



**ORGANIZATION OF MISO STATES, INC.
Board of Directors Meeting
Conference Call Minutes
November 29, 2010**

Approved January 13, 2011

Valerie Lemmie, President of the Organization of MISO States, Inc. (OMS), called the November 29, 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
David Johnston, proxy for Jim Atterholt, Indiana
Rob Berntsen, Iowa
Bill Bowker, proxy for David Armstrong, Kentucky
Angie Butcher, proxy for Monica Martinez, Michigan
Burl Haar, proxy for Tom Pugh, Minnesota
Robert Kenney, Missouri
Greg Jergeson, Montana
Jerry Lein, proxy for Tony Clark, North Dakota
Valerie Lemmie, Ohio
Jim Melia, proxy for Ty Christy, Pennsylvania
Greg Rislov, proxy for Gary Hanson, South Dakota
Brian Rybarik, proxy for Lauren Azar, Wisconsin

Absent
Manitoba

Agency members participating
Nick Bowden – Illinois
Parveen Baig, Jeff Kaman – Iowa
Bill Bokram – Michigan
Brian Dekiep, Kim Moran – Montana
Don Neumeyer, Randy Pilo – 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 November 9, 2010

Bill Bowker moved to approve the November 9, 2010 minutes. Sherman Elliott seconded. The motion was passed by unanimous voice vote.

Treasurer's Report – Robert Kenney

Due to the timing of the December meeting, the monthly bank reports were not available to compile this report. It will be presented at the next regular Board meeting.

Review of the November 22, 2010 Executive Committee Meeting

The agenda for November 29 Board meeting was set.

Administrative Report

Due to the timing of this meeting, the administrative report was not written yet. It will be distributed after the first of the month. [Note: The Executive Director's report for December 2010 is attached to the minutes.]

BUSINESS

1. MISO Advisory Committee Issues

- Valerie Lemmie discussed what happened at the last meeting. The comments drafted by the Board were presented. They were similar to the comments presented by other stakeholders.
- Angie Butcher discussed AC action items. One of those is the vote on leadership of the AC - Gary Mathis and Dennis Kramer. Each OMS AC rep received a ballot. It was decided that it would be appropriate for OMS to record a consensus vote.
- The second action item is for approval of the talking points for the second half of resource adequacy. Don Neumeyer discussed the comments being worked on. The Resources WG is working to finalize a document to send to the AC. General approval was requested by the WG.

Angie Butcher moved for consensus approval of the proposed AC leadership. Rob Berntsen seconded. The motion was approved by unanimous voice vote.

Angie Butcher moved to support the resource adequacy comments in concept. Rob Berntsen seconded.

- Brian Rybarik suggested adding a line at the end of the first paragraph stating that maintaining membership was not a valid reason for constructing a forward capacity market. It was agreed this was consistent with the discussion at the last meeting and clarifying language should be added. He also suggested adding a modifier at the beginning of the answer to question one stating that while OMS doesn't support the implementation of a capacity market at this time, if there was one, this is our answer. This was also agreed to be consistent with previous discussions. In question number four there was discussion about clarifying Illinois and Wisconsin's positions on what capacity is included in the proposed auctions.

The motion was approved by voice vote after discussion. Kentucky abstained.

2. Planning Advisory Committee – Rob Berntsen

- Parveen Baig reported on two issues in front of the PAC: 1) requested stakeholder input into changing the MTEP review process from annual to semi-annual and 2) MISO will be studying the NERC report on resource adequacy and possibly requesting OMS input.

3. Meeting with the Midwest Governor's Association – Valerie Lemmie

- Valerie Lemmie reviewed the MGA meeting with the Board.

4. Commissioner Familiarization 2011– Bill Smith

- Bill Smith reviewed the proposed outline and timeline for the Commissioner Familiarization program.

5. Plans for Black Sea Partnership Exchange – Bill Smith

- Bill Smith updated the Board on the status of these plans. Currently, the next meeting is scheduled for early March in Istanbul and will include both regulators and transmission operators.

6. Eastern Interconnection Planning Process – Brian Rybarik

- Brian Rybarik summarized the last EISPC meeting in Atlanta, held in conjunction with NARUC. Several major decisions were made, including: the framework for determining the baseline infrastructure that will be used in futures modeling; deciding to move forward with one future first and do seven later; identification of its eight futures and the main components of those futures and their sensitivities.

