



**ORGANIZATION OF MISO STATES, INC.  
Board of Directors Meeting  
Conference Call Minutes  
August 12, 2010**

**Approved September 9, 2010**

Monica Martinez, Vice-President of the Organization of MISO States, Inc. (OMS), called the August 12, 2010 meeting of the OMS Board of Directors to order via conference call at approximately 1:00 p.m. (CDT). 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  
Tom Pugh, Minnesota  
Robert Kenney, Missouri  
Greg Jergeson, Montana  
Hisham Choueiki, proxy for Valerie Lemmie, Ohio  
Jim Melia, proxy for Ty Christy, Pennsylvania  
Gary Hanson, South Dakota  
Brian Rybarik, proxy for Lauren Azar, Wisconsin

Absent

Manitoba  
North Dakota

Agency members participating

Christine Ericson, Randy Rismiller – Illinois  
Bob Pauley - Indiana  
Parveen Baig, Jeff Kaman – Iowa  
Burl Haar, Stuart Hanson, Marya White, Dan Wolf – Minnesota  
Greg Rislov – South Dakota  
Don Neumeyer – 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 July 8, 2010**

Sherman Elliott moved to approve the July 8, 2010 minutes. Bill Bokram seconded. The motion was passed by unanimous voice vote.

### **Treasurer's Report – Robert Kenney**

The beginning balance as of July 1 for the Wells Fargo Business Performance Savings Account was \$29,727.55 Interest earned for this month was \$1.26. The July 31, 2010 balance was \$29,728.81

The beginning balance as of July 1 for the Chase Bank One Checking account was \$46,951.23. The total disbursements from the checking account for July 2010 were \$28,742.20. Deposits and interest were \$50,071.63. As of July 31, 2010, the checking account bank balance was \$78,037.90 and the book balance was \$68,280.66 (with 14 checks outstanding).

The total savings and checking account balances as of July 2010 is \$98,009.47.

**Robert Kenney moved to accept the July 2010 treasurer's report. Gary Hanson seconded. The motion was approved by unanimous voice vote.**

### **Review of the Executive Committee Meeting**

Bill Smith reviewed the following items from the July 29, 2010 Executive Committee Meeting:

- The nominating committee has one call left and will present its report to the Board in September;
- The budget will be presented as an action item in September;
- Meeting planning

### **Executive Director's Report**

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

- MISO staff would like to invite those attending the MISO meetings in St. Paul to an outdoor concert on Tuesday the 17<sup>th</sup> and additional events are scheduled;
- Bill also summarized his attendance at the Council of State Government meeting. The discussion focused on whether an interstate compact would be a useful vehicle for interstate transmission line siting. The conclusion was that there were enough good prospects for this concept for the group to meet again to refine and define it further.

## **BUSINESS**

### **1. MISO Advisory Committee Issues**

- Burl Haar presented the work group comments on the August Hot Topic. The draft comments reflect input from staff of the following states: WI, MI, IL and MN. Brian Rybarik expressed concern about MISO's focus on membership to the potential detriment of state stakeholders and that this should be conveyed to MISO. Monica Martinez offered to bring the issue up during the comment period of the AC meeting.
- There was discussion about language at the bottom of page 2. A sentence stating "However, too much attention to trumpeting MISO value smacks of desperation and raises doubts about the MISO products" was debated for appropriateness. Ultimately, the sentence was struck with the plan that Monica Martinez would raise the issue during comments.

**Sherman Elliott moved to approve the comments. Tom Pugh seconded. The motion was confirmed by voice vote, with Kentucky abstaining.**

- Motion from MISO to approve the MSC, TBPSC charter and management plan;
- Motion that deals with an updated Governance guide. There was discussion about whether it redefined "voting member" to exclude state commissions. Bill Smith clarified that state commissions would be stakeholders and not members and the document would not change anyone's participation rights.

## **2. Planning Advisory Committee – Rob Berntsen**

- Rob Berntsen reviewed the written report he submitted on the August PAC meeting.

## **3. Update on Cost Allocation – CARP, RECB, MISO Filing**

- Comments on the FERC NOPR were given a month's extension. They are now due September 29. The Transmission Cost Allocation work group continues to work on the comments;
- MISO Cost Allocation filing ER10-1791. David Johnston and Randy Rismiller gave an update on the OMS comments that are being developed and a discussion was had about potential issues.

## **4. Update on Eastern Interconnection Planning Process – Brian Rybarik**

- There is an August 26-27 meeting in Arlington, VA. The meeting info and agenda will be available on the NRRI Knowledge Communities web site under the electricity section.

## **5. Meeting Plans – Monica Martinez**

- Monica Martinez reviewed the upcoming OMS meetings.

## **6. MISO Supply Adequacy Activities (SAWG) – Don Neumeyer**

- Don Neumeyer summarized the activity on this subject;

## **7. MISO Extended Locational Marginal Pricing Activities (Convex Hull)**

- This item was cancelled. Information about ELMP is discussed in the OMS Work Group Chair reports.

