



**ORGANIZATION OF MISO STATES, INC.
Board of Directors Meeting
Conference Call Minutes
July 8, 2010**

Approved August 12, 2010

Valerie Lemmie, President of the Organization of MISO States, Inc. (OMS), called the July 8, 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:

Randy Rismiller, proxy for Sherman Elliott, Illinois
Dave Johnston, proxy for 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
Tony Clark, North Dakota
Valerie Lemmie, Ohio
Ty Christy, Pennsylvania
Greg Rislov, proxy for Gary Hanson, South Dakota
Lauren Azar, Wisconsin

Absent

Manitoba
North Dakota

Agency members participating

Beth Rhoads – Indiana
Parveen Baig, Jeff Kaman – Iowa
Bill Bokram, Lisa Pappas – Michigan
Burl Haar – Minnesota
Jerry Lein – North Dakota
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 June 10, 2010

Bill Bowker moved to approve the June 10, 2010 minutes. Rob Berntsen seconded. The motion was passed by unanimous voice vote.

Treasurer's Report – Robert Kenney

The beginning balance as of June (corrected to July) 1 for the Wells Fargo Business Performance Savings Account was \$29,726.33 Interest earned for this month was \$1.22. The June 30, 2010 balance was \$29,727.55

The beginning balance as of June 1 for the Chase Bank One Checking account was \$33,660.83. The total disbursements from the checking account for June 2010 were \$36,710.08. Deposits and interest were \$50,000.48. As of June 30, 2010, the checking account bank balance was \$52,342.78 and the book balance was \$46,951.23 (with 12 checks outstanding).

The total savings and checking account balances as of June 2010 is \$76,678.78.

Robert Kenney moved acceptance of the treasurer's report. Tom Pugh seconded. The motion passed by unanimous voice vote. Randy Rismiller offered a correction to the treasurer's report – it's for July, not June.

Robert Kenney moved to accept the June 30, 2010 treasurer's report. Tom Pugh seconded. The motion was approved by unanimous voice vote. Randy Rismiller offered a correction to the treasurer's report – it is for July, not June.

Review of the Executive Committee Meeting & Administrative Report

Bill Smith reviewed the following items from the June 24, 2010 Executive Committee Meeting and his Executive Director's Report:

- The Nominating Committee is hard at work securing commitments for new officers;
- Budget development is proceeding in the office, a draft will be sent to the Executive Committee later this month;
- The Executive Committee discussed those issues and personnel issues that will be covered by the Personnel Committee.

BUSINESS

1. MISO Advisory Committee Issues – Monica Martinez

- The meeting was cancelled. Monica Martinez introduced the August hot topic: Long Term Perspective – new products and services and strategic direction.

2. Planning Advisory Committee – Rob Berntsen

- Rob Berntsen reported on the July 7th PAC meeting, which focused more on a potential tariff filing than changes in the Business Practice Manual;
- No vote was taken at the time, the PAC agreed to allow input from the OMS Board and Staff. A summary of potential changes and recommendations was sent out in a separate email on Tuesday;
- Jennifer Curran spoke about the changes in the Business Practice Manual and took questions from the Board and Staff;
- The consensus among the Board was to wait and see what the filing says before commenting.

3. Update on Cost Allocation – CARP, RECB, MISO Filing – Lauren Azar

- The MISO filing will be submitted on July 15, 2010.
- CARP is officially over

4. Update on Eastern Interconnection Planning Process – Lauren Azar

- The contract with DOE has been signed;
- The next meeting is the end of August. August and September meetings will focus on planning;
- The group is also actively trying to hire an executive director and office staff.

5. Meeting Plans – Bill Smith

- An outline of the August meetings at MISO in St. Paul was provided to the Board prior to the meeting. No special OMS meetings are currently planned;
- In September there is a planning retreat scheduled for current and incoming officers and work group chairs. It will be Sept. 9 and 10 in Billings, MT;
- The OMS Annual Meeting is scheduled for Oct. 18-21. It will be combined with a meeting with the Black Sea Regional partners;
- The OMS Board is invited to the OPSI board meeting Oct. 6-8 in Dearborn, MI.

6. MISO Supply Adequacy Activities (SAWG) – Don Neumeyer & Randy Pilo

- Don Neumeyer summarized the activity on this subject;
- The Board and staff discussed the issue further, and the Michigan draft on resource adequacy principles and upcoming resource adequacy work group meetings.

7. MISO Extended Locational Marginal Pricing Activities (Convex Hull) – Bill Bokram

- Bill Bokram gave an update on ELMP, going over the material distributed to the Board prior to the meeting;
- He also mentioned that Mike Proctor strongly recommends voting in support of continuing developing the ELMP.