Updates and Work Group Status Reports

Demand Response WG

- No Report. Waiting for FERC action;

Transmission Cost Allocation WG

- No Report. Waiting for FERC action;

Markets and Tariffs WG

- Bill Bokram reviewed the MTWG written report, highlighting the section regarding the FERC NOPR. He requested feedback on concerns anyone may have regarding this;

Resources WG

- Don Neumeyer discussed that MISO would be looking at EPA regulations regarding generation plants;

Regional Planning WG

- Jerry Lein reported that the draft letter requested at the last meeting regarding feedback on the MTEP '10 process was waiting on input from Illinois. Once that is provided, the Executive Committee will meet to approve the letter's submission to MISO;

Governance and Budget

- Burl Haar gave an oral report on the progress of the Governance and Budget Work Group's review of the value proposition;

Modeling WG

- Nick Bowden and Jeff Kaman reported on the Modeling Work Group's review of the value proposition;

ADJOURNMENT

The OMS Board of Directors meeting adjourned at 1:50 pm CST.



Organization of MISO States

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OMS Executive Director Report December 6, 2010

FERC and DOE Activity

1. Draft settlement documents were distributed December that include improvements in the operation of the Joint Operating Agreement and increased auditing to avoid future errors in market-to-market operations. The parties intend to file a final settlement agreement and the Joint Operating Agreement amendments by the end of the year. (FERC Docket Nos. EL10-45, EL10-46-000, and EL10-60).
2. OMS filed reply comments on FERC's Notice of Proposed Rulemaking on Transmission Planning and Cost Allocation by Transmission Operating Public Utilities, Docket No. RM10-23, on November 12.

OMS-MISO Activity

1. OMS provided comments on resource adequacy at the Advisory Committee meetings November 17 and December 1. The Midwest ISO will release a draft proposal about December 7 for discussion at Supply Adequacy Work Group meetings December 9 and 16.
2. OMS Leadership met with representatives of the Midwest Governors Association on November 29 to coordinate activities as new governors take office in early 2011.
3. The Midwest ISO has revised its Value Proposition materials. Updated material from the November 29 stakeholder briefing can be found at http://www.midwestmarket.org/publish/Folder/6a7e86_12bc0f1b440_-7fbe0a48324a
4. Directors Evans, Feldman, and Walsh were elected to serve an additional term on the Midwest ISO Board of Directors. Director Evans is now serving as Chairman.

Public Relations

1. Presentations:

- None

2. Pending speaking/meeting invitations:

- None

Upcoming dates:

- Next regular **OMS Board of Directors meeting: January 13, 2011**, at 1:00 pm CDT
- Next **OMS Executive Committee meeting – December 16, 2010** at 1:00 pm CDT
- Regular Board meetings: February 10, March 10.
- Executive Committee meetings: January 27, February 24.
- Black Sea Partnership Workshop, Istanbul, March 7 – March 9.

Upcoming MISO Filings

Filing Date	Docket No.	Description	Pursuant to Commission Order	Working Group/ Committee where issue/change will be reviewed
12/08/2010	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 and 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, 228 (2010) and 08/13/2010 Notice Granting Motion for Extension of Time to 12/08/2010	SAWG
12/08/2010	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)	SAWG

**Midwest ISO Advisory Committee
Carmel, Indiana
December 1, 2010
10am – 2:20pm 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 | | |
| 2. Resource Adequacy Discussion | | 10:15 |
| 10 Minutes per Sector, including Minority Opinions | | |
| a. Munis/Coop/TDU | | |
| b. Power Marketers | | |
| c. Eligible End Users | | |
| d. IPP | | |
| e. Transmission Owners | | |
| f. Public Consumer Advocates | | |
| g. OMS | | |
| h. Environmental | | |
| i. Coordinating Members | | |
| LUNCH | | 12:00 |
| 3. Finance Subcommittee report - 2011 Operating & Capital Budgets | A. Dotterweich | 1:00 |
| 4. Midwest ISO 2011 Incentive Goals and Metrics Discussion | Greg Powell | 1:15 |
| 5. Internet Redesign Update | Kacey George | 1:30 |
| 6. Advisory Committee Items | Gary Mathis | 1:40 |
| a. AC Self Assessment Results Discussion | | |
| b. 2011 AC Leadership Election | | |
| c. Review of AC Management Plan | | |
| d. AC 2011 Rotating Agenda Team | | |
| e. January 2011 Meeting Discussion | | |
| 7. Standing Committee/Other Stakeholder Committee Reports | | |
| a. Steering Committee | Paul Jett | 1:50 |
| b. Stakeholder Governance Working Group | Bill SeDoris | 1:55 |
| c. Tariff and Business Practices Subcommittee | Walt Yeager | 2:00 |
| d. Reliability Subcommittee Update | Tony Jankowski | 2:10 |