## **8. Approve OMS Resources Work Group Revised Resource Adequacy Principles**

- Don Neumeyer briefed the Board and staff on the revised resource adequacy principles. There was discussion on the different revisions.  
Randy Rismiller suggested the following changes:
  - Striking the phrase "are developed and maintained and secured by all load serving entities (LSEs)" from the Purpose statement. The Board voted to keep the sentence intact;
  - Principle #3: keep the first sentence and striking everything else. The Board agreed to strike the second sentence and keep the first & third;
  - Principle #5: deleting the second sentence. There were no objections;
  - Principle #11: removing the words "by LSEs" from the first sentence. There were no objections.
  - Principle #13: deleting the last sentence related to monetary penalties. There were no objections.
- Brian Rybarik expressed concern that the order the principles are listed in will be seen as a prioritization of the principles. A statement will be added to the Purpose section clarifying that the principles are "unranked."
- Hisham Choueiki suggested deleting the second sentence in Principle #6. There were no objections.
- Various typographical errors were noted for correction. The Board then considered the document for changes, and adopted it as amended.

**Brian Rybarik moved adoption of the principles as amended. Greg Jergeson seconded the motion. The motion was passed by unanimous voice vote.**

## **Updates and Work Group Status Reports**

### Demand Response WG

- No report;

### Transmission Cost Allocation WG

- Written report follows minutes;

### Markets and Tariffs WG

- Written report follows minutes;

### Resources WG

- Written report follows minutes;

### Regional Planning WG

- No Report;

### Governance and Budget

- Written report follows minutes;

### Modeling WG

- No report;

## **ADJOURNMENT**

The OMS Board of Directors meeting adjourned at 2:25 pm CDT.

# OMS

**Organization of MISO States  
Report of the Treasurer  
Robert Kenney, Missouri Public Service Commission  
to the  
Board of Directors  
August 12, 2010  
Report for July 2010**

## CASH ON HAND

The beginning balance as of July 1 for the Wells Fargo Business Performance Savings Account was \$29,727.55 Interest earned for this month was \$1.26. The July 31, 2010 balance was \$29,728.81

The beginning balance as of July 1 for the Chase Bank One Checking account was \$46,951.23. The total disbursements from the checking account for July 2010 were \$28,742.20. Deposits and interest were \$50,071.63. As of July 31, 2010, the checking account bank balance was \$78,037.90 and the book balance was \$68,280.66 (with 14 checks outstanding).

The total savings and checking account balances as of July 2010 is \$98,009.47.



TREASURER'S REPORT  
Organization of MISO States  
July 31, 2010

Wells Fargo Business Performance Savings Account

Balance as of 7/01/2010			\$	29,727.55
7/31/2010	DEP	Interest on Savings	\$	1.26
				<hr/>
Business Performance Savings Account Balance at 6/30/10				<u>\$ 29,728.81</u>

Chase Bank One Commercial Checking with Interest

Balance as of 7/1/2010			\$	46,951.23
7/12/2010	DEP	Midwest Iso	\$	50,000.00
7/19/2010	DEP	Indiana Insurance Refund	\$	71.00
7/30/2010	DEP	Interest	\$	0.63
Total Deposits			\$	<u>50,071.63</u>

Checks and Charges

Date	Check #	Descriptions		
7/12/2010	WD	Paychex	\$	109.47
7/14/2010	WD	Chase	\$	1,336.60
7/14/2010	3542	100 Court Investors	\$	1,686.42
7/14/2010	3543	Combined Systemes Technology	\$	62.01
7/14/2010	3544	VOID		
7/14/2010	3545	MN Travel Reimbursement	\$	906.30
7/14/2010	3546	MI Travel Reimbursement	\$	1,035.80
7/14/2010	3547	VOID		
7/14/2010	3548	WI Travel Reimbursement	\$	130.23
7/20/2010	3549	KY Travel Reimbursement	\$	187.00
7/20/2010	3550	WI Travel Reimbursement	\$	501.64
7/26/2010	3551	Conference Suite	\$	4,404.84
7/26/2010	3552	Infomax Office Systems	\$	159.00
7/26/2010	3553	Qwest	\$	233.84
7/29/2010	3554	IA Travel Reimbursement	\$	37.87
7/29/2010	3555	Doubletree Guest Suites	\$	105.28
7/29/2010	3556	DWX Internet	\$	35.00
7/29/2010	3557	Ryun Givens & Co. PLC	\$	496.75
7/29/2010	3558	IA Travel Reimbursement	\$	30.00
7/29/2010	WD	Paychex Payroll	\$	9,487.81
7/30/2010	WD	Payroll Taxes	\$	5,059.68
7/31/2010		401K Contribution	\$	64.49

