted above, OMS filed a Petition for Rehearing of Order 745 with the Commission and there is no need for OMS to revisit the arguments made in that proceeding. Rather, OMS believes that it is necessary to reference the positions that it has taken in that docket and in the Midwest ISO's Order 719 compliance filing in order to provide the rationale for the OMS position concerning the Midwest ISO's proposal that is at issue in this proceeding.

B. OMS cannot support the proposal made by the Midwest ISO in this proceeding because it is contrary to the position OMS is supporting in other proceedings currently before the Commission.

As discussed above, OMS supports a different mechanism for demand response compensation and cost allocation than the one proposed by the Midwest ISO in this proceeding. Therefore, OMS cannot support the Midwest ISO proposal.

However, given the decisions made by the Commission in Order 745, OMS realizes that its preferred solution for demand response compensation and cost allocation is not available to the Midwest ISO for the purpose of complying with Order 745. OMS participated in the Midwest ISO stakeholder process that resulted in the Midwest ISO proposal which included the examination of various alternatives. OMS believes that the overall proposal submitted by the Midwest ISO this docket complies with the provisions of Order 745 and does not oppose it.

⁴ Request for Rehearing of the Organization of MISO States, Docket RM10-17-000, April 14, 2011

V. Conclusion

While OMS does not support the compensation and cost allocation mechanism proposed by the Midwest ISO in its filing, OMS does not oppose it.

The OMS submits these comments because a majority of the members have agreed to generally support them. The Illinois Commerce Commission, the Kentucky Public Service Commission, and the Manitoba Public Utilities Board abstained from the vote on this pleading. Individual OMS members reserve the right to file separate comments regarding the issues discussed in these comments.

Respectfully Submitted,

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Dated: September 23, 2011

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon each person designated on the official service list compiled by the Secretary in this proceeding. Dated at Des Moines, Iowa, this 23rd day of September, 2011.

William H. Smith, Jr.