√ Denotes Potential Voting Item

* Denotes Report is Oral

e. Planning Subcommittee Update	Bob McKee	2:15
f. Transmission Owners Update*	JoAnn Thompson	2:20
8. New Business	All	2:25
9. Recap – Issues/Assignments	Alison Johnson	2:30

Rotating Agenda Team January: Richard Kalmas
Robert Kenney
JoAnn Thompson

2011 Hot Topics:

- Cross border transmission planning, analysis and participation
- Policy impact to Midwest ISO market design
- Role of IMM and IMM State of the Market Recommendations

√ Denotes Potential Voting Item

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2011 Advisory Committee Leadership
Motion

The Advisory Committee Membership approves of the Nominating Committee's recommendations to elect:

Gary Mathis as 2011 Advisory Committee Chair

Dennis Kramer as 2011 Advisory Committee Vice Chair

State Regulatory Authorities Sector Responses by OMS

To the December 1 Advisory Committee Questions

11-29-2010 by OMS Resources WG

Opening Statement

The OMS appreciates this opportunity to comment on the Midwest ISO's proposed changes to resource adequacy requirements. In order to understand the OMS response, it is important first to understand and address the motives for the Midwest ISO's proposal to initiate a forward capacity market. Forward capacity constructs, or capacity "markets," specifically the PJM Reliability Pricing Model (RPM), have been established under the premise of accomplishing two distinct goals. Investigating the need for the Midwest ISO to accomplish either or both of these goals is vital to judging the legitimacy of the Midwest ISO proposal. The Midwest ISO has not been consistently clear about what the goal of the proposed forward capacity auction is.

One expressed goal of forward capacity "markets" is recovery of so called missing money. Missing money, or revenues missing from the energy and operating reserves markets, has not been and will not be a significant problem in the Midwest ISO footprint given the vast majority of generation capacity is regulated under the traditional vertically integrated structure. Under the vertically integrated structure, generation assets are fully compensated by inclusion into retail rates for costs they incur--for expenses as well as capital investments. Therefore, the vast majority of generation assets in the Midwest ISO are not experiencing any "missing money" problem.

Another expressed goal of a forward capacity "market" is to incent new generation. The market clearing mechanism of the PJM RPM, a variable resource requirement demand curve, is based on the theoretical cost of new entry of a peaking plant. Theoretically, the model is expected to return, on average over time, and in combination with energy rates, revenues equal to the cost of new entry of a combustion turbine power plant. The RPM and other forward capacity markets are built on the premise that they provide a forward guarantee of revenues to investors who could potentially construct a new combustion turbine power plant. Both the Midwest ISO and PJM footprints currently have significant excess capacity in their respective footprints. Therefore, a forward capacity market in the Midwest ISO cannot be justified at this time based on the need to incent new entry, even for weather related summer peak demand. When viewed in terms of these goals, the construct is essentially an outside-of-market uplift to account for insufficient revenue from energy and operating reserves markets, including scarcity price revenues. This is contrary to the direction the Midwest ISO is taking with Extended LMP, which is to improve market design by minimizing out-of-market uplifts.