7/31/2010	401K Contribution	\$ 2,224.30
7/31/2010	401K Contribution	\$ 447.87

Total Checks and Charges \$ 28,742.20

CHECKING ACCOUNT BALANCE 7/31/2010 \$ 68,280.66

CERTIFICATES OF DEPOSIT, SAVINGS AND CHECKING ACCOUNT BALANCES AS OF 7/31/10 \$ 98,009.47

**CHASE CHECKING ACCOUNT RECONCILIATION**

	<u>Check #</u>	<u>Amount</u>
Bank Balance 7/31/2010		\$ 78,037.90
Less Checks OS		
		\$ 64.49
		\$ 2,224.30
		\$ 447.87
	3448	\$ 722.42
	3540	\$ 369.55
	3548	\$ 130.23
	3549	\$ 187.00
	3550	\$ 501.64
	3551	\$ 4,404.84
	3554	\$ 37.87
	3555	\$ 105.28
	3556	\$ 35.00
	3557	\$ 496.75
	3558	\$ 30.00
Book Balance 7/31/2010		<u>\$ 68,280.66</u>

\$ -

# OMS Treasurer Report for Month of July 2010

## Wells Fargo Business Performance Savings Account

Beginning Balance	29,727.55	
Interest Earned this Month	1.26	
Withdrawals		
Ending Balance		29,728.81

## Chase Bank One Checking Account

Beginning Balance	46,951.23	
Total Disbursements	(28,742.20)	
Deposits/Interest/Adjustments	50,071.63	
Ending Balance		68,280.66
Bank Balance	78,037.90	
Outstanding Checks	(5,928.61)	
Book Balance		68,280.66

## **Total Savings & Checking Balances as of July 31,2010**

**98,009.47**

14 checks outstanding at 7/31/2010



## Organization of MISO States

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## **OMS Executive Director Report August 2, 2010**

### **FERC and DOE Activity**

1. Comments on FERC's Notice of Proposed Rulemaking on Transmission Planning and Cost Allocation by Transmission Operating Public Utilities, Docket No. RM10-23, a re due August 30.
2. On June 29, the FERC issued an Order on the MISO-PJM market-to-market complaints, denying summary judgment, consolidating the proceedings, and establishing hearing and settlement judge procedures. ALJ Cintron has rescheduled the settlement conference to August 4. (FERC Docket Nos. EL10-45, EL10-46-000, and EL10-60).
3. On July 15, the Midwest ISO filed its proposed cost allocation method for multi-value projects. Comments are due September 10.
4. On July 26, the Midwest ISO filed comments on Duke's proposed transfer to PJM in FERC Docket No. ER10-1562. The comment argues that the FERC must be concerned about the scope and configuration of RTOs and should find actual benefits will result from the proposed transfer.

### **OMS-MISO Activity**

1. OMS staff have continued to participate in MISO workshops on Extended Locational Marginal Cost Pricing, also called "Convex Hull Pricing." OMS staff had additional conversation with MISO staff on July 30.
2. OMS held its monthly call with the Independent Market Monitor on July 28.
3. Plans are being made to host the Black Sea Partnership at Carmel during the week of October 18. The exchange activities will include attendance at the OMS annual meeting.

## **Public Relations**

### 1. Presentations:

- Bill Smith participated July 29-30 in an Advisory Panel formed by the National Center for Interstate Compacts to explore the potential of an interstate compact to address transmission line siting across state lines. An additional meeting will be planned later this fall.

### 2. Pending speaking/meeting invitations:

- Bill Smith has been asked to speak to the EEI Transmission School in Madison on August 3.
- Bill Smith has been asked to participate in a NARUC exchange program with the Central American Regulatory Committee on August 12-13.

## **Upcoming dates:**

- Next regular **OMS Board of Directors meeting: August 12, 2010** at 1:00 pm CDT
- Special Board meeting to adopt comments on FERC rulemaking: August 26 at 1:00 pm CDT
- Next **OMS Executive Committee meeting – August 26, 2010** following special Board meeting
- OMS Planning Retreat – Officers and Work Group Chairs, **September 9-10**
- OPSI Annual Meeting, Dearborn, Michigan, **October 6-8**
- OMS Annual Meeting and Black Sea partnership, Carmel, Indiana, **October 18-21**

**Upcoming MISO Filings**

Filing Date	Docket No.	Description	Pursuant to Commission Order	Working Group/ Committee where issue/change will be reviewed
08/02/2010	ER10-___-000	The Midwest ISO to submit a joint filing with the IMM regarding the annual recalculation of the Cost of New Entry ("CONE") value for the Transmission Provider Region.	125 FERC ¶ 61,060 (2008)	N/A
08/19/2010	ER05-6-00_ EL04-135-00_ EL02-111-00_ EL03-212-00_	The Midwest ISO to submit a Compliance Filing to comply with the Commission's May 21, 2010 directive to revise Seams Elimination Charge Adjustment ("SECA") charges.	131 FERC ¶ 61,173 (2010)	N/A
08/25/2010	ER08-1169-00_	The Midwest ISO to submit an Informational Report on Queue Reform ("Attachment X") and its developments.	124 FERC ¶61,183 (2008)	N/A
08/27/2010	ER08-394-00_	The Midwest ISO to submit a Compliance Filing to comply with the Commission's April 21, 2010 directive to file a permanent solution regarding the Midwest ISO's Voluntary Capacity Auction and Load Modifying Resources.	131 FERC ¶ 61,057 (2010)	N/A
August 2010	ER10-___-000	The Midwest ISO to submit proposed revisions in Module B regarding Cross-border Deliverability.	N/A	TBPS PAC MSC
September 2010	ER10-___-000	The Midwest ISO to submit a filing regarding Reserve Procurement Enhancement to address zonal reserve deliverability issues.	N/A	TBPS PAC MSC
10/14/2010	OA08-14-006	The Midwest ISO to submit an Annual Informational Filing regarding operational penalty assessments and revenue distribution in compliance with Order No. 890.	Order No. 890	N/A

