



**ORGANIZATION OF MISO STATES, INC.
Board of Directors Meeting
Conference Call Minutes
March 11, 2010**

Approved May 13, 2010

Valerie Lemmie, President of the Organization of MISO States, Inc. (OMS), called the March 11, 2010 meeting of the OMS Board of Directors to order via conference call at approximately 1:00 p.m. (CST). The following board members or their proxies participated in the meeting:

Sherman Elliott, Illinois
Jim Atterholt, Indiana
Rob Berntsen, Iowa
Bill Bowker, proxy for David Armstrong, Kentucky
Monica Martinez, Michigan
Burl Haar, proxy for Tom Pugh, Minnesota
Robert Kenney, Missouri
Greg Jergeson, Montana
Tony Clark, North Dakota
Valerie Lemmie, Ohio
Ty Christy, Pennsylvania
Gary Hanson, South Dakota
Brian Rybarik, proxy for Lauren Azar, Wisconsin

Absent
Manitoba

Agency members participating
Christine Ericson – Illinois
Parveen Baig, Jeff Kaman – Iowa
Angie Butcher – Michigan
Greg Rislov – South Dakota
Gail Maly – Wisconsin

Others on the call
Bill Smith, Julie Mitchell – OMS Staff

The directors and proxies listed above established the necessary quorum for the meeting of at least eight directors being present.

Approval of Minutes from February 11, 2010

Bill Bowker moved for approval of the minutes of the February 11, 2010 board meetings. Jim Atterholt seconded. The motion was approved by unanimous voice vote.

Treasurer's Report – Robert Kenney

The beginning balance as of February 1 for the Wells Fargo Business Performance Savings Account was \$59,696.52. Interest earned for this month was \$9.16. The February 28, 2010 balance was \$59,705.68.

The beginning balance as of February 1 for the Chase Bank One Checking account was \$62,995.55. The total disbursements from the checking account for February 2010 were \$62,166.77. Deposits and interest were \$40,000.63. As of February 28, 2010, the checking account bank balance was \$63,975.44 and the book balance was \$40,829.41 (with 35 checks outstanding).

The total savings and checking account balances as of February, 2010 is **\$100,535.09**.

Robert Kenney moved to accept the treasurer's reports for February, 2010. Sherman Elliott seconded. The motion was approved by unanimous voice vote.

Review of the Executive Committee Meeting

Valerie Lemmie reviewed the following items from the February 25, 2010 Executive Committee Meeting:

- The OMS goals were discussed in depth. They are an agenda item for this meeting.
- Dr. Patton will meet with OMS on a monthly basis. The hope is to have 3 in-person meetings. The April meeting has been scheduled for during the MISO annual stakeholders meeting. The June meeting will be at MARC and the October meeting at the OMS annual meeting. Bill Smith will prepare the agenda for each meeting with input from the Board, Staff and Dr. Patton. This will be distributed before each meeting. During those times when the IMM is presenting his quarterly reports to MISO, the OMS meeting will be longer than normal to allow him to present that material to OMS as well.

{Editors note: Dr. Patton will not be presenting at an OMS meeting at or after MARC.}

In addition: Bill Smith addressed the following items:

- The Black Sea Partnership was also discussed and is on the agenda for this meeting.
- There was a discussion about promoting attendance at MSU's Grid School in Richmond, VA.

Administrative Report from Executive Director – Bill Smith

Bill Smith highlighted the following from his written executive director's report:

- The settlement conference between MISO and PJM concluded without settlement. MISO filed a complaint, requesting significant resettlement with PJM (over \$100 million).
- There was a request sent this morning for those willing to present a paper at the Black Sea conference.
- Reminder to check travel plans to OPSI Spring Planning Meeting. At this time the following directors are planning to attend: Chairman David Hardy of Indiana, Commissioner Ford of Illinois, Chairman Armstrong of Kentucky, Commissioner Valerie Lemmie of Ohio.
- Reminder about the MISO Annual Stakeholders meeting in Indianapolis, the week of April 14th. There will be a lunch meeting with the IMM on Wednesday.

BUSINESS

1. MISO Advisory Committee Issues – Monica Martinez

- There is one voting item on the agenda regarding MISO stakeholder governance guide. Bill Smith is the vice-chair of the committee that is re-writing the document.

Monica Martinez moved to have the AC representatives vote in favor of adopting the new governance guide. Jim Atterholt seconded. The motion passed by unanimous voice vote.

2. Planning Advisory Committee – Rob Berntsen

- There are two action items on the PAC agenda. The first has to do with regional resource forecasting and futures scenario follow-up. Brian Rybarik mentioned that this topic has been discussed in depth at the CARP meetings.

Rob Berntsen moved that the Board support the Regional Planning Work Group's ranking of scenarios and present that to the PAC as the official sector vote. Brian Rybarik seconded. The motion passed by unanimous voice vote.

- The second item involves changes to the charter of the Loss of Load Expectation Work Group. They would like to add a secondary purpose and three deliverables to their charter. Chairman Berntsen presented those changes to the Board.

Rob Berntsen moved that the OMS Board support the changes to the charter. Greg Jergeson seconded. The motion passed by unanimous voice vote.

3. Policy on Advisory Committee Voting – Governance & Budgeting Work Group

- Burl Haar reported that Randy Rismiller had prepared a document that provided numerical examples of how the previously discussed rounding would work. Randy Rismiller had proposed rounding to the tenth (one decimal point).
- Valerie Lemmie summarized the history of this issue.
- The general consensus of the Board was to wait until the next Board meeting to vote so Randy Rismiller can present his report.

4. OMS Goals for 2010 – Monica Martinez

- Monica Martinez presented the OMS goals document to the Board. She highlighted education, partnership and leadership as key points.

Monica Martinez moved the adoption of the 2010 OMS goals. Sherman Elliott seconded. The motion passed by unanimous voice vote.

5. OMS Draft Comments to FERC

- There were two documents discussed. The first was the RTO Metrics. Jeff Kaman reported for the Modeling Work Group, which prepared these comments.
- These comments were due on March 5th and will be filed out of time.
- Robb Mork provided some non-substantive changes.
- Missouri and Ohio filed their own comments and support these as well.
- Montana requested a footnote in Section B on page 6. Greg Jergeson will email the text of the footnote to Bill Smith.

Sherman Elliott moved to approve the filing and the addition of Montana's footnote. Greg Jergeson seconded. A roll call vote was taken.

**Illinois - aye
Indiana - aye**

Iowa - aye
Kentucky - aye
Manitoba - absent
Michigan - aye
Minnesota - aye
Missouri - aye
Montana - aye
North Dakota - aye
Ohio - aye
Pennsylvania – abstain
South Dakota - aye
Wisconsin – aye

The motion passed with 12 aye votes, 1 abstention and 1 state absent.

- Christine Ericson presented the second set of comments, regarding Credit Reforms in Wholesale Markets. These were presented on behalf of the Markets and Tariffs Work Group. The comments are due March 29.
- Montana requested a footnote at the conclusion to this document. Montana will email the text of it to Bill Smith for inclusion.

Sherman Elliott moved to approve the filing and the addition of Montana’s footnote. Rob Berntsen seconded. A roll call vote was taken.

Illinois - aye
Indiana - aye
Iowa - aye
Kentucky - abstain
Manitoba - absent
Michigan - aye
Minnesota - aye
Missouri - aye
Montana - aye
North Dakota - aye
Ohio - aye
Pennsylvania – aye
South Dakota - aye
Wisconsin – aye

The motion passed with 12 aye votes, 1 abstention and 1 state absent.

6. Eastern Interconnection Planning Process – Brian Rybarik

- The kick-off meeting is March 25-26 in Washington, DC. Stipends are available for each state’s designees and one staff person.
- Day one of the meeting will be organizational, including officer elections. Day two will be more substantive, including developing goals and priorities.
- Nomination committee is identifying potential officers and the steering committee for the Topic A group.
- Brian Rybarik provided an overview of how the planning process is currently proceeding.
- EIPC is hosting webinars in the next couple of weeks.
- At this time there is no provision for teleconference capabilities at the March 25-26 meeting.

7. RECB Task Force Update – Brian Rybarik

- RECB is continuing to work on the issues involved in their filing due July 10th.

Updates and Work Group Status Reports

Demand Response WG

- Waiting for the FERC order on aggregators;

Transmission Cost Allocation WG

- No report;

Markets and Tariffs WG – Christine Ericson

- Written report follows minutes;

Resources WG

- Written report follows minutes;

Regional Planning WG – Parveen Baig

- Written report follows minutes;

Governance & Budgeting – Gail Maly

- No update;

Modeling WG – Jeff Kaman

- No written report;

CARP Meeting Updates – Brian Rybarik

- There may be a change/cancellation to the scheduled May CARP meeting;
- There will be an important vote during the scheduled April CARP meeting.