The Midwest ISO is experiencing the migration of two large members to PJM. Those two large utilities which are migrating away from the Midwest ISO are predominately located in a retail choice state where generation is not integrated with load. Those utilities were presumably motivated to migrate from the Midwest ISO to PJM in search of greater revenues for their generating affiliates. The source of additional revenues not provided for in wholesale energy market rates or guaranteed in the rates of retail ratepayers is instead the forward capacity market, specifically PJM's RPM. The Midwest ISO appears to be acknowledging that the attrition it experienced is a result of the reduction in revenues due to economy-related demand levels, and in response, is prepared to design a forward capacity auction to compete with RPM for valuable voluntary membership. The OMS reiterates its belief that membership retention is not a valid reason to establish a forward capacity market. Furthermore, many

states in the Midwest ISO are engaged in energy efficiency, peak demand reduction, and other smart grid policy initiatives aimed at reducing the need for future investment, particularly during the summer peak. Paying to retain aging capacity or incenting new capacity to meet a diminishing peak demand is therefore contrary to the policy goals of state legislatures and state resource adequacy plans and will confer costs on customers that are avoidable through much less costly and more efficient management of electrical demand. The management of electrical demand has been the historical reason why inefficient amounts of centrally planned generation capacity has been built in this country, and establishing another mechanism to entrench the continued mismanagement of demand in preference to incenting new supply will undermine policy makers' efforts to rectify this age old problem.

The OMS is not convinced that the implementation of a forward capacity auction will achieve any desirable goal. The OMS instead sees the effort to establish a forward capacity auction as a means to preserve generator membership at the expense of electric power consumers. The result is a wealth transfer from consumers to generators.

Response to Questions

1. If there is a mandatory forward capacity auction, what procurement percentage should be required for the forward period?

As identified in the OMS's opening statement and in prior submissions to the Advisory Committee, the OMS does not believe that a forward capacity market is necessary at this time. The answers to this question, as well as the remainder of the questions addressed here should not be construed as modifying or limiting the core OMS position.

However, if a forward capacity market is pursued, the OMS would not support 100 percent procurement of the Planning Reserve Margin Requirement (PRMR) five years forward. The OMS would suggest that a better market design would hold back a fraction of the forecasted capacity requirement for procurement in reconfiguration auctions so that load serving entities (LSEs) may reduce capacity obligations during the forward period. This fraction held back from the full forward period procurement should be greater than load forecast uncertainty, and should be incrementally procured in successive reconfiguration auctions as the delivery year approaches. Not a single member state commission favors a 100 percent procurement requirement beyond one year. Suggested percentages range from 80 to 97 percent.¹ Making accurate forecasts of coincident peak is difficult and increasing the forecast time horizon increases the uncertainty which could increase forecast error in either direction.

A 100 percent obligation on a non-retractable forecast made five years forward is not flexible enough to accommodate load and supply forecast uncertainty due to changing market and regulatory conditions. Overestimates of capacity requirements could be in conflict with state requirements and could impose substantial and unnecessary costs on load. A requirement to secure all resources at one point in time also dictates the types of resources required because resources with shorter lead times that do not exist today are essentially barred from participation. This impinges on states resource adequacy rights. Holding back a fraction of the forecasted procurement requirement would allow the Midwest ISO load to avoid unnecessary

¹ The fraction that should be held back may depend on the goal of the forward capacity market. Since the goal of this market is yet to be clearly defined, identifying a specific percentage is difficult.

costs associated with overestimates of load five years forward and would allow resources with shorter lead times, such as demand response, to participate. Under-procurement resulting from underestimates can be rectified through procurement in an intermediate or reconfiguration auctions. This is not practical, however, for over-procurements resulting from over-estimates. Over-procurements are harder to rectify in an intermediate or reconfiguration auction because of the scarcity of buyers. This is why the holdback is valuable.

According to the Business Rules dated November 10, 2010, there will be no opportunity for LSEs to sell excess capacity in the reconfiguration auction. Reconfiguration auctions should allow both the demand and supply side to retrospectively adjust their five year forward procurement based on updated information.

2. Who should set the standards for reserves?

To date, the states rely on the Midwest ISO to calculate the various types of planning reserve margin percentages for the coming planning year. At this time, the OMS believes that the Midwest ISO should continue to undertake loss of load studies and develop planning reserve margins, but states should retain the right to require different margins for LSEs within their jurisdiction.