OMS Executive Director Report

August 2, 2010

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10/25/2010	ER10-394-000	The Midwest ISO to submit an Informational Report pursuant to the February 26, 2010 Order detailing its progress in developing the tools and operating procedures that will lead to the reinstatement of Dispatch Bands or some other alternative arrangements.	130 FERC ¶ 61,150 (2010)	N/A
12/06/2010	ER08-394-00_	The Midwest ISO to submit a Compliance Filing to develop a more permanent approach to addressing congestion that may limit aggregate deliverability of Planning Resources in the Transmission Provider Region.	131 FERC ¶ 61,228 (2010)	N/A

# Strategic Direction for Midwest ISO

Advisory Committee Hot Topic Discussion, St. Paul, Minnesota  
August 18, 2010

## An OMS Viewpoint

The OMS supports the Midwest ISO's initiative to gather ideas from all stakeholders regarding the Midwest ISO's future strategic direction. The Midwest ISO must continually re-assess the continued relevance of its functions, its position in the institutional and organizational framework, and how it can bring additional value to its participants and serve the public interest.

### Strategic Elements:

The OMS generally supports the Midwest ISO's focus on the seven strategic elements described in Question 1 of the hot topic outline. However, OMS would like further discussion with MISO on how each strategic element is weighted and how they could be weighted in the future. Currently, sustaining existing membership and encouraging membership growth appears to be ranked in importance far above the other elements. While addressing membership issues is important, it must not compromise other goals; e.g., independence. OMS would also add that investment in transmission, product enhancement, and RTO services should be done when estimated benefits exceed the estimated costs.

MISO must also continually work to improve the clarity of price signals in its markets. Efficient price signals in wholesale markets are important to all market participants and critical for market participants in restructured states where participants are "all in" the market. A goal of efficient market design must be the inclusion of all costs in the price of relevant products. When some costs are hidden in uplifts or otherwise socialized, the resulting price signal is not efficient. This issue is important because price signals drive consumer behavior—inefficient price signals will drive inefficient behavior.

### Important Projects:

The OMS generally agrees with the list of "important projects" listed in Question 2 of the hot topic outline. The OMS' viewpoint is that the Midwest ISO Management and Board of Directors pursue these projects in a way that factors in the competing interests of customers, generators, and transmission owners, and results in an outcome that serves the public interest. In reaching such an outcome, three questions should be considered: 1) Is the Midwest ISO strengthened as an organization? 2) As a goal, was the Midwest ISO's choice determined independently? and 3) Are the needs of the public cost-effectively served?

However, the OMS would suggest one addition to the list of important projects for the next three years. The OMS foresees the possibility that utilities in the Eastern Interconnection serving states with limited renewable energy resources may have a strong incentive to purchase wind Renewable Energy Credits (RECs) issued as a result of generation in the Midwest

as an alternative to paying for transmission to deliver renewable energy to their load centers. OMS believes it would be important at this juncture to analyze the effect of such a possible future scenario on MISO's transmission operations and market implications.

The basis for OMS's concern stems from the potential effects of separating the renewable attribute ("green tag") from the actual flow of energy. Certified renewable generation creates a REC as a joint product of the generation. Each of these components, the REC and the energy, have value but in different ways. In areas where both the renewable attribute and actual energy are readily needed and sold, there should be little detrimental impact to transmission or market operations (other than the administrative work of tracking the RECs). However, an issue can arise when the components are split; specifically, when buyers seek only the green tags of the RECs but have little or no interest in the generation that produced those RECs. In that situation, the basic energy, *sans* the green tags, is essentially "stranded" on the grid and would have to be managed. In fact, this stranded generation could require significant modifications to transmission operations and markets. In other words, the effects of stranded non-renewable energy could create transmission and market externality costs that should be studied and quantified to ensure it is fully understood.

A critical part of such an analysis would be to determine whether the market value of a REC reflects the full costs of creating the REC. For example, does the REC reflect the costs of backing down other non-renewable (base-load) resources in the Midwest that are displaced by formerly-renewable energy because the load is not sufficient in the Midwest to absorb stranded formerly-renewable energy? Does the REC reflect added congestion costs and/or the need for additional new transmission prompted by the renewable development needed to satisfy renewable standards in states choosing not to develop their own resources or actually import generation from elsewhere. A study to identify and quantify the costs of such externalities would help to inform market design going forward to ensure that price signals are accurate and full costs are included in the cost of the REC.