ADJOURNMENT

The OMS Board of Directors meeting adjourned at 2:15 pm CST.



TREASURER'S REPORT
Organization of MISO States
February 28, 2010

Wells Fargo Business Performance Savings Account

Balance as of 2/01/10			\$	59,696.52
2/26/10	DEP	Interest on Savings	\$	9.16
				<hr/>
Business Performance Savings Account Balance at 2/28/10			\$	59,705.68

Chase Bank One Commercial Checking with Interest

Balance as of 2/1/10			\$	62,995.55
2/8/10	DEP	MISO Remittance	\$	40,000.00
1/29/10	DEP	Interest on checking	\$	0.63
				<hr/>
Total Deposits			\$	40,000.63

Checks and Charges

Date	Check #	Descriptions		
2/3/2010	277	401K Contribution - January	\$	394.94
2/3/2010	278	401K Contribution - January	\$	2,224.30
2/3/2010	279	401K Contribution - January	\$	68.60
2/9/10	3331	IL Travel Reimbursement	\$	416.65
2/9/10	3332	IN Travel Reimbursement	\$	434.80
2/9/10	3333	IN Travel Reimbursement	\$	210.80
2/9/10	3334	IA Travel Reimbursement	\$	455.56
2/9/10	3335	MI Travel Reimbursement	\$	465.19
2/9/10	3336	MO Travel Reimbursement	\$	524.21
2/9/10	3337	MT Travel Reimbursement	\$	855.40
2/9/10	3338	ND Travel Reimbursement	\$	643.00
2/9/10	3339	SD Travel Reimbursement	\$	473.00
2/9/10	3340	SD Travel Reimbursement	\$	142.00
2/9/10	3341	WI Travel Reimbursement	\$	535.56
2/9/10	3342	WI Travel Reimbursement	\$	240.23
2/10/10	WD	Paychex Invoice	\$	193.28
2/19/10	WD	Chase Card Services	\$	17,422.97
2/24/10	3343	100 Court Investors	\$	1,686.42
2/24/10	3344	Conference Suite	\$	6,906.83
2/24/10	3345	DWX Internet	\$	35.00
2/24/10	3346	Qwest	\$	266.31
2/24/10	3347	Ryun, Givens & Co., PLC	\$	40.00
2/24/10	3348	Triplett Office Essentials	\$	85.39
2/24/10	3349	Mo Travel Reimbursement	\$	368.57
2/24/10	3350	MI Travel Reimbursement	\$	265.55
2/24/10	3351	MI Travel Reimbursement	\$	694.59
2/24/10	3352	IA Travel Reimbursement	\$	386.42
2/24/10	3353	IN Travel Reimbursement	\$	200.25
2/24/10	3354	IN Travel Reimbursement	\$	369.40
2/24/10	3355	SD Travel Reimbursement	\$	208.09
2/24/10	3356	SD Travel Reimbursement	\$	671.00
2/24/10	3357	OH Travel Reimbursement	\$	531.80

2/24/10	3358	MO Travel Reimbursement	\$	792.40
2/24/10	3359	MI Travel Reimbursement	\$	674.90
2/24/10	3360	PA Travel Reimbursement	\$	433.84
2/24/10	3361	MN Travel Reimbursement	\$	820.80
2/24/10	3362	MI Travel Reimbursement	\$	898.46
2/24/10	3363	MI Travel Reimbursement	\$	144.55
2/24/10	3364	IL Travel Reimbursement	\$	425.80
2/24/10	3365	OH Travel Reimbursement	\$	56.70
2/24/10	3366	MI Travel Reimbursement	\$	784.13
2/24/10	3367	MI Travel Reimbursement	\$	244.37
2/24/10	3368	MI Travel Reimbursement	\$	417.39
2/24/10	3369	ED Travel Reimbursement	\$	36.14
2/24/10	3370	ED Travel Reimbursement	\$	29.73
2/24/10	3371	SD Travel Advance	\$	700.00
2/24/10	3372	ND Travel Advance	\$	1,795.00
2/25/10	WD	Paychex Payroll	\$	8,409.93
2/25/10	WD	Paychex Payroll Taxes	\$	4,495.46
2/26/10	283	401K Contribution - February	\$	2,224.30
2/26/10	284	401K Contribution - February	\$	71.58
2/26/2010	285	401K Contribution - February	\$	295.18

Total Checks and Charges

\$ 62,166.77

CHECKING ACCOUNT BALANCE 2/28/10

\$ 40,829.41

CERTIFICATES OF DEPOSIT, SAVINGS AND CHECKING ACCOUNT BALANCES AS OF 2/28/10

\$ 100,535.09

CHASE CHECKING ACCOUNT RECONCILIATION

	<u>Check #</u>	<u>Amount</u>
Bank Balance 2/28/10		\$ 63,975.44
Less Checks OS	3317	\$ 53.02
	3338	\$ 643.00
	3341	\$ 535.56
	3342	\$ 240.23
	3344	\$ 6,906.83
	3345	\$ 35.00
	3346	\$ 266.31
	3347	\$ 40.00
	3348	\$ 85.39
	3349	\$ 368.57
	3350	\$ 265.55
	3351	\$ 694.59
	3352	\$ 386.42
	3354	\$ 369.40
	3355	\$ 208.09
	3356	\$ 671.00
	3357	\$ 531.80
	3358	\$ 792.40
	3359	\$ 674.90
	3360	\$ 433.84
	3361	\$ 820.80
	3362	\$ 898.46
	3363	\$ 144.55
	3364	\$ 425.80
	3365	\$ 56.70
	3366	\$ 784.13
	3367	\$ 244.37
	3368	\$ 417.39
	3369	\$ 36.14
	3370	\$ 29.73
	3371	\$ 700.00
	3372	\$ 1,795.00
	283	\$ 2,224.30
	284	\$ 71.58
	285	\$ 295.18
Book Balance 2/28/10		\$ <u>40,829.41</u>

OMS Treasurer Report for Month of February 2010

Wells Fargo Business Performance Savings Account

Beginning Balance	59,696.52	
Interest Earned this Month	<u>9.16</u>	
Ending Balance		59,705.68

Chase Bank One Checking Account

Beginning Balance	62,995.55	
Total Disbursements	(62,166.77)	
Deposits/Interest/Adjustments	<u>40,000.63</u>	
Ending Balance		<u>40,829.41</u>

Total Savings & Checking Balances as of February 28, 2010

100,535.09

35 checks outstanding at 2/28/10

*O***M***S*

**Organization of MISO States
Report of the Treasurer
Robert Kenney, Missouri Public Service Commission
to the
Board of Directors
March 11, 2010
Report for February 2010**

CASH ON HAND

The beginning balance as of February 1 for the Wells Fargo Business Performance Savings Account was \$59,696.52. Interest earned for this month was \$9.16. The February 28, 2010 balance was \$59,705.68.

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Midwest ISO Advisory Committee

Carmel, Indiana

March 17, 2010

10am – 11:45am EPT

Dial-in and WebEx information available at www.midwestmarket.org

Agenda

1. Administrative Items	Gary Mathis	10:00
a. Welcome/ Roll Call		
b. Review / Approve Agenda		
c. Approval of Meeting Minutes√		
d. Review Action Items	Alison Johnson	
2. Seams Initiative Update	Todd Ramey	10:15
3. 2010 Midwest ISO Stakeholders' Annual Meeting Update	Wayne Schug	10:30
4. Advisory Committee Items	Gary Mathis	10:35
a. Advisory Committee Charter√		
b. Review of AC Management Plan		
c. Draft Team for June Hot Topic – Coordination Improvements between Midwest ISO and other RTOs*		
d. Candidates for Nominating Committee for the Board of Directors		
5. Standing Committee/Other Stakeholder Committee Reports		
a. Steering Committee*	Paul Jett	11:00
b. SGWG Motion on Stakeholder Governance Guide√	Bill SeDoris	11:05
c. RECB Task Force	Paul Jett	11:15
d. Transmission Owners'*	JoAnn Thompson	11:25
e. Organization of Midwest ISO States	Bill Smith	11:30
6. New Business	All	11:35
7. Recap – Issues/Assignments	Alison Johnson	11:40

Rotating Agenda Team May:

Kavita Maini
Steve Gaarde
Robert Bernsten

Upcoming Hot Topics:

June: Coordination Improvements between Midwest ISO and other RTOs
August: Long Term Perspective - new products and services and strategic direction
October: Adequate Price Signals
December: IMM State of the Market Recommendations

√ Denotes Potential Voting Item

* Denotes Report is Oral

Planning Advisory Committee Summary
February 24, 2010

The following are highlights from the February 24, 2010, PAC meeting.