Almost all the load in the Midwest ISO is subject to state regulatory jurisdiction, which has primary authority over the corresponding LSEs regarding resource adequacy and the ordering/approval of new generation and/or demand response resources. The Midwest ISO's tariff specifically recognizes this authority with language that preserves state jurisdiction, state authority to set and enforce adequacy standards, and the right for states to set planning reserve requirements that are more or less than what the Midwest ISO sets. (Sections 68, 68.1) A mandatory auction raises federal-state jurisdictional issues and, in states that actively set and enforce resource adequacy, may violate the federal-state jurisdictional boundaries in the Federal Power Act as discussed in the response to question 1.

The OMS is concerned that a drastic change to the Module E resource adequacy construct could have unintended consequences. Module E was intended to provide the Midwest ISO with the ability to incent load serving entities to contract independently for capacity needed for the reliable operation of the system while meeting the NERC reliability standards or the regional entities such as the MRO, RFC and SERC. The current Module E provides LSEs with an incentive to compensate resources for shared excess capacity. A penalty incents LSEs to pay resources to commit for the month prior to the operating month and not jeopardize the resource pool of compliant LSE's suppliers.

3. Who should do the load forecasting?

Most of the OMS states prefer a MISO aggregation of individual utility (the local wires company) level forecasts over a centralized forecast by the Midwest ISO.² The advantage of utilizing

² Ohio and Illinois prefer a centralized forecast by the Midwest ISO in the instance that there is a mandatory forward auction.

utility level forecasts is that utilities will have access to specific information such as local temperature data at the coincident peak hour, local economic and demographic data, and customer specific information not available to the Midwest ISO.

The Midwest ISO should continue to determine peak day diversity and adjust the forecast accordingly as it is currently doing. The Midwest ISO should also provide a protocol to ensure forecasts by multiple entities serving load in retail choice states sum to total load to prevent missed or double counting, and in a manner that is fair to both the incumbent utility and retail choice providers.

Some have suggested that a longer forward planning period with financial binding commitments would incent utilities to “under-forecast” as a compliance strategy. This incentive could be discouraged with the review process conducted by the Midwest ISO such as that described at the October 7th SAWG meeting.

4. Based on Midwest ISO’s proposal for a mandatory forward capacity market, which elements of the proposal do you favor, and which do you believe need revisions?

If an auction is to be used, OMS favors an auction design with a vertical demand curve located at the capacity requirement. We do not favor the use of a sloped demand curve in the capacity auction because it would result in a variable resource requirement instead of the fixed resource requirement. The OMS believes that a LSE should be left financially neutral if it has offered supply equal to its fixed resource requirement. The Midwest ISO’s auction design lacks sufficient details to determine if this can occur. This is significant because the majority of states prefer “opt in” or “opt out” options whereby the LSE who has sufficient resources can choose whether or not to participate in the auction. Such states are concerned that, after demonstrating to the states they serve in and to the Midwest ISO that they have adequate resources to meet locational resource adequacy requirements to meet load, they will be saddled with additional costs as a result of participating in the auction. Illinois and Wisconsin, in contrast, support the required inclusion of all load and supply into the auction’s consideration.³ Regardless, the design details of the auction are critical to address these and other issues.

For those that do participate in the auction to secure additional capacity, it is not clear how the revenue from capacity prices paid relates to revenue from scarcity prices paid in energy and operating reserves markets. It appears that the Midwest ISO scarcity pricing is also designed to archive the same missing money recovery and new entry incitement goals as its proposed resource adequacy revisions. Revenues achieved by both could therefore exceed the stated goals and result in excess costs to ratepayers. To prevent any double recovery of missing money, the Midwest ISO may need to re-evaluate these goals as well as develop a mechanism that prevents double collection of revenues.

³ Meaningful mandatory participation by all load and supply resources increases the likelihood that the outcome of the auction is competitive. Lower numbers of participants means fewer competitors, which may lead to greater potential for exercise of market power through collusion or unilateral behavior increases. It could also result in different clearing prices. Wisconsin’s position on this issue is based on an understanding of the market design described by the Midwest ISO staff and that capacity that is self-supplied would not be required to be offered into the capacity auction, but would be “considered” for purposes of meeting the overall capacity requirements in the auction.

The current Midwest ISO proposal includes one reconfiguration auction one year before the delivery year. The current reconfiguration auction is designed as an opportunity for generators to buy out of obligations that they are unable to meet. A reconfiguration auction must also allow those who have purchased a capacity obligation to sell or buy capacity based on a more accurate updated load forecast. One reconfiguration auction can also lead to problems on the supply side. What if a coal plant is retired due to EPA regulation sometime between the five year base auction and the reconfiguration auction? Are we jeopardizing future reliability of grid operations by not addressing significant changes in available capacity until one year prior to delivery? Therefore, OMS supports the use of more than one reconfiguration auction.