#### External Forces:

The OMS generally agrees with the list of drivers/external forces set out in Question 3 of the hot topic outline. We understand that MISO is pushed and pulled from many sides and must remain alert and ready to respond to numerous external forces.

#### Value Proposition:

The OMS generally supports the attention to value creation highlighted in Question 4 of the hot topic outline. The OMS urges the Midwest ISO to focus on creating value and illuminating the value that may not always be readily observable. However, too much attention to trumpeting MISO value smacks of desperation and raises doubts about the MISO products.

Additional comments:

The OMS also recommends extension of efforts to facilitate initiatives among state regulatory members to coordinate transmission planning and permitting processes to account for issues extending beyond the boundaries of single states.

The OMS Cost Allocation and Regional Planning (CARP) process, in which the Midwest ISO played a critical supporting role, created significant value by, *inter alia*, forging a focused working relationship among participating states on the transmission cost allocation issue. But in a broader sense, CARP highlighted the value of bringing together the states to gain insights into the challenges faced in specific areas and to discuss long-range issues affecting the delivery of energy services. Another example is the Upper Midwest Transmission Development Initiative, which had different origins than CARP, but also demonstrates the value of state-to-state dialogue on these issues.

While most of the impetus for these efforts must come from the states, their cross-border, regional nature means that the states will be reliant on the Midwest ISO for assistance. The OMS hopes the support demonstrated by the Midwest ISO in CARP and UMTDI will be sustained as the states continue their dialogue on multi-state issues, e.g., alignment of states' planning and permitting processes for multi-state projects, next steps for states in implementing infrastructure needs identified in RGOS, coordination with other Regional State Committees. In addition, the Midwest ISO should work with the advice of the states and other stakeholders to modify its processes to accommodate states' efforts. For example, the Midwest ISO should consider developing a template for environmental review of projects that affect more than one state. Macro-environmental attributes and impact mitigation practices can affect implementation feasibility and costs, as well as state and federal permitting efficiency and outcomes.

The OMS endorses the continued use of the St. Paul facility and encourages the Midwest ISO to expand operations there when strategic goals call for it or greater efficiencies can be achieved. The St. Paul facility affords existing economies as well as strategic location as remote sources of generation become more important in the nation's energy profile.

Finally, the OMS commends the Midwest ISO for its recent efforts before the FERC to point out the inherent structural flaw in the current configuration of FERC approved RTOs that has led to "RTO shopping" driven by generation economics.<sup>1</sup> The OMS welcomes the Midwest ISO's efforts to bring this issue to full disclosure and supports efforts to bring greater stability to the operation of regional transmission organizations.

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<sup>1</sup> *In Re* Duke Ohio, Federal Energy Regulatory Commission (Docket No. ER10-1562-000).

## **Planning Advisory Committee July 21, 2010, Meeting Summary**

### **Wind Planning Analysis Task Team Update**

The Planning Subcommittee created the Wind Planning Analysis Task Team (WPATT) to address the issue related to system stability and conditions. WPATT will use the Steady-State Analysis, Transient and Small Signal Stability and Voltage Stability metrics to compare system conditions and determine which merit regular analysis.

### **Robustness Testing Update**

MISO is looking at financially quantifiable measures to calculate the benefits of each of the plans. MISO will work with stakeholders to determine a plan for the incorporation of other measures. MISO will develop materials describing the value metric definitions and how each is calculated to the presentation.

### **Michigan Out of Cycle Study**

MISO provided a brief update on the reliability and power flow analysis of the ITC out of Cycle Project. As part of this study MISO will look at the rest of Michigan in general. MISO identified numerous overloads attributed to additional wind on the system so some of the information will be used for the Generation Interconnection Planning process as well.

### **MTEP Review 1 Content and Schedule Discussion (Rauch)**

The full MTEP 10 draft will be posted early in August however; the Top-Congested Flowgate Study results and executive summary of the report may be pushed back to mid-August. MISO is requesting that all substantive feedback be sent using the official MTEP review form which will be presented to the BOD. The form was sent out with the first MTEP content and will be posted shortly with the review material under the Planning tab of the MISO website. The MTEP 10 review document will be posted to the MISO website.

### **RGOS Update**

MISO wrapped up final Powerflow. The RGOS will be published in 2 phases. First an executive summary will be posted as part of the MTEP 10 draft in August with the final full report posted in October.

### **Committee Updates**

The **Planning Subcommittee** approved redispatch for CP3 events and a modification to the project data. The group continues work on 2010 projects and targeted studies for MTEP 11.

The MSC passed a motion that requires all new wind generation greater than 5MW to have control technology such that it can automatically respond to a set point signal from MISO passed at the MSC. The **Interconnection Process Task Force** determined that this motion does not require any critical changes to Attachment X.

**Loss of Load Expectation (LOLE)** study work group is on schedule. The plan is to have the LOLE Report ready for PAC review in October.