1. Generation Interconnection Queue (GIQ) and Long Term Transmission Service Request (TSR)

GIQ

MISO provided an update of behavior patterns before and after queue reform. There is a notable change in behavior. For example, there were 275 projects in the queue before the reform and now there are 135 projects. Themes include:

- a. There is an increase in withdrawal requests due to added costs.
- b. There are less place holders in the queue as more leg work is required ahead of time.
- c. Entry of projects is more predictable then before as about half of the projects come in right before the dead line for the next feasibility study.
- d. Withdrawals also happen in chunks around milestone dates.
- e. The key difference is that customers have information and customers' concerns relate to what it says not on lack of information.

MISO added cost allocation is the key to resolving queue congestion issues, particularly around SPA/RGOS type projects. Wind requests in the queues comprise 86.54% of the total MW (~75 GW) in the queue.

TSR

MISO provided an update on study statuses, Facility Study Notification FERC Filing(s) and Facility Study Reform Efforts.

- a. Facilities Study - to comply with FERC Order 890, the Midwest ISO must submit a notification filing to FERC every time it finishes more than 20% of its System Impact Studies and Facility Studies beyond a 60 day window in two consecutive quarters. System Impact Studies are performed either by Midwest ISO staff, consultants and/or Transmission Owners acting as consultants. Facilities Studies are typically performed by the TOs acting as a consultant.
- b. Fifty-five TSRs are in the queue.
- c. Facility Study Reform - MISO has implemented Facility Study reform and the response has been positive.

2. Value Measures Workshop Input

MISO discussed MTEP Appendix A and B requirements. There are a lot of projects in Appendix A that are not eligible for cost sharing.

It was discussed how multi-purpose project portfolios (e.g. RGOS overlay, etc.) should be evaluated for inclusion in Appendix A, and how multi-purpose project portfolios should be evaluated against one another. Initially an approach to evaluate multi-purpose portfolios for inclusion in Appendix B will be discussed.

The PAC also discussed the definition of "multi-purpose" projects, which are not just economic or reliability projects, and how those projects could move into the MTEP appendices. It was suggested that an evaluation approach should refer to the TOA, MISO's regional planning

process (Attachment FF of the tariff) and the TP BPM to examine what are the current criteria for including projects in the Appendices.

The PAC was asked what approach should be taken for developing a methodology for evaluating how portfolios of multi-purpose projects (such as those developed in RGOS) should be moved into Appendix B. The PAC was in favor of MISO providing a straw proposal within the next week. Stakeholder response will be a follow-up item for discussion in the March PAC meeting. PAC sector representatives in particular will be asked to provide input along the way.

Note: If any Board member has suggestions for a methodology, please contact Parveen Baig at parveen.baig@iub.state.ia.us.

3. Update on Ventyx Limited License Agreement*

MISO uses a number of Ventyx products for various internal data sources and software tools and also for outside footprint data. Stakeholders prefer to look at data assumptions in an open transparent way. The vendor, however, feels MISO is providing an advantage to other vendors by doing so. The limited license agreement is to allow data to be reviewable by stakeholders. It is not intended to be a substitute for the license agreement for the simulation ready product. Several stakeholders submitted comments last week and there have been internal meetings. Another update will be provided in June.

4. Regional Resource Forecasting/Future Scenarios Follow up

Stakeholders were asked on February 4 to provide input by sector on prioritizing the 10 scenarios that will be used in planning studies in the MTEP '10 cycle in the event that the MISO did not have the time/ability to run all of them for targeted studies; each will be run for robustness testing. Sectors also were requested to provide suggestions for how much the results from each scenario should be weighted when using those results for evaluating the value of overlays developed in studies such as RGOS. After much discussion, an extension was allowed for additional sector responses. A reminder notice will be sent to sector representatives with a deadline to respond by March 5, 2010. Any sector not submitting composite response will have their sector input weighted according to any individual company responses submitted. MISO will post supplemental information on futures definitions with meeting materials and send notice to the PAC email exploder when they are posted.

Note: OMS RPWG responded in February and used scenarios developed in the CARP process plus an additional scenario as having priorities. To develop the “regulatory sector” response, the OMS Board needs to vote on the scenario ranking and priorities developed by the OMS RPWG.

5. RGOS Update

MISO urged stakeholders wanting to stay involved with RGOS to join the TRG; currently updates provided to the PAC are somewhat outdated because of timing.

Updates will be provided to the PAC when the RGOS hits key milestones.

6. Summary of Report on Minimum Generation and Wind Study Work

The only work scheduled to start in the PAC before summer is regarding dispatchable intermittent. Other work is going on in the MSC and RSC.

A Wind Integration Issues overview document will be updated as work progresses and posted with Wind Integration documents on the MISO website

7. Tutorial on Wind Capacity Value

MISO provided an overview on the information used by MISO in the determination of the 8% Capacity Credit for Wind for the 2010/11 planning year. Going forward, MISO will review this value annually, as well as review options for more granularity applicable to PY 2011/12 (i.e. individual CPnode values along with the MISO system-wide value).

The LOLEWG chair asked what kind of information the PAC would like to see in its group report. It was suggested that as the LOLEWG and MISO develop next year's report to keep the PAC apprised as it goes, and to provide a presentation when they are close on a finalized product. The LOLEWG is also looking at engineering techniques around North America and Europe; the US currently surpasses Europe in terms of wind penetration, with MISO and Texas being the leading RTOs.

8. Committee Updates

LOLEWG - WG Charter Amendments

The primary purpose of the LOLEWG is to work with Midwest ISO staff to perform Loss of Load Expectation (LOLE) analysis that calculates the Planning Reserve Margin (PRM) requirements for each Load Serving Entity (LSE) within the Midwest ISO as defined in the Module E of the Tariff. Voting on the proposed Charter changes occurred on March 5.

The Regulatory Sector abstained from voting until the OMS Board had an opportunity to discuss the issues.

Proposed changes to the Charter are as follows:

- a. Add a secondary purpose which "is to work with Midwest ISO staff to determine annually the Wind Capacity Credit to be applied in Module E."
- b. Adds three deliverables:
 1. Provide feedback and recommendations to the Midwest ISO concerning development of a technical report, with supporting documentation behind the PRM recommendation, and the Wind Capacity Credit recommendation.
 2. Work with Midwest ISO staff to ensure that the technical report meets all of the reporting requirements of the Resource Adequacy Standards as established by the applicable Regional Entities; and,
 3. Participate in Task Team activities that support LOLEWG goals.

Note: OMS Board needs to take a vote on whether to support the proposed changes to the LOLEWG Charter.

