

forums, there does not appear to be a joint and common market between PJM and MISO at the present time.

During the past year, MISO and some MISO stakeholders have become concerned that transfers of capacity in both directions across the MISO/PJM seam may become more important in the future as a result of plant retirements and extended maintenance outages that will likely result from recently enacted and pending Environmental Protection Agency air pollution rules. In addition, some MISO stakeholders have also expressed a concern that generator owners in MISO have been hindered from selling capacity into the PJM capacity market thereby depriving these owners of the opportunity to receive revenues from such sales. The inability of generator owners to efficiently sell capacity across the seam could lead to additional departures of transmission owning utilities from MISO. OMS believes that the Commission should be concerned about such RTO switches, especially if they result from market rules which unnecessarily hinder otherwise efficient sales of capacity across the MISO/PJM seam.

OMS recognizes the concerns expressed by PJM about its duty to safeguard system reliability and ensure that energy associated with capacity resources which are committed to PJM is available to loads in PJM when this energy is needed. OMS has the same concerns about safeguarding system reliability in the MISO region.

OMS notes that the reservation of a portion of Available Transmission Capability for Capacity Benefit Margin is a matter that has been raised in the analyses of this issue. OMS believes that Capacity Benefit Margin and the physical delivery of energy associated with it are significant factors which need to be analyzed in more detail as elements of the capacity deliverability issue. It is important to recognize that Capacity Benefit Margin is currently a significant component of resource adequacy that allows each RTO's planning reserve requirement to be lower than it would otherwise need to be in order to maintain a given level of reliability.

OMS thanks the Commission for opening this inquiry and providing a forum for the analysis of the complex technical, economic and institutional issues that the transfer of capacity across the MISO/PJM seam involves. MISO's Capacity Deliverability Whitepaper and PJM's Response provide a good starting point for the evaluation of the various matters that MISO, PJM and their stakeholders must consider as this issue is analyzed.

I. Are there provisions in the current market rules and operating protocols concerning transfer capability that restrict generation capacity deliverability between the markets maintained by MISO and PJM? If so, what are those barriers?

OMS recognizes that there are physical limitations on the amount of electric energy that can be transferred between the PJM and the MISO regions and that this transfer capability varies depending on system conditions at any time. OMS also recognizes that these physical limitations must be identified and observed in almost every activity in which PJM and MISO engage in, including transmission planning, reliability analyses and in the daily operation of each RTO. OMS believes that the appropriate question is whether the current limitations used for planning and operation purposes are appropriate and reasonable.

The past year's dialogue concerning this issue has been productive because it has resulted in the recognition that the models that are used by PJM and MISO to estimate the physical limitation on energy flows for various purposes across the MISO/PJM seam typically use different methods and assumptions. The use of different models and assumptions by each RTO and for various purposes has resulted in misunderstandings among MISO, PJM and various stakeholders.

It is not clear that these modeling differences represent barriers. However, to the extent that these differences overestimate or underestimate the amount of transfer capability that is actually available, they may result in an inefficient outcome. PJM and MISO should investigate whether and for what purposes it would be appropriate for each RTO to use the same assumptions in their modeling.

OMS recommends that PJM and MISO use the Joint and Common Market initiative as an opportunity to improve the sharing of assumptions and modeling as one means to reduce controversy and to improve the analysis of the capacity deliverability issue.

In addition to modeling issues, MISO and MISO stakeholders have expressed concerns about PJM market rules that may restrict the ability of generating capacity located within MISO to participate in the PJM capacity market. These include the rules for making transmission reservations and for the conduct of deliverability studies. OMS has not yet formulated a position as to whether any of MISO's or PJM's market rules need to be revised at this time.

II. If such provisions exist and act as a barrier, what revisions are necessary to eliminate or mitigate them without adversely affecting reliability or the operation of RTO energy and capacity markets?

OMS believes that additional information and further study of all of the issues associated with capacity deliverability is necessary in order for it to make recommendations concerning what revisions to the rules of each RTO might be appropriate. However, OMS does not believe that it is necessary for MISO to have a forward capacity market similar to the PJM forward capacity market in order for generation located within MISO to participate in the PJM capacity market, or for generation located in PJM to participate in the MISO capacity market.

III. In Docket No. ER11-4081-000, the Total Transfer Capability from MISO to PJM was estimated to range from 5,300 MW to 6,300 MW and the cumulative import capability from MISO to PJM was estimated to be 6,000 MW. Also in that proceeding, it was noted that the Available Transfer Capability posted by PJM was zero for the 2013-2014 Planning Year, while firm transmission capacity on the MISO-PJM interface held by market participants was listed as 1,173 MW. If barriers to interregional capacity deliverability exist, absent such barriers, what volume of capacity imported from MISO could potentially clear in PJM's capacity auction? What volume of capacity imported from PJM could potentially clear in MISO's capacity auction? What is the differential between the amount of capacity historically offered and cleared, for the MISO and PJM capacity markets respectively?

OMS does not have the information that is necessary to respond to these questions.

IV. If there are barriers that should be mitigated, what mechanism should be used to address these concerns? For example, is it appropriate to address the issue in the Joint Operating Agreement between MISO and PJM? If so, how?

At the Joint and Common Market Stakeholder meeting held on July 16, 2012, PJM and MISO presented a document titled "2012 MISO PJM Joint and Common Market Issues List." That document contains four broad categories of potential joint and common market issues: (1) market operations; (2) transmission planning; (3) resource adequacy / capacity deliverability; and (4) broader regional markets. MISO and PJM indicated the priority with which they would propose to address each of the sub-issues identified under each of these four categories. For most of these issues, MISO's and PJM's priority ranking is the same or similar. The notable exception is resource adequacy / capacity deliverability. In general, MISO attaches a higher priority to this issue than does PJM.

Overall, OMS believes that MISO, PJM and their respective stakeholders have embarked on a reasonable process to discuss and address the joint and common market issues. However, because PJM and MISO have indicated that they have different priorities with respect to the pursuit of solutions for the capacity deliverability issue, it may be useful for the Commission, if it has a position on what priority this issue should be given, to make that position known.

OMS suggests that it may be helpful to MISO, PJM and their stakeholders if the Commission were to assign staff members to monitor the progress of the Joint and Common Market initiative and/or to impose reporting requirements on PJM and MISO to ensure that progress is made in resolving the capacity deliverability issue.

V. Conclusion

OMS appreciates the opportunity provided by the Commission to comment on the capacity deliverability issue between MISO and PJM. The OMS submits this request because a majority of the members have agreed to generally support it. Individual OMS members reserve the right to file separate pleadings regarding the issues discussed herein. The following members generally support this request:

Illinois Commerce Commission
Indiana Utility Regulatory Commission
Iowa Utilities Board
Kentucky Public Service Commission
Michigan Public Service Commission
Minnesota Public Utilities Commission
Missouri Public Service Commission
Montana Public Service Commission
North Dakota Public Service Commission
Public Utilities Commission of Ohio
Wisconsin Public Service Commission

The Manitoba Public Utilities Board abstained from voting on this pleading. The South Dakota Public Utilities Commission did not vote on this pleading.

Respectfully Submitted,

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