## **Organization of MISO States Revised Principles for Resource Adequacy August 12, 2010**

### **INTRODUCTION**

The Organization of MISO States (OMS) Resource Adequacy Principles were adopted by the OMS Board March 12, 2004 and revised May 10, 2007 (with the ICC dissenting) in light of changes in the Midwest ISO market structure. These principles are being updated in 2010 to reflect the current environment.

The Energy Policy Act of 2005 recognizes the States' primary role regarding resource adequacy, and the jurisdiction of the Federal Energy Regulatory Commission (FERC) over reliability standards development and enforcement by the North American Electric Reliability Corporation (NERC) and the regional reliability entities.

### **PURPOSE**

The OMS Resource Adequacy Principles are meant to facilitate future OMS comments to the Midwest ISO and the FERC relevant to a range of complex interrelated resource adequacy issues in organized regional energy markets. The interrelated issues include long-term resource adequacy, system reliability, planning activities, and market price signals.

As evidenced by its earlier principles for resource adequacy<sup>1</sup>, the OMS has long recognized the continuing need to ensure that adequate resources, including generating capacity and demand resources, are developed and maintained and secured by all load serving entities (LSEs) so that their load can be reliably served. To this end, the OMS' revised principles are as follows:

#### **OMS Revised Principle Number 1:**

The Midwest ISO should continue to work on developing and improving the competitiveness and transparency of energy and ancillary services market design and to coordinate that market design with the resource adequacy program to improve efficiency. Such market design should seek to minimize, where possible, uplifts and other out-of-market payments that distort efficient market prices.

#### **OMS Revised Principle Number 2:**

All LSEs should maintain sufficient resources to meet resource adequacy standards.

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<sup>1</sup> Adopted March 12, 2004 and May 10, 2007 <sup>2</sup> enforcement is done by the States

**New OMS Principle Number 3:**

The Resource Adequacy Program should include a means to trade capacity among entities that serve load. If the Midwest ISO should continue using PRCs as a standard tradable product, it should consider the impacts of other processes or programs on such products. The Midwest ISO products may include a locational requirement component, as long as the product remains standardized and tradable.

**New OMS Principle Number 4:**

Revenue generation or cost recovery for prudent investment in cost-effective resources should be a by product of efficient market design, and not a specific goal of resource adequacy.

**New OMS Principle Number 5:**

The OMS, at this time, does not see the need for nor endorse a mandatory, centralized forward-based market for all capacity operated by the Midwest ISO.

However, if the Midwest ISO develops a mandatory, centralized forward-based capacity market construct, a provision should be included for states with existing state resource planning and capacity-related programs to meet the Midwest ISO reserve requirement through alternative means.

**OMS Revised Principle Number 6:**

The Midwest ISO should provide non-discriminatory opportunities for all verifiable resources to provide resource adequacy. Midwest ISO should provide opportunities for resources with both short and long term lead times to meet resource adequacy requirements. The Midwest ISO should support, recognize, and encourage the use of forward period bilateral capacity contracts from within and outside of the Midwest ISO footprint to meet resource adequacy requirements.

**OMS Revised Principle Number 7:**

The Midwest ISO should continue to refine capacity certification/accreditation test procedures and deliverability verification and apply them periodically to establish capacity ratings for resources being relied upon to meet Midwest ISO resource adequacy requirements.

**OMS Revised Principle Number 8:**

The OMS recognizes and supports the efforts of the NERC, its Regional Entities and the Midwest ISO to ensure regional resource adequacy. States may choose to rely on such requirements and procedures when setting any state reserve requirement.

**New OMS Principle Number 9:**

The Midwest ISO should explore the development of centralized load forecasting for total reserve requirements when establishing reserve margins. The Midwest ISO should continue to use bottom-up load forecasts from LSEs to inform the centralized forecasting process and results and to ensure that each LSE's forecasts meet their allocated share of the centralized forecast. The OMS supports reasonable forecasts and forecast adjustments made by the Midwest ISO as needed for diversity when it sets planning reserve requirements. The OMS supports and urges the Midwest ISO to work with stakeholders to determine an appropriate process for introducing and using centralized forecasting and to use such information to verify or revise LSEs load forecasts if allowed retail load switching occurs during the planning period.

**New OMS Principle 10:**

Regardless of the load forecasting approach selected for resource adequacy program purposes, it must incorporate the verifiable impact of price responsive demand on the system need for capacity.

**OMS Revised Principle Number 11:**

The OMS continues to support a before-the-fact demonstration of adequate planning reserves for a forward planning period by LSEs. The length of the forward planning period should consider the needs and abilities of both traditional utility LSEs and retail choice supplier LSEs who can experience frequent load switching.

**OMS Revised Principle Number 12:**

Each entity responsible for serving load should be periodically and independently audited by the Midwest ISO to ensure compliance with the Midwest ISO resource adequacy requirements.

**OMS Revised Principle Number 13:**

The Midwest ISO should assess the consequences of non-compliance with resource adequacy requirements to protect the adequacy of the system and to prevent jeopardizing system reliability or forcing other parties that are compliant with resource adequacy requirements to subsidize non-complying parties. Monetary penalties by the Midwest ISO can be used to enforce resource adequacy requirements.