2010 Goals

Strategic Planning

Goals and Objectives

Overview

Organization of MISO States

Mission
Process
Cross-cutting

Guiding Principles

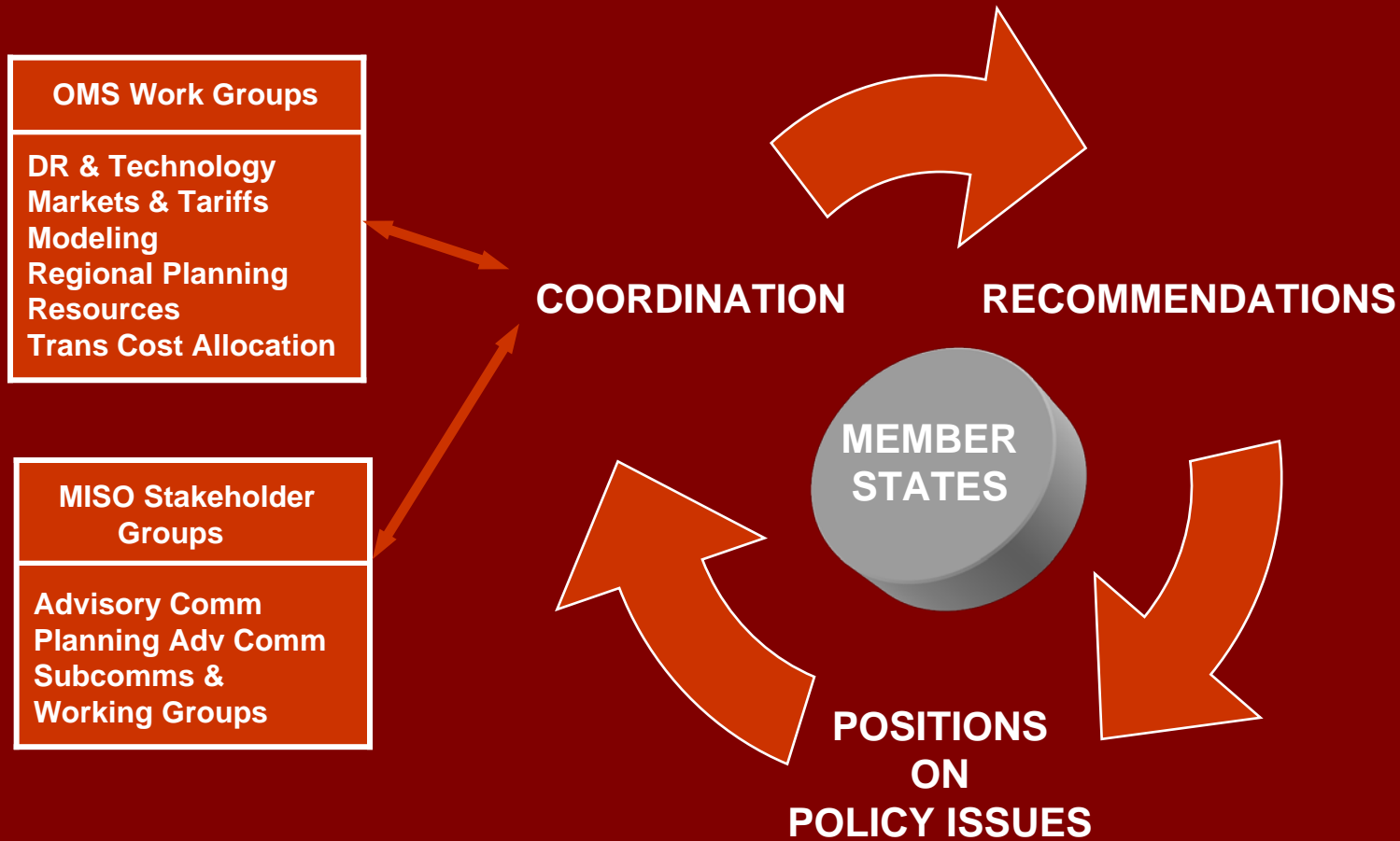
Goals & Objectives

Moving Forward

OMS: Mission & Vision

The purpose of the OMS is to coordinate regulatory oversight among the states; making recommendations to the Midwest Independent System Operator (MISO), the MISO Board of Directors, the FERC, other relevant government entities, and state commissions as appropriate; and intervening in proceedings before the FERC and in related judicial proceedings to express the positions of the OMS.

OMS: The Process



OMS: Crosscutting Regulatory Issues

Workgroups study and advise the OMS Board of Directors on issues ranging from demand response to cost allocation and regional planning that affect states, regional, and national policies.



SMART GRID

WIND ON THE GRID

COST AND COST ALLOCATION ISSUES

TRANSMISSION PLANNING AND MODELING

Overview

Organization of MISO States

Guiding Principles

Leadership
Education
Collaboration

2010 Goals & Objectives

Moving Forward

Leadership

As an organization comprised of state regulatory commission representatives, OMS is poised to take leadership on key issues affecting MISO, FERC, regional, national, and state policy. Toward this end, OMS strives to lead on issues of great importance to the region.

-
- 1. OMS is a principal stakeholder within MISO**
 - 2. Commissioner and staff involvement in MISO committees and councils must be effectively utilized**
 - 3. OMS should actively present its positions in a timely manner in additional appropriate regional and national forums**
-

Education

State Commissions provide key staffing resources to the OMS and MISO processes. Commissioners and staff must be afforded opportunities to be kept up-to-date and educated on emerging issues.

-
- 1. Cost effective training opportunities for new and current staff need to be made available.**
 - 2. When possible, regional and MISO training sessions should be made open to all members.**
 - 3. New educational resources should be explored to help achieve annual goals.**
-

Collaboration

OMS is heavily dependent upon collaboration within its own membership and key stakeholders. Collaboration among members can increase effectiveness and efficiency. Collaboration also aids in effective use of limited available resources.

-
- 1. Collaboration must first begin within OMS membership.**
 - 2. Key stakeholders outside the regulatory community should be invited to collaborate on selected emerging issues.**
 - 3. In particular, Collaboration on 2010 goals is critical to our success.**
-

Overview

Organization of MISO States

Guiding Principles

2010 Goals & Objectives

- Planning and Infrastructure Development
- Improvement of MISO Processes
- Improvement of OMS Processes
- Build Lasting Partnerships

Moving Forward

Goal: Planning & Infrastructure Development

CARP

- Demonstrate leadership
- Strive for consensus
- Complete soon!

RECB

- Chaired by OMS (L. Azar)
- Continue state participation
- State differences expressed here

Planning Forums

- Conduct forums locally to educate on regional planning issues

EISPC/ EIPC

- Participate in efforts
- Coordinate with MISO and OMS processes

OMS/MISO Sharing

- States inform MISO on state activities, like plant retirements and mandates
- Share state info: dockets, forecasts, planning

Transmission Planning

- MTEP-10
- Local Renewable Development
- Wind Integration
- Distributed Generation
- Nuclear potential

Resources

- Wind, new technology qualification, integration, and participation
- Interconnection requirements

Goal: Improve MISO Processes

OMS recognizes the need to be cost effective and continually supports MISO cost control efforts. OMS observes that improving MISO processes encompasses is two-fold: goals that focus directly on process and inputs and goals that focus on specific outputs.



Goal: Improve OMS Processes

OMS processes can be improved by utilizing some of the very tools we have on hand, such as the OMS website. Additionally, the use of new technologies can aid information sharing and improve technology processes.



Goal: Build Partnerships

Partnerships need to be built and maintained. OMS can benefit by building and enhancing relationships on the federal, state, and regional level. For example, enhancing the OMS/MISO relationship can help bring light to state level issues which might result in using MISO as a technical resource or alignment on wholesale issues that affect retail. Another example is better relationships with state legislative and executive branches through information sharing and dialogue which can promote a better understanding prior to decision making.

Step	Phase	Activities
1	Define target philosophy items for the partnership	
2	Identify target organizations	
3	Identify target Objectives	

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graph TD; A[Target Philosophy] --> B[Partner Candidates]; B --> C[Target Organizations]; B --> D[Target Objectives]
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Partnerships: Framework

Knowledge Expertise

Other Government Agencies

Associations/NGOs

MISO & MISO Stakeholders

Partnership: Potential Partners

McKinsey & Company



IPU



NATIONAL ASSOCIATION OF STATE UTILITY CONSUMER ADVOCATES

NASUCA

Knowledge/Expertise



Other Gov't Agencies



Associations/NGOs



MISO & MISO stakeholders

- ▶ Board of Directors
- ▶ Officers
- ▶ Membership



OMS

Overview

Organization of MISO States

Guiding Principles

Goals & Objectives

Moving Forward

**Merging Principles &
Goals**

Action Items

Merging Principles and Goals

Leadership

- CARP process and movement gives a “STATE” voice
- RECB process has key state involvement and leadership
- Enhance OMS dialogues with MISO Board and Officers
- Actively participate on key issues within MISO through workgroup process
- Be a resource for partners – by sharing in advance (before a problem arises)
- Continue to increase OMS preparedness and responsiveness for issues within MISO

Education

- Identify existing state resources and programs available as educational tools
- Explore training opportunities, MSU, NRRRI, and MISO for staff and Commissioners
- Identify ways MISO can be expert on matters that overlap with state regulatory issues
- Create issue papers and share with partners and constituencies

Collaboration

- Increase sharing among membership: Conduct survey of state best practices or provide an opportunity for OMS state best practices blog
- Identify key partners and develop an OMS liaison opportunity with key organizations
- Invite partners to OMS activities as appropriate
- Share information with other like state organizations

Action Plan

Review WEBSITE to make it easy for businesses and citizens to utilize. Design a structure for state collaboration and best practices sharing.

Executive Board shall review quarterly the principles and objectives outlined within.

Identify key partners and work on those relationships.

Enhance the MISO/OMS relationship. Share needed state information with MISO and identify opportunities for states to access MISO's expertise for proceeding and overlapping regulatory issues.

Continue working on regional planning and development efforts.

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

RTO/ISO Performance Metrics)

Docket No. AD10-5-000

**COMMENTS OF THE ORGANIZATION OF MISO STATES
AND MOTION TO ACCEPT COMMENTS OUT-OF-TIME**

Pursuant to Rule 211 of the Federal Energy Regulatory Commission’s (“Commission”) Rules of Practice and Procedure, 18 C.F.R. §§ 385.211, the Organization of MISO States (“OMS”) respectfully submits the following comments in response to the Notice Requesting Comments on RTO/ISO Performance Metrics (“RFC”) issued by the Commission on February 3, 2010.

