

and to intervene in proceedings before the Commission to express the positions of the OMS member agencies.

II. Comments

On July 16, 2014, MISO filed changes to its tariff to better mitigate the impact of expected charges under the SPP Service Agreement (“SPP charges”) that were authorized by FERC’s March 28 Order.² MISO proposes to change the Sub-Regional Power Balance Constraints (“SRPBC”) demand curve to allow for the economic dispatch of flows above 1000 MW between the MISO North and Central regions and the MISO South region when the redispatch costs of transactions exceed the expected SPP charges.³ The price signal for such economic dispatch, called a “hurdle rate,” is the expected incremental cost of SPP charges that are considered in addition to the Locational Marginal Price of the importing sub region as congestion charges to determine whether a transaction is economic.⁴ The hurdle rate amount will be trued-up and adjusted monthly.⁵

The OMS supports the proposal, because it provides more efficient market operations across the MISO footprint than the current 1000 MW limit⁶ and should therefore result in system-wide net production cost savings for customers. The OMS understands that MISO’s current self-imposed limit of dispatch beyond the 1,000 MW absolute limit was intended to limit legal liabilities and was in response to FERC’s decision that MISO must negotiate the use of the SPP system, potentially paying

² Filing of Revisions to MISO Tariff re: Sub-Regional Power Balance Constraints, Docket No. ER14-2445-000 (July 16, 2014), Transmittal Letter at 2.

³ *Id.*

⁴ *Id.* The increment is \$9.57 per MWh based on the January to March invoices to MISO from the Southwest Power Pool.

⁵ *Id.* at 5.

⁶ The 1000 MW limit was introduced into MISO’s tariff in Docket No. ER14-1713, filed April 11, 2014.

transmission service charges and fines. This limitation precludes economic outcomes when system wide production cost savings exceed the SPP charge amounts. The OMS also recognizes that such savings may be less than the amount occurring when MISO dispatched its system up to 2000MW believing it could use the SPP system without cost.

MISO's proposed hurdle rate, while supported by the MISO Independent Market Monitor, is untested in this region. Therefore, the OMS expects that the Commission, MISO, the Independent Market Monitor, market participants and stakeholders will watch its operation closely, and that modifications will be offered as experience may indicate.⁷

Last, the OMS views the proposed hurdle rate as an interim step that should be eliminated through settlement of pending MISO-SPP dockets, market-to-market seams management processes expected in 2015, or other avenues.⁸

III. Conclusion

The OMS submits this pleading by direction of its Executive Committee acting under Article VII of its bylaws on July 31, 2014. Individual OMS members reserve the right to file separate pleadings regarding the issues discussed herein.

Respectfully Submitted,
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⁷ The OMS has urged robust stakeholder processes to consider the sub-regional power balance congestion issues, and the Commission has expressed similar expectations, *see Midcontinent Independent System Operator, Inc.*, 147 FERC ¶ 61,194 (June 10, 2014). The OMS understands the circumstances that led MISO's to adopt an abbreviated stakeholder process in advance of the current filing.

⁸ These other forums include Order 1000 interregional market-to-market discussions, settlement discussions in pending dockets, and the Operations Reliability Coordination Agreement.

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Dated: August 5, 2014

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 5th day of August, 2014.

William H. Smith, Jr