The proposed design would also lead to poor decisions because they were based on dated information. It is not prudent for the Midwest ISO to force LSEs to procure and contractually hold 100 percent of a planning reserve margin requirement for the out years based on a load forecast that will be over five years old. No other ISO enforces capacity procurement based on a forecast that is over five years old. PJM has a three year forward capacity auction with a 2.5 percent holdback provision with three subsequent incremental auctions. ISO-NE has a three year forward descending clock auction with four subsequent reconfiguration auctions.

The OMS also does not support the use of transitional auctions. The Midwest ISO has expressed the desire to incent new entry in anticipation of the need to replace aging facilities with growing environmental costs. Transitional auctions would not incent new entry as the time between the auction and the delivery year is not sufficient or at least less likely to incent new entry. Therefore, allowing the Midwest ISO to use transitional auctions can only result in the increased cost of capacity that is already in existence, the vast majority of which will be unlikely to be affected by environmental regulations in the next five years. The OMS believes the transitional auctions amount to a significant wealth transfer, with little possible value to the operation of the market, and therefore opposes the use of them.

Moreover, the proposed design is not adequately developed. Another area of concern for OMS is the plan for monitoring attempts to manipulate the auction. The Independent Market Monitor should be actively engaged in developing a plan to monitor and mitigate, when appropriate, any capacity auction. Our understanding is that a mandatory auction means generators must offer capacity if it is not committed elsewhere. How do the Midwest ISO and /or Independent Market Monitor ensure that all capacity is offered into the auction? Based on presentations to the SAWG, the Midwest ISO seems to recognize the need to monitor for withholding and exercise of market power, but neither the Midwest ISO or the Market Monitor have proposed any substantive plan for monitoring a capacity auction. A Midwest ISO representative told the SAWG that "fewer MW's withheld can have a greater effect on prices" as compared to energy markets. Given the experience in PJM, where the independent market monitor mitigates each auction resulting in cost based offer, it is not evident that a mandatory forward auction provides a clear market signal or, for that matter, any market signal. Monitoring a forward capacity auction is more complicated than the day ahead or real time energy and operating reserves markets because we are dealing with less information in the years out and a lot more reasons for unavailable capacity. Will the alleged benefits of a mandatory forward capacity auction outweigh all of the costs?

If the Midwest ISO intends to establish a forward auction OMS recommends use of a voluntary auction similar to the current month ahead auction but with forward periods beyond one month. These forward voluntary auctions would give LSEs the opportunity to procure (and “unprocure”) the amount of capacity that is more likely to meet both the Midwest ISO and state requirements before the delivery period rather than an amount of capacity based on a five year old forecast. It would also send a more granular signal to generators about capacity needs further into the future.

In summary, the OMS does not support the mandatory forward capacity auction design as currently proposed. We would support voluntary capacity auctions similar to the current monthly auctions held today for forward periods beyond one month. We believe that such auctions with planning zone capacity requirements would comply with the locational requirements of the June 8th FERC order.

**November 23, 2010 MISO Planning Advisory Committee Highlights
OMS November 29 Board Meeting**

EPA Regulation Impact Analysis

Recent NERC report indicates that Clean Water Act has the greatest capacity impact (37-41 GW affected by retirement or unit conversion). Most rules affect existing coal-fired capacity including coal units in the MISO region. To analyze the impact of EPA regulation, MISO is proposing to study questions such as: Is there a resource adequacy risk? Is there a transmission study risk? What is the impact on the energy and ancillary services markets? What is the impact on capacity costs? The study will be done in three phases. MISO will approach OMS for input.

Proposed Adjustments to MTEP Process and Reporting

MISO reported that the MTEP process has had issues with study times as not all studies have the same duration and timing, projects ready for approval during off-cycle times have to wait long, and MTEP report content continues to grow. MISO **proposes** to incorporate two defined project approval periods (June and December) per year beginning in MTEP 11. The proposal includes a move from a single MTEP report to a greater reliance on detailed study reports. Out of cycle approval will be limited to those projects that have urgent delivery requirements. The stakeholder vetting process, typically 5-6 months will be reduced due to urgency. MISO believes this process provides a leveled approval of projects in the process.