I. BACKGROUND

In September of 2008, the General Accountability Office (“GAO”) provided a Report to the United States Senate Committee on Homeland Security and Governmental Affairs titled *Electricity Restructuring: FERC Could Take Steps to Analyze Regional Transmission Organization’s Benefits and Performance* (“GAO Report”).¹ Among other things, the GAO Report identifies concerns regarding how RTO expenses and decisions influence electricity prices and whether RTO costs outweigh their benefits. The GAO Report makes several recommendations to the Commission to address the performance of RTOs. In particular, the GAO Report asserts that the Commission should develop a “comprehensive set of publicly

¹ *Electricity Restructuring: FERC Could Take Steps to Analyze Regional Transmission Organization’s Benefits and Performance* GAO-08-987, September 22, 2008

available, standardized measures” of RTO performance.² While the GAO Report does not make any specific recommendation concerning RTO performance metrics, it does state that “without such measures, the Commission will remain unable to demonstrate the extent to which RTOs provide consumers and others with benefits.”³ In response, the Commission’s Notice states that it met with RTOs to develop a set of metrics.

On February 3, 2010, the Commission issued a Request for Comments on RTO/ISO Metrics (“RFC”) and a proposed set of performance metrics that the ISOs/RTOs would use to report annually to the Commission. The Commission specifically requests comments on whether the proposed metrics will effectively track the performance of RTO operations and markets. The RFC established March 5, 2010 as the deadline for comments.

The OMS requests that the Commission receive the late-filed comments. The delay was caused by the OMS meeting schedule which did not allow approval of the comments until March 11. The comments are being submitted as soon as practical following that approval.

II. COMMENTS

The OMS offers comments concerning the performance metrics listed in the Commission’s RFC. Specifically, Performance Metrics of the RFC provided three general categories of performance metrics: reliability; market; and organizational effectiveness. Each category includes a number of metric headings generally composed of several specific quantifiable elements. The RFC’s organization of performance metrics will dictate the structure of the OMS’s comments.

Also, attention will be given to the effective interpretation of performance metrics needed to translate the metrics into assessments of benefits. The Commission’s Notice states that the

² GAO Report, at 7-8

³ GAO Report, at 8

GAO Report recommends not only that each RTO annually provide a report on the metrics, but that the Commission will annually provide an interpretation of “(1) what the measures and reported performance communicate about the benefits of RTOs and, where appropriate, (2) changes that need to be made to address any performance concerns.”⁴ The Commission’s annual interpretation report will therefore be the key to effectively assessing the benefits of RTOs.

A. Reliability Metrics

1. Reliability Standard Violations

Reliability metric A.4 asks RTOs to report the total number of reliability violations the RTO commits each year. The difference in sizes of RTOs suggests that the total number of violations should be scaled by the number of megawatt hours delivered or transmission facility miles operated by the RTO. The OMS believes there is value in reporting the simple total, but also making an explicit recognition of the difference in RTO size would be beneficial for the interpretation of relative RTO performance.

2. Transmission Expansion

Reliability performance metric D.1 proposes to report the number of transmission facilities approved to be constructed for reliability purposes. The number of approved facilities coming in service in the year should also be included as a performance metric. It would also be beneficial to categorize the transmission facilities by voltage. Possibly, a distinction should be made between lines of different voltages, substations, and other transmission equipment. The number of transmission facilities or facility miles approved and built would be a more comparable metric across RTOs if it were also expressed as a percentage of the total number of

⁴ RFC at 1.

facilities and total number of facility miles. This again recognizes the difference in the size of RTOs.

The number of facilities approved or built should be complemented by metrics quantifying the nature of those investments. The OMS recommends two separate metrics to quantify the nature of the transmission line: transmission line miles built and the total amount of transmission congestion those facilities will have alleviated. The number of line miles provides less information about the benefits of the transmission facility construction than does the congestion alleviation, but still provides information about the level of investment. The number of miles per line constructed is likely to be larger in RTOs with less dense populations relative to more dense populations. The amount of congestion relieved may be a superior metric because it directly translates into economic benefit for consumers.

Also, the implication of this metric is that more approved transmission constructed for reliability purposes is better. However, that is an open question. The goal of the RTO should be to efficiently plan for the optimal amount of transmission – not just the most. The efficiency of transmission expansion would be better evaluated if the total cost of constructing those facilities was presented at the same time as the numbers of facilities. The OMS recognizes that system topology affects the total cost of constructing a transmission facility or a mile of transmission facility and therefore differences in total cost may not be directly comparable across RTOs. Furthermore, the relationship between congestion reduction and total cost will suffer from the same shortcomings across RTOs, but the OMS believes this measure of congestion reduction is the most indicative measure of transmission expansion efficiency.

Given the business cycles inherent in the electric power industry, a transmission facilities metric is only meaningful over a multi-year period, as any particular year would likely show

excess or insufficient transmission due to various other factors such as market demand. Also, lack of transmission building can be an indicator of an RTO's more efficient use of existing transmission, such as what occurred when RTOs changed to using market redispatch instead of TLRs to manage transmission congestion. An RTO that achieves more efficient use of existing transmission should be rewarded for such, while this metric may imply the opposite.

3. Generation Capacity

Reliability performance metric E.2 is another metric that may be misleading without the accompaniment of an appropriate interpretation. Specifically, this metric proposes to compare the actual reserve margin with the planned reserve margin. RTO forecasting and administrative performance may be assessed through the ability to maintain actual reserve margins equal to those that were planned. However, this ability is affected by a number of significant variables outside of RTO control; currently, the drop in economic activity has increased the reserve margins beyond their expected levels. This is a simple example of the type of interpretation that is necessary for the metrics to be intelligible. The legitimacy of carrying each additional MW of capacity above what is needed to meet the industry practice of one outage in ten years should be judged based on the incremental cost of carrying that MW.

Understanding long-term reliability through generation resources dictates the need to ask how generation resources are compensated for their capacity. It would be appropriate for the method by which capacity is compensated to be recognized in conjunction with the reserve margins. If there is a centralized market for the capacity, then the total cost of that capacity should also be reported. Total megawatts of capacity maintained, total megawatts compensated through market mechanisms, total dollars spent to compensate those megawatts and per megawatt values would be appropriate. Because some RTOs rely more on bilateral markets

instead of RTO centralized markets, a metric based on this may provide information about each RTO over time, but may not be comparable between RTOs at a given point in time.

4. Generator Interconnection

Whether a generation interconnection request has been processed in a shorter amount of time or a longer time frame should not be a primary indicator of RTO performance related to long term reliability planning. RTO processing times for approving generator interconnection requests can vary based on internal and external factors and do not tend to suggest poor generation reliability planning, or insufficient RTO planning performance. OMS suggests that the Commission could provide further clarification about the intent of this metric as a sufficient measurement for assessing an RTO's performance based on processing times of generation interconnections and long term reliability planning.

B. Market Metrics

The OMS has several suggestions for improving market metrics. They follow from the idea that the market value of generation is determined by the right type of generation being available at the right place at the right time. As explained below, all three are equally important and therefore should be considered when determining RTO effectiveness.

1. Locational Marginal Prices

The LMPs are the most visible element of the RTO market and therefore one of the most controversial. The LMP market is designed to increase the operating efficiency of generating units and to provide market signals about the location, type, and perhaps profitability of generation or transmission investment.⁵ Not surprisingly, the concept has been the center of some criticism of the RTO construct. Some critics believe that paying all suppliers the LMP

⁵ The OMS understands that The Midwest ISO is currently studying a replacement for LMP, Convex Hull Pricing, because it believes that the LMP does not provide the correct market signal for profitability of generation.

results in a net wealth transfer from consumers to suppliers. This belief implies that the effect of efficiency gains on LMP provides less financial benefit to consumers than is lost through the payment of the LMP to all suppliers.⁶

There are two metrics the OMS believes would better assist the Commission in developing an informed interpretation of this criticism of the RTO market design. The first metric would be equal to the total cost of energy in each RTO market. This metric would be calculated by multiplying the LMP at each load node by the quantity purchased at that node for each hour and summing across nodes and hours. The OMS believes this data is an output from the market models and is retained in RTO databases.

The second metric would be an estimation of hourly production costs across all generation nodes. If the production costs do not presently exist in a database, then the RTO should be able to utilize its existing market model to simulate an 8,760-hour dispatch under the actual conditions the system experienced when the LMPs from the first metric were derived. The sum of these costs across hours and nodes would then be compared to the calculation of total cost of energy in the RTO market.