**OMS Revised Principle Number 14:**

Ensuring resource adequacy requires regional transmission planning that considers the deliverability, security and coordination of generating capacity resources and their alternatives, as well as the capacity needs of all load serving entities, including those who are transmission dependent on a non-discriminatory basis.

**OMS Revised Principle Number 15:**

Decisions regarding generation resource planning shall be left to the states. The Midwest ISO has a unique comprehensive view and analysis of the region regarding the location of transmission constraints, market prices and the queues of generation and transmission projects. Therefore, if the Midwest ISO develops a regional data in the planning process, it can be very helpful to the states in developing their respective resource adequacy policy and generation siting decisions.

**OMS Revised Principle Number 16:**

Resource adequacy requirements must be forward-looking and allow consideration of new capacity additions of all fuel types and technologies, as well as firm contracts and qualified demand response, as resource options if such additions are conducive with state practices, programs or policies. Annual forward-looking load and capability reports should include long-term load forecasts that allow either adjustment by or the participation of demand response and load reduction and a supply plan for meeting resource adequacy requirements with existing accredited and deliverable capacity resources.

ADOPTED BY THE OMS BOARD OF DIRECTORS  
August 12, 2010

The following commissions voted to support these principles:

The **OMS Governance and Budget Work Group** (G/B WG) is responsible for assessing the reasonableness of the Midwest ISO's new products and services, strategic plan, short-term and long-term incentive plans, and budgets. <http://www.misostates.org/WG9LongTermDevelopmentWIP.htm>.

**Work Group Update:**

**1. Long Term Perspective – New Products and Services and Strategic Direction Hot Topic for August Advisory Committee meeting.**

The Work Group held a telephone meeting at which the following potential subject areas were identified: stakeholder process, market monitor, sustain and grow the membership, value proposition, price signals, and coordination with other RTOs. Written comments have been received and were reviewed by the WG. A draft is included in the meeting materials for the August meeting of the OMS Board of Directors.

**2. MISO Budgets**

The Midwest ISO Audit and Finance Committee started the process for the 2011 budgets, but nothing has been made public yet.

**3. Transmission Owners Agreement – language regarding maximization of revenues**

The Work Group has held discussions with members of the Transmission Owners sector to discuss the language in Article II, Section II, D of the TO Agreement that creates a fiduciary obligation for the Midwest ISO to “maximize transmission service revenues associated with ‘Transmission Services,’ as defined in the Transmission Tariff . . .” The suggestion was made to the TO representatives to drop that phrase from the Section. The WG’s suggestion has not been adopted by the TOs at this point. Concerns on this point were also raised in comments filed by the Illinois Commerce Commission in TOA revisions, ER10-863

**1. ASM Zonal Cost Allocation ER10-1361-000**

MISO proposed tariff revisions would revise the zonal allocation of the costs of Operating Reserves from the current Grouped Zonal method to the Market Load Ratio Share method effective 8/1/10. See reports past two months. The OMS intervened in this case without taking a substantive position. On 6/24, the Illinois Commerce Commission filed Comments opposing the MISO proposed tariff revisions asserting that the MISO approach did not follow the cost causation principle of cost allocation. The ICC urged the adoption of the Adjusted Group Zonal Method. The M&TWG met on 6/30 to discuss allocation methods, and met with MISO on 7/7 to further discuss ASM zones and cost allocation.

On 7/30, FERC issued an order rejecting MISO's proposed ASM zonal cost allocation Market Load Ration Share Method, finding MISO's proposal unjust and unreasonable because it does not follow the Commission's cost causation principles. FERC agreed there are shortcomings in the existing Grouped Zonal Method, and that subsidies caused are unduly discriminatory. While noting that the Adjusted Group Zonal Method is a step in the right direction, the order also found shortcomings with that method. The order encourages MISO and stakeholders to develop a proposal that takes into account cost causation principles. We will therefore have another opportunity to participate and provide input.

**Status:** Continue to monitor.

**2. MISO/PJM Market-to-Market flow error settlement distribution allocation**

MISO is continuing work on a method to allocate significant monies that it expects to receive from PJM for resettlement of transactions (once the pending dispute is resolved at FERC) under the market-to-market congestion management process of the parties' JOA. Presentations given at the 8/3 MSC meeting added an additional distribution method based on impact priority that uses a load ration share distribution. A paper explaining the various methods being considered is part of the MSC meeting materials. A settlement conference was held at FERC on 8/3/10 in the complaint cases.

**Status:** Continue to monitor.

**3. MISO Extended Locational Marginal Pricing (ELMP)**

At the 8/3 MSC meeting MISO, participants approved a motion for MISO to continue work on ELMP and form a task team to develop details of a pricing approach based on the principles of ELMP.

The M&TWG held a conference call with MISO on 7/30 regarding MISO's written responses to questions on ELMP sent to MISO in June. WG members had an opportunity to ask questions and get clarification on MISO's responses. WG members are encouraged to participate on the new MSC Task Team on ELMP.