2011 Candidate MVP Portfolio Analysis

MISO has added candidate MVP transmission portfolio to the power flow model. In terms of planning, MISO has completed the first set of FCITC (First Contingency Incremental Transfer Capability) analyses, first PROMOD runs (to ensure results were okay), finalized wind zone locations based on RGOS wind zone set and feedback from stakeholders. MISO has started the energy delivery analysis (deliver certain load with MVP and deliver certain load without MVP). MISO has updated wind zone assignments.

MTEP 2011 Scope

Reliability planning will be the same as before. Future scenario analysis will be refreshed. Review whether any metrics should be considered to determine value as this is a value based planning analysis. Market efficiency analysis will include historical congestion analysis, MISO congestion (top congested flow gate study), and seams congestion (cross border congested flow gate study). Determine planning reserve requirements as directed under Module E – deficient findings are forwarded to MTEP process. Long term resource assessment to ensure there is enough generation to meet load. EIPC work and candidate MVP analysis is also included.

Global Energy Project Update

Base data have been requested from stakeholders. The consultant has converted data to be compatible with EGEAS. Current EGEAS models will perform scenario analysis of demand response and energy efficiency for all of the five top MTEP 10 futures.

OMS Commissioner Familiarization – 2011

Who should attend: Commissioners recently beginning service, commissioners with less exposure to regional electricity issues, new staff. Commissioners and Staff familiar with Midwest ISO issues for the topics after the break

Presenters: Bill Smith, State Commission staff (Host commission), State Commission staff (another state), Midwest ISO staff (if needed)

Outline:

- Wholesale and retail markets; regulatory structure 15 min
- Why retail regulators need to follow wholesale markets 15 min
- Regional electricity markets and Regional Transmission Organizations 45 min
 - Functions
 - Governance
 - Midwest ISO overview
 - Benefits and Value Proposition
- Coordinated state participation in the Midwest ISO 30 min
 - OMS Board and work group structure
 - How to participate – OMS travel forms, MISO registration
- BREAK
- RTO Operations 60 min
 - Reliability
 - Planning
 - Congestion Management / Locational Marginal Pricing / Dispatch
 - Resource Adequacy
 - Cross-border operations
- Current Issues (these are possible issues; this list would adjust as issues emerge; issues would be selected with host commission) 60 min
 - Capacity Markets
 - Market Monitoring: Independent Market Monitor
 - Cross-border operations: Joint Operating Agreements
 - Market Design
 - Cross-border planning and cost allocation
 - Renewable credits
 - Plant retirements
 - Demand Side Management

How to schedule: Please schedule through the OMS office

Possible schedule – depends on appointment scheduling and presenter availability:

December Iowa (test run)
 Minnesota

January / February Montana
 North Dakota
 South Dakota
 Kentucky
 Missouri
 Indiana
 Illinois

March Wisconsin

April / May Ohio

June / July Iowa
 Manitoba
 Michigan

1. MISO Extended Locational Marginal Pricing (ELMP)

We are waiting on responses to questions on ELMP to MISO's Paul Gribik that we sent on 10/29/10. We circulated Mike Proctor's notes from the MISO ELMP Task Team meeting on 11/5, and are planning a work group conference call in December to discuss ELMP with Paul Gribik.

Status: Setting up work group meeting with Mike Proctor and MISO.

2. FERC NOPR Integration of Variable Energy Resources RM10-11

On 11/18 the FERC issued a NOPR on Integration of Variable Energy Resources, RM10-11. The NOPR proposes rules that would reform tariffs and Large Generator Interconnection Agreements to require them to "offer services that will allow for a more efficient integration of variable energy resources into the grid." The required services include offering customers the option to schedule transmission service at 15-minute intervals instead of the current hourly scheduling, that interconnection customers with variable energy resources provide meteorological and operational data to transmission providers, and that that transmission providers have the opportunity, through a newly proposed schedule, to recover costs associated with the integration of variable energy resources.

We requested feedback from the work group and will set up a conference call to prepare OMS comments if we identify any issues or concerns for OMS to comment on. The due date for comments is 60 days after Federal Register publication, or about the 3rd week of January.