Similar analysis could be performed for each of the commercial pricing nodes within the RTO market. The most information would actually be gathered from an inspection of production costs and LMPs for each node at each hour. A large spread between the two would provide evidence of market power. However, should this exist, it does not necessarily indicate that the pricing mechanism itself is inefficient. It could indicate the need for new capacity or the

⁶ The Montana PSC is skeptical of market clearing pricing but supports FERC's efforts to create performance metrics. However, The MTPSC believes FERC has not gone far enough and should rigorously develop additional metrics to evaluate if market clearing pricing does in fact transfer wealth from the consumer to the supplier. The construct of market clearing pricing is supposed to provide price signals to generators that will seek to take advantage of profits by entering the market. The MTPSC does not believe this is has been the case and these profits are being held by generators and not creating new entry into the market.

existence of barriers to market entry for new generation. The OMS is not suggesting the analysis be reported by commercial pricing node by hour, but instead is using this illustration to express its view about the efficiency of the LMP methodology and what an analysis of the divergence between LMP and production costs could reveal.

Reporting a single average across all hours may be a suboptimal performance metric. The OMS would recommend reporting average LMPs by hour of the day and by season. It would also be beneficial to report the average LMP by day of the week, or at least as weekday average versus weekend average. This recognition of the time dependency of LMPs is an essential piece of information that is not commonly known. Communicating the RTO's ability to recognize the time dependency of the price of electric energy should facilitate a meaningful interpretation of benefits or potential benefits that are or could be delivered to consumers. Furthermore, the exposure to time-varying prices through the RTO provides consumers with the incentive to reduce consumption and generators with the incentive to provide resources at the peak. Reducing consumption at the peak reduces the energy prices that are several orders of magnitude higher than base load generation, and would also lower the levels of capacity needed to maintain reliability. The failure to recognize the linkage between time of day, week and year and electricity price is a leading contributor to the inefficiency that leads to higher average wholesale and retail prices in the system. Recognition and management of these realities should be an objective and benefit of the RTO. Therefore, providing information about price variation across time would be instrumental in increasing the understanding of the inefficiencies in the provision of electricity.

The extent to which load-weighted average LMPs reflect system topology may confuse the interpretation of this metric when comparing results across RTOs. LMPs are also a reflection

of the historical generation technologies which are available to the RTO for dispatch. Therefore, LMPs should be reported along with some measure of load and the mix of available generation technologies. LMPs should then be interpreted with some recognition of system topology.

In addition to providing average LMPs with some time differentiated dimension, average load should be reported with the same periodicity. Reporting these two metrics side by side will illustrate the high degree of correlation between the two further illuminating the source of the inefficiency. Understanding the origin of an inefficiency is a step towards removing the inefficiency and ultimately reducing overall costs to consumers.

The OMS also believes that reporting the ancillary services prices and volumes across hours, days and seasons would be informative and stimulate a meaningful Commission analysis.

2. Forced Outage Rates

Market Performance metric B.1 asks for the RTO forced outage rate. The OMS assumes this metric intends for the RTO to report some average forced outage rate across all generating units in the RTO. It would be beneficial if the metric were modified to require the RTOs to report the average forced outage rates by different generating technologies.

The OMS recommends also reporting generator availability, accounting for both planned and unplanned outages, by generating technology. Increased operational efficiency of generating units is a potential advantage of the RTO construct. The ability to track the change in generator availability would be helpful in determining the benefits of RTO creation. An interpretation of the effect of RTOs on generator availability would be better facilitated by the provision of data about generator availability both before and after the creation of each RTO and before and after the beginning of Day 2 markets.

3. Renewables

Reporting RTO forced outage rates and generator availability on a technology-specific basis would initiate the need for a comparable metric for the availability of variable energy resources. Both Section 1 and Section 2 of the RFC suggest some metric aimed at characterizing renewable generation resource integration.

Section 1 asks RTOs to report the percentage of total RTO energy supplied by renewable generation resources. This statistic alone will not communicate the circumstances surrounding the integration of renewable generation resources into the RTO dispatch. In order to foster greater understanding of the state of renewable resource integration, the RTO should report simple average and locational average capacity factors of different renewable generation resources. The Commission should also recommend the RTO report the correlation between renewable energy generation and load in the RTO on an average and location specific basis. These metrics would allow a better interpretation of the proposed metric (level of renewable energy produced) by providing some objective measure of the contexts across RTOs in which renewable resources are being integrated.

The Commission might consider adjusting or adding to the E.1 metric for regional renewable energy integration. This can be accomplished by dividing the quantity of renewable energy sales by the product of the RTO sales and an RTO average renewable energy capacity factor. This metric could be used to measure growth of renewable energy integration in one RTO over time or across RTOs. Placing the average capacity in the denominator of this ratio would account for the different renewable endowments of different regions. For example, a region with lower capacity factors would need more installed capacity than a region with higher capacity factors to reach the same percentage of total output by renewable resources.

Additionally, the operational complexities corresponding to RTO integration of intermittent renewable energy resources dictate some additional information concerning the performance of RTOs. The renewable energy resources that are dispatchable as a percentage of total renewable energy resources would illustrate the RTOs ability to efficiently integrate renewable resources into their operations. It may also be instructive to differentiate between those renewable energy resources whose output can be controlled in both upward and downward directions, if such a renewable resources exists, from those which can only controlled in the downward direction.

4. Congestion

The quantification of the cost of congestion is another metric that will provide the Commission with an opportunity for meaningful analysis. Reporting congestion charges in absolute magnitude or even on a MWh basis does not necessarily represent the performance of the RTO at any one point in time, in that at any given time the level of congestion charges is a function of the system topology of the RTO service territory. As such, it would be beneficial to report the amount of congestion charges for each RTO at different times of day, week and year.

A different solution may be appropriate for relieving congestion that is persistent across all hours than the solution for relieving congestion occurring more sporadically. For instance, persistent congestion may be better addressed through transmission investment while intermittent congestion might be best solved through a generation or demand side investment.

An evaluation of the percentage of congestion dollars hedged through RTO markets could also help the Commission foster a greater understanding of the costs and benefits of RTOs. The OMS comments here are less concerned with the metric itself, but rather with what information the Commission needs for a meaningful analysis. Evaluation of information such as

the auction prices paid by FTR holders to secure the right to congestion revenues could be helpful. Reporting and evaluating such information will provide the basis for a more meaningful interpretation of the congestion metrics and the value and use of FTRs in competitive markets.

C. Organizational Effectiveness Metrics

The organizational effectiveness performance metrics address the expenses directly incurred by the RTO. To be clear, these expenses are not the full measure of costs resulting from the creation of RTOs and should not be the total “cost” for comparison in any RTO cost-benefit analysis. The OMS believes that the annual actual and budgeted RTO administrative charges to members should be supplemented with additional information. As the Commission proposes, the RTOs should report budgeted and, more importantly, actual expenses in a categorical form. A general categorization would report expenses as salaries and related benefits, interest expense, consulting or professional, facility and maintenance, depreciation and amortization, regulatory dues, and other. Specifically, expenses could be reported on a functional basis as they are administrative and general, transmission expense, regional market expense, or other expenses. The gross property and equipment expenses for each RTO should be categorized as well. Examples of categories are software and hardware, construction work in progress, buildings and leasehold improvements, land, and furniture and fixtures.

Given the increased emphasis on regional transmission expansion planning, it would be useful for the RTOs to report the level of expense incurred for planning efforts, including some breakdown of the expenditure. That breakdown could include salaries for planners, consulting fees, and software and hardware expenses. The Commission’s interpretation of these expenses could include some recognition of the scale of different operations, and specific undertakings

within an RTO that may have caused a specific categorical increase outside the normal course of business.

The GAO report also paid significant attention to the need for the Commission to establish a standard budget review process that would occur at regular intervals and assess the accuracy, completeness and reasonableness of the financial information reported by RTOs in the FERC Form No. 1.⁷ The GAO Report summarizes an August 28, 2008 letter from the Chairman of the Commission (“Chairman’s Letter”) which communicated the Commission’s intention to perform periodic audits of compliance with the Uniform System of Accounts and to assess if expenses are reported correctly in the FERC Form No.1.⁸ The OMS notes that the Chairman’s Letter did not make any explicit mention of the Commission’s intention to judge the reasonableness of the RTO expenses in this review process. The Commission instead referenced the extensive opportunities for stakeholder input on RTO costs.⁹

The Chairman’s Letter also recognized that the stakeholder process allows consumer input into the RTO expenditure considerations in ways unmatched by other public utilities.¹⁰ However, the number and depth of stakeholder meetings requires considerable resources to attend and participate in a meaningful way, and in this sense can be as much a detriment as they are a facilitator of fair representation and budget scrutiny.¹¹ Some important stakeholders simply do not have the resources necessary to allow participation in RTO stakeholder meetings on the same level as other RTO stakeholders. Accordingly, it would be imprudent for the Commission to assume that a transparent stakeholder process is all that is necessary for a RTO to

⁷ GAO Report at 59

⁸ GAO Report, at 59-61

⁹ GAO Report, Appendix IX, at 1

¹⁰ GAO Report, Appendix IX, at 1

¹¹ GAO Report, at 33-35

achieve fair outcomes and reasonable expenses. This comment applies to other (e.g. market and tariff) issues as well as the RTO's budget.