**Status:** Continue to monitor.

**4. Potential items coming up**

MISO proposed Reserve Procurement Enhancements and MISO proposed Dispatchable Intermittent Resource (DIR) Proposal. MISO expects to present a final review and a motion for approving its DIR Proposal at the September MSC meeting on 8/31 so that it can file with the FERC at the end of September.

**Status:** No change since last status report.

**For those interested, please note the following MISO meetings:**

**MISO Market Subcommittee** - monthly meetings (8/31 next mtg)

**MISO RSG Task Force** – monthly meetings (9/1 next mtg)

**MISO FTR Working Group** – monthly meetings (9/1 next mtg)

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

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

**Resources Work Group Report to OMS Board of Directors  
August 12, 2010**

**OMS Revised Principles of Resource Adequacy**

The Resources WG has developed a draft set of Revised Principles of Resource Adequacy (RA) for the OMS Board to consider adopting in the August 12<sup>th</sup> Board meeting. This is the third set since the first set was adopted in March 2004. This set can be one statement to the Midwest ISO as it considers updating its Resource Adequacy construct.

All principles were revised and five new principles were added. They are explicitly noted. The five new principles are strong guidance on the preferred direction of the OMS. New Principle Number 5 is at the crux of the debate with the Midwest ISO stakeholders. Whether to have a mandatory forward capacity market for a number of years. Principle Number 5 has been drafted as:

The OMS, at this time, does not see the need for nor endorse a mandatory, centralized forward-based market for all capacity operated by the Midwest ISO.

However, if the Midwest ISO develops a mandatory, centralized forward-based capacity market construct, a provision should be included for states with existing state resource planning and capacity-related programs to meet the Midwest ISO reserve requirement through alternative means.

Other Principles support alternative compliance with state preferences, including verifiable price response programs, tradable planning reserve credits, and oversight on LSE's forecasting and the reserve requirement.

**SAWG**

Mike Robinson presented the timeline for the Midwest ISO RA construct.

- Stakeholder presentations on issues and proposals Aug 5 and Aug 19<sup>th</sup>
- Collaboration with OMS ongoing
- Midwest ISO straw proposal to SAWG Sept 2<sup>nd</sup>
- Stakeholder feedback Sept 23
- Finalize proposal by Oct 15 – AC and BOD update on Oct 20<sup>th</sup>
- Draft Tariff changes by Nov 15<sup>th</sup>
- SAWG, LOLEWG, MSC,RSC,AC,TBPS review as required by Nov 30
- Final Tariff changes and Compliance Filings by Dec 8<sup>th</sup>

The following is two short summaries of proposals at the Aug 5<sup>th</sup> SAWG.

- Integrys made a proposal with two options: A) 1 year forward mandatory and up to 3 years, 3-5 years forward auction with Midwest ISO procuring the peak responsibility (with an LSE opt-out).

- Xcel proposed a 5-year ahead voluntary auction, LSE with state approved plans can opt of any mandatory construct, products for monthly, seasonal or annual, no floor-no ceiling-no obligation to participate, states coordinate the solutions,

Some stakeholders not satisfied with the lack of information on locational capacity pricing. Work has been done by the LOLEWG on potential delivery constraints, but not the pricing function.

The Midwest ISO welcomes proposals through Aug 13<sup>th</sup>.

Submitted by Don Neumeyer  
Chair of the Resources Work Group

## **Transmission Cost Allocation Working Group**

### **Activity Report for August 12, 2010 OMS Board Meeting:**

The TCAWG is working on the FERC transmission cost NOPR (RM10-23) and the OMS response to the July 15 Midwest ISO Transmission Cost/Planning filing. There has been great participation from the working group members and across all of the OMS states.

With respect to the NOPR, the group has worked up several sections that we are in the process of weaving into a preliminary draft that we plan to distribute to the OMS Board members on August 11. We welcome discussion and feedback on that draft from the OMS Board at their meeting on August 12. FERC's current deadline for filing in this case is August 30, however several motions have been filed with FERC for extension of time. If FERC does not grant an extension of time, we plan to provide the OMS Board with a final work group draft of Comments in this case on August 23 so that the Board can take action at its special Board meeting on August 26. If the FERC does grant an extension, we will continue our work to improve the draft.

With respect to Comments on the MISO case (ER10-1781), a preliminary draft has been composed. It contains somewhat contradictory tones of overall and general support for the MISO filing vs. pointing out various failings of the filing, and why the CARP group came to the consensus that it did—in particular on the question of whether there should be a charge to generators.

The TCAWG will continue to work on this draft and will hold a conference call on August 20 to continue our work. We plan to hammer out a discussion draft that will be sent to the OMS Board on August 23 for discussion at the special OMS Board meeting on August 26. **We welcome OMS Board member feedback and direction, particularly in discussion at the August 12 and August 26 OMS Board meetings. We would really benefit from Board member guidance on these Comments.** FERC's filing deadline in this case is September 10, so action will need to be taken at the September 9 OMS Board meeting.