This follows comments received by FERC after it issued an NOI on 1/21/10. The OMS did not comment (see 3/11/10 status report), but MISO filed comments, which we provided a summary of to the M&TWG.

Status: Out for work group review and feedback.

3. Potential items coming up

No changes since 10/9 report.

For those interested, please note the following MISO meetings:

MISO Market Subcommittee - monthly meetings (12/7 next mtg)

MISO RSG Task Force – monthly meetings (12/8 next mtg)

MISO FTR Working Group – monthly meetings (12/8 next mtg)

MISO ELMP Task Team – as needed meetings (next mtg TBA, likely Jan)

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 November 29, 2010

SAWG and the Midwest ISO RA Construct Enhancements

At the November 18th SAWG meeting Todd Hillman presented the Midwest ISO's feedback from the November AC Resource Adequacy Hot Topic and next steps. He described (in the posted presentation) the six items they want to achieve and what their proposal is not. For instance it is not a "mandatory capacity market" and has the ability to opt-out via self-scheduling load and resources. Four more Resource Adequacy questions have been set for the Dec 1 Advisory Committee meeting. The draft set of answers and a position statement have been prepared for the November 29th OMS Board meeting.

Mr. Hillman agreed to post new information on the Midwest ISO proposal between Dec. 3rd and noon Dec. 6th. This will be before the planned filing of the two previous FERC filing requirements. The long term issues will be more in the form of a "plan" and not tariff language. The Midwest ISO "will work with stakeholders to develop a comprehensive FERC filing in March/April 2011 timeframe."

The November 30th SAWG was cancelled due to a lack of new information and the next SAWG meeting is December 9th. This meeting will be covered by the Resources WG Chair.

Planning Year 2011 LOLE Study Report

The Planning Year (PY) 2011 LOLE (Loss of Load Expectation) Study Report final draft dated November 22nd. The report has the percent reserve margins for a LOLE of 0.1 day per year calculated with different metrics. The System Installed Generation for PY 2011 (June 2011 – May 2012) is 17.4%. The individual LSE reserve level is 12.26%. And finally the unforced capacity margin is 3.81%. The individual LSE requirements are down and the system requirement is up slightly. Individual questions can be directed to the Resource WG Chair Don Neumeyer.

You may access this document via the following link:

http://www.midwestmarket.org/publish/Document/6a7e86_12bc0f1b440_-7a440a48324a

At the December 6th LOLEWG meeting, the major agenda item will be finalizing the 2011 LOLE Report. The report will then be taken to the PAC in either December or January for approval.

Proposed EPA Regulation Impact Analysis

NERC in late October released a report titled "2010 Special Reliability Scenario Assessment: Resource Adequacy Impacts of Potential U.S. Environmental Regulations." This covers the potential impact of shutting down primarily of fossil generation due to the combined rule making concerning cooling water, hazardous air pollution, clean air transport rule and coal combustion residuals. The Midwest area could lose over 9% of its capacity.

The [initial report released](#) by NERC in October said that the MISO area would potentially need to retire 9500MW – 15000MW over the next seven years and have a \$15 billion impact in our footprint during that time span.

At the November 23rd Planning Advisory Committee meeting, the Midwest ISO outlined their plan to make an impact analysis focused on the Midwest ISO footprint. The analysis will use public information and not be directed at specific plants or utilities. It will identify potential risks to profitability of the fleet that in turn could drive retirements. It will determine what units are required for reliability and might be eligible for payments to stay on line. It will also review cost effective remedies and optimization which such options as gas plants or new transmission.

This analysis will not have a technical review group. They will engage OMS. The results will be generic as not to violate any Critical Energy Infrastructure Information (CEII) or market sensitive information. Staff with proper CEII clearance may review the models.

The work is beginning now with Phase I in the November – December timeframe. In January – March the second Phase will use Production Cost Profitability and any Subsistence payments for reliability. The last phase will be in March through June timeframe. The Capacity Cost Impact and with Resource Adequacy and Ancillary/Energy Cost analyzes will be completed.

Note the final results will be after the planned Resource Adequacy tariff filing in March.

Submitted by Don Neumeyer, Chair Resources Work Group.