D. Other

There are a number of other specific questions that the OMS believes would not be addressed with the present set of metrics and proposes some metrics to help address those questions.

1. Merit Order Dispatch

How efficiently does an RTO utilize generation resources? There are a number of metrics already listed which address the optimal system use. However, there are a number of metrics which could further illuminate the ability of an RTO to dispatch the optimal generation resources. When generation resources are dispatched out-of-merit order they are not authorized to set price. Therefore, these resources may experience a revenue shortfall in that period. These revenue shortfalls are aggregated and collected from market participants using non-market charges in what is commonly referred to as uplift charges to finance make-whole payments.

It is generally less efficient to use administrative charges instead of market-based solutions. To measure this inefficiency, one metric could be the number of megawatt hours dispatched out of merit order. The number of megawatt hours should be reported in absolute magnitude, as a percentage of total megawatt hours dispatched, and the financial impact of out of merit dispatch.

2. Market Power

Do RTOs minimize the level of market power? RTOs can report the level of concentration in the generating segment of the market, the competitive segment of the industry.

Concentration can be reported strictly on a capacity basis, or on the basis of some cost competitiveness. For example, the PJM three-pivotal-supplier test first designates a subset of the entire capacity based on any unit's offered price's proximity to the marginal unit's offered price. Given the heterogeneity of the generating resources, the competitive capacity is truly some subset of the entire set of all generating capacity. A generating resource with a cost or offer price twice as high as the marginal unit is not competing at the given time and is not realistically going to compete in the future under those load conditions.

Given this analysis, it would be necessary for the competitive market to be defined on an hourly basis before concentration could be calculated on an hourly basis. Concentration ratios should be reported as averages for each of the twenty-four hours of the day with specific differentiation on a seasonal basis.

3. Market Entry

Another difficult but related question is: has the RTO construct improved access to the grid by reducing opportunities for discriminatory transmission practices? The absolute magnitude and percentage of independent power producers interconnected to the grid relative to the magnitude of generating resources vertically integrated with distribution utilities interconnecting in the market could be measured to provide insight into this question. Furthermore, measuring of demand response and, for future years, any price responsive demand integrated into the market could help in addressing this question.

The OMS notes that the Commission recognized the level of demand response as an RTO metric, but OMS wishes to encourage the interpretation of this metric as it pertains to the reduction of discriminatory transmission practices. The ability for non-traditional resources such as demand side resources to participate in the market has been one of the central efforts of the

Commission and RTOs. The key to facilitating this participation is to lower the level of market power abuse that is facilitated by the historical barriers to competitive entry to the system.

III. CONCLUSION

The OMS submits these comments concerning the Commission's Notice Requesting Comments on RTO/ISO Performance Metrics, and asks the Commission to receive them out-of-time, because a majority of the members have agreed to generally support them. Individual OMS members reserve the right to file separate comments regarding the RTO performance metric notice discussed in these comments. The following members generally support these comments.

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
Pennsylvania Public Utility Commission
South Dakota Public Utilities Commission
Wisconsin Public Service Commission

The Manitoba Public Utilities Board did not participate in this pleading.

Respectfully Submitted,

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Dated: March 16, 2010

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

Credit Reforms in Organized
Wholesale Electric Markets

Docket No. RM10-13-000

**COMMENTS OF THE
ORGANIZATION OF MISO STATES**

Pursuant to the Federal Energy Regulatory Commission's (Commission) request for comments, and the Notice issued on January 27, 2010, setting March 29, 2010 as the comment deadline,¹ the Organization of MISO States (OMS) hereby submits the following comments concerning the Commission's Credit Reforms in Organized Wholesale Electric Markets Notice of Proposed Rulemaking (NOPR) issued on January 21, 2010 in the above-captioned docket.

I. COMMENTS

A. Unsecured Credit in Financial Transmission Rights Markets Should be Eliminated

The OMS agrees with the Commission that credit policies are particularly important in the organized energy markets and that unsecured credit in financial transmission rights markets should be eliminated.² Credit policies that are too restrictive are likely to discourage participation. Credit policies that are non-existent or are too liberal are likely to increase risk. Good credit policies strike an appropriate balance between market liquidity and risk. The balance that is appropriate is a function of the market and the market design.

¹ 75 Fed. Reg. 4310 (2010) (to be codified at 18 C.F.R. Part 35).

² NOPR at P 23.

Financial transmission rights markets are forward markets where performance risk can extend out a year or more into the future. Events that are both rare and sudden, such as a major transmission line outage, can significantly alter the value of financial transmission rights and can significantly affect their value for an extended period of time. As a consequence, holders of financial transmission rights can, and have, suffered devastating losses.

In traditional forward markets such as NYMEX, performance risk is lessened by the requirement of collateral and collateral calls based on expected worst case price movements.

In the organized wholesale electric markets, the regional transmission organizations (RTOs) and independent system operators (ISOs) act as clearing houses, setting and administering their individual credit policies. In the event of default, the RTOs and ISOs bear no risk of loss and the loss is allocated to market participants.

Given this design of credit risk pass-through, it is especially important that credit policies in the organized wholesale electric markets avoid being too liberal. In RTO and ISO markets, where market participants have collective input into the credit policies, but are not allowed to individually determine the risks that are acceptable, credit policies should be more restrictive to reduce the imposition of credit risk levels that are unacceptable to market participants. Attempting to impose unacceptable risk levels on those that have choice as to participation merely discourages participation in the market.

Imposing unacceptable risk levels on those that have no choice as to participation is neither reasonable nor equitable. Some participants in the organized wholesale electric markets have no choice with respect to participation. For example, those that are subject to must offer requirements have no choice and must participate in the market. Where participation in the

assumption of risk is not voluntary, equity demands credit policies that do not impose excessive risk.

Given the unique risks inherent in financial transmission rights markets and the credit risk assumption by participants of the organized electric wholesale markets, the Commission proposal to eliminate unsecured credit in financial transmission rights markets, is reasonable.

B. Minimum Criteria for Market Participation Should Be Required

The elimination of unsecured credit in financial transmission rights markets will reduce, but not eliminate, credit risk. Sudden events can decrease the value of financial transmission rights beyond the exposure calculations and the required security of the RTOs and the ISOs. To reduce credit risk to other market participants and their customers to a reasonable level, minimum criteria for participation in financial transmission rights markets should be required.

One requirement for participation in financial transmission markets should be a minimum net worth. A requirement of a minimum net worth would provide additional credit risk protection to other market participants and their customers.

Since credit risk is greater for speculative holders of financial transmission rights than it is for holders that are hedging, the minimum net worth requirement should be significantly higher for speculative participants in the financial transmission markets. Since it may not be possible to determine who is speculating and who is hedging in a particular market, the OMS suggests that net worth requirements be lesser for participants up to the level of firm transmission service entitlement that the entity holds. Once an entity has a position in the financial markets that exceeds the entitlement, higher net worth requirements should be imposed against that position. This will ensure that speculative positions are subject to stronger financial

protections, regardless of the type of entity engaging in them. A lower minimum net worth requirement should be set for hedging participants at a level that is not onerous and that allows most traditional market participants, including small load serving entities, to participate in the financial transmission rights markets. Tying the net worth requirements to firm transmission entitlements will largely serve to allow hedging participants to continue to participate in the financial rights markets.

C. Ability to Offset Market Obligations

The Commission proposes to revise its regulations to require that each RTO and ISO include in the credit provisions of its tariff language that will clarify the RTO and ISO as a party to wholesale electric market transactions.³ The Commission believes this will eliminate ambiguity with respect of the ability of the RTO/ISO to manage defaults and pursue offsets to market obligations.⁴

The OMS supports the Commission requiring RTOs and ISOs to adopt these proposed credit provisions. RTOs and ISOs should be able to take measures to mitigate the impacts of member default upon other members to the greatest extent possible and this is a measure that will facilitate that ability.

In general, it would be desirable, for the RTO/ISO to be eligible to be a party in a potential bankruptcy proceeding to try to collect the money otherwise owed to members of the RTO. Although assumption of the counterparty status would assist the RTOs and ISOs in any possible bankruptcy it is important that assuming this counterparty status does not exposed the

³ NOPR at P 24.

⁴ NOPR at P 24.