Updates and Work Group Status Reports

Demand Response WG

- Written report follows minutes;

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 - Burl Haar

- Burl Haar requested a note go out to all of the work groups concerning the notice of his upcoming conference call on the August Hot Topic;
- Written report follows minutes;

Modeling WG

- No report;

ADJOURNMENT

The OMS Board of Directors meeting adjourned at 2:05 pm CDT.

*O***M***S*

**Organization of MISO States
Report of the Treasurer
Robert Kenney, Missouri Public Service Commission
to the
Board of Directors
July 10, 2010
Report for June 2010**

CASH ON HAND

The beginning balance as of June 1 for the Wells Fargo Business Performance Savings Account was \$29,726.33 Interest earned for this month was \$1.22. The June 30, 2010 balance was \$29,727.55

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The total savings and checking account balances as of June 2010 is \$76,678.78.



TREASURER'S REPORT
Organization of MISO States
June 30, 2010

Wells Fargo Business Performance Savings Account

Balance as of 6/01/10			\$	29,726.33
6/30/10	DEP	Interest on Savings	\$	1.22
				<hr/>
Business Performance Savings Account Balance at 6/30/10				<u>\$ 29,727.55</u>

Chase Bank One Commercial Checking with Interest

Balance as of 6/1/10			\$	33,660.83
6/14/10		Midwest Iso ACH Pymt	\$	50,000.00
6/30/10		Interest	\$	0.48
				<hr/>
Total Deposits				\$ 50,000.48

Checks and Charges

Date	Check #	Descriptions		
6/3/10	3518	Combined Systems Technology	\$	2,226.00
6/3/10	3519	DC Bar Dues	\$	237.00
6/3/10	3520	Ryun, Givens & Co. PLC	\$	3,905.92
6/3/10	3521	IA Travel Reimbursement	\$	543.68
6/3/10	3522	MO Travel Reimbursement	\$	478.05
6/3/10	3523	IA Travel Reimbursement	\$	230.35
6/3/10	3524	IA Travel Reimbursement	\$	36.00
6/10/10	WD	Paychex	\$	109.47
6/17/10	3525	100 Court Investors	\$	1,686.42
6/17/10	3526	IA Travel Reimbursement	\$	793.62
6/17/10	3527	Conference Suite	\$	284.26
6/17/10	3528	IA Travel Reimbursement	\$	507.09
6/17/10	3529	Qwest	\$	295.32
6/17/10	3530	MI Travel Reimbursement	\$	385.02
6/17/10	WD	Chase	\$	1,733.20
6/24/10	3531	IA Travel Reimbursement	\$	262.91
6/24/10	3532	DWX Internet	\$	35.00
6/24/10	3533	Indiana Insurance Company	\$	232.00
6/24/10	3534	Infomax Office Systems VOID	\$	-
6/24/10	3535	IN Travel Reimbursement	\$	432.00
6/24/10	3536	Mike Proctor-Consulting Services	\$	3,864.00
6/24/10	3537	MI Travel Reimbursement	\$	436.35

6/24/10	3538	Infomax Office Systems	\$	268.61
6/29/10	3539	MI Travel Reimbursement	\$	325.29
6/29/10	3540	WI Travel Reimbursement	\$	369.55
6/29/10	3541	IN Travel Reimbursement	\$	44.00
6/30/10	WD	Payroll	\$	9,333.30
6/30/10	WD	Payroll Taxes	\$	4,942.89
6/30/10	307	401K Contribution-June	\$	77.25
6/30/10	308	401K Contribution-June	\$	2,224.30
6/30/10	309	401K Contribution-June	\$	411.23

Total Checks and Charges \$ 36,710.08

CHECKING ACCOUNT BALANCE 6/30/10 \$ 46,951.23

CERTIFICATES OF DEPOSIT, SAVINGS AND CHECKING ACCOUNT BALANCES AS OF 6/30/10 \$ 76,678.78

CHASE CHECKING ACCOUNT RECONCILIATION

	<u>Check #</u>	<u>Amount</u>
Bank Balance 6/30/10		\$ 52,342.78
Less Checks OS		
	307	\$ 77.25
	308	\$ 2,224.30
	309	\$ 411.23
	3448	\$ 722.42
	3483	\$ 157.16
	3500	\$ 192.00
	3534	\$ -
	3535	\$ 432.00
	3537	\$ 436.35
	3539	\$ 325.29
	3540	\$ 369.55
	3541	\$ 44.00
Book Balance 6/30/10		<u>\$ 46,951.23</u>

OMS Treasurer Report for Month of June 2010

Wells Fargo Business Performance Savings Account

Beginning Balance	29,726.33	
Interest Earned this Month	1.22	
Withdrawals		
Ending Balance		29,727.55

Chase Bank One Checking Account

Beginning Balance	33,660.83	
Total Disbursements	(36,710.08)	
Deposits/Interest/Adjustments	50,