RTOs and ISOs to unforeseen ramifications (such as increased liability or the incurrence of additional obligations) as the Commission noted in the NOPR.⁵

D. A Standardized Grace Period to “Cure” Collateral Posting is Warranted

RTOs and ISOs have adopted timeframes in which a participant may “cure” its changed credit position by posting additional collateral.⁶ It is important that the “cure” time period be short enough to minimize credit risk for other market participants and potentially erratic market behavior. While demanding additional collateral on short notice can impose a financial burden on the participant, advance knowledge of the exposure calculation mechanics and a two business day timeframe in which additional collateral must be posted will minimize that burden. For these reasons, the appropriate time period for posting additional collateral should be two business days.

II. CONCLUSION

The OMS supports the Commission’s efforts to reform credit practices in organized wholesale electric markets. The OMS respectfully requests that the Commission: (1) eliminate unsecured credit for financial transmission rights markets, (2) require minimum criteria for market participation, (3) require the ability to offset market obligations, and (4) require a standardized grace period for the reasons explained in these comments.⁷

The OMS submits these comments because a majority of the members have agreed to generally support them. Individual OMS members reserve the right to file separate comments

⁵ NOPR at P 25.

⁶ NOPR at P 30.

⁷ The Montana PSC feels that it is important for the FERC to require an RTO/ISO to define what is an acceptable level of risk and speculation.

regarding the issues discussed in these comments. The following members generally support these comments.

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
Pennsylvania Public Utility Commission
South Dakota Public Utilities Commission
Wisconsin Public Service Commission

The Manitoba Public Utilities Board did not participate in this pleading.

Respectfully Submitted,
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Organization of MISO States
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Dated: March 16, 2010

1. Real-Time Pricing Volatility (Scarcity pricing events)

At the 3/2/10 MISO Market Subcommittee meeting, stakeholders approved a motion to request an analysis by the IMM of the causes of recent real-time price spikes. This will address the concerns that the M&TWG raised with the OMS Board on 2/11/10 in a report and recommendation.

Status: Completed.

2. FERC NOI on Integration of Renewables RM10-11-000

On 2/19/10, the M&TWG met and discussed potential comments. The M&TWG has decided not to recommend comments in this docket.

The FERC's 1/21/10 notice of inquiry seeks comments on integrating variable energy resources into the power grid. FERC asks for comments on the extent to which barriers may exist that impede the reliable and efficient integration of variable energy resources into the electric grid, and whether reforms are needed to eliminate those barriers, but not those related to transmission planning and cost allocation. Comments are due 3/29/10.

Status: Review completed.

3. FERC NOPR on Credit Reform in RTOs RM10-13-000

On 2/25/10 the M&TWG met and prepared the draft OMS comments for presentation to the OMS Board on 3/11/10. The comments concern FERC's 1/21/10 notice of proposed rulemaking on whether to reform credit practices in organized wholesale electric markets.

The proposed comments:

1. Support FERC's proposal to eliminate unsecured credit in the FTR market
2. Support a minimum criterion for FTR market participation and identifies it as a minimum net worth criteria, though it does not quantify what that minimum should be. It also proposes a lower minimum for those that are hedging.
3. Support allowing the ability to offset market obligations, while being mindful that RTO/ISO counterparty status not expose them to unforeseen ramifications.
4. Support a two business day standard for the posting of additional collateral.

Comments are due 3/29/10.

Status: Completed.

4. M&TWG 2010 Work Plan

To increase work group efficiency and optimize resources, we put together a list of priority issues for the M&TWG and sent an e-mail to the M&TWG on 3/2/10 requesting that each member select their top priorities for the upcoming year.

Status: Will report results when complete.

5. MISO MSC review of ASM Zonal Cost Allocation

At the 3/2/10 MISO Market Subcommittee meeting, MISO presented a follow up on an ASM cost allocation study. OMS had requested (in 2007 and again in 2008) that MISO analyze the cost allocation method for Ancillary Product procurement costs one year after ASM went into effect, and this development appears to be in response to that request.

MISO determined that “all Reserve Zone minimum requirements are less than their proportional Market Wide requirement for the Zone” and concluded that “Zones with Scarcity and Minimum Requirement Binding are not being allocated cost associated with their share of the Marketwide Obligation.” MISO feels that the cost shift is material only for Regulation (and not significant for Spin or Supplemental). MISO proposed a Grouped Zonal – Adjusted Method and requested feedback.

MISO requested feedback on which method to use to better allocate costs, and indicates that they will report back in April or May.

Status: Seeking workgroup input on response to recommend to Board.

For those interested, please note the following MISO meetings:

MISO Market Subcommittee - monthly meetings (3/31 next mtg)

MISO RSG Task Force – monthly meetings (3/30 next mtg)

MISO FTR Working Group – monthly meetings (3/30 next mtg)

Note that MISO switched the April MSC and RSG meetings around for the last two days of March to address meeting room needs for CARP meetings.

MISO Min Gen Task Force meets each month (4/10 next mtg)

The **OMS Markets and Tariffs Work Group** covers: Energy and AS markets, Market Monitoring and Mitigation. See <http://www.misostates.org/2008Oct14OMSWGstructureapprovedbyOMSBOD.pdf>

Christine Ericson and Bill Bokram, Markets and Tariffs Work Group co-chairs

OMS Resources Work Group

Status Report to OMS Board of Directors – March 11, 2010

MISO under-forecast letter

The Midwest ISO is preparing letters on March 10 that will be sent to the applicable state authorities for the under-forecast assessment. The Midwest ISO made changes to the process based on the feedback received during the SAWG. Each applicable state authority will receive a separate letter for each LSE so that the general contact listed in the Seibel system for the LSE can be carbon copied on the email.

At least one state prefers that the individual state LSE information monthly position be made available to all. This disclosure will be continued to be discussed.

The following is the last Midwest ISO report.

Update on Data

S55 Data	June	July	August	September	October	November	December
	All	All	All	All	All	All	All
# of LSEs underforecasted	27	11	11	4	3	8	17
# of Market Participants that Underforecasted	44	26	31	23	18	26	33
# of CP nodes underforecasted (StDev and Losses included)	81	43	53	41	35	49	64
Total CP nodes	263	263	267	285	291	297	289
Total Demand Forecasted (in MW)	91,682	108,086	106,355	97,114	82,866	83,432	89,675
Total Actual Demand (in MW)	95,186 *	84,421	93,865	81,548	70,632	75,443	86,448
System wide delta	-3,504	23,665	12,490	15,566	12,234	7,989	3,227

* FE Auction of ~4,000MW, June MISO peak for the summer
Values are weather normalized

	June	July	August	September	October	November	December
	No RCS	No RCS	No RCS	No RCS	No RCS	No RCS	No RCS
# of LSEs underforecasted	7	4	3	2	2	4	7
# of Market Participants that Underforecasted	13	8	11	10	10	12	19
# of CP nodes underforecasted (StDev and Losses included)	28	14	23	19	20	26	36
Total CP nodes	129	129	132	132	149	149	149



No RCS= does not include Retail Choice States IL, OH, MI

FERC NOI

The Resources is working with the Market WG on the FERC NOI on the Integration of Variable Energy Resources (Docket RM10-11-000). A joint conference call was held. No detailed draft product is available at this date.

SAWG Activity

The follow agenda items were covered at the March 4 SAWG:

2. MISO OMC Codes-Wet & Frozen Coal Ron Ryckman 9:15
3. LMR Deliverability - Permanent Approach Brian Pedersen 9:40
4. ARC Update Ryan Leonard 10:00
5. Must Offer Monitoring Update* Kevin Larson 10:30
External Resources Carmen Clark 10:35
6. Must Offer Requirement Discussion Kevin Larson 10:50
 - a. Conflict with Module B
 - b. External Resources in FRAC
7. MISO Update on Xcel Motion – Must Offer Req. for Intermittent Carmen Clark 11:20
8. LSE Under Forecast Assessments Update Mathias Heraeus 11:40
10. Updated Historical Transmission Losses Rick Kim 12:30
 - a. Historical Transmission Losses
 - b. Transmission Losses Analysis Ted Kuhn
11. Units with Low Service Hours Carmen Clark 1:15
 - a. Ameren Motion-Units with Low Service Hours√ Ron Ryckman
12. RA Construct Items for SAWG to Consider Addressing Kevin Larson 1:45
 - a. Midwest ISO Perspective
 - b. Discussion & Feedback
13. Metrics to Monitor Kevin Larson 2:15
14. Aggregate UCAP Calculation for Wind Generation Steve Leovy 2:30
15. Issues List and MECT Enhancements All 3:00
16. Written Status Reports (no verbal presentation)
 - a. VCA Results and PRC Transaction Summary

Discussions continue on how to manage non-dispatchable wind forecast in the day ahead and Real Time market deviations.

DGN 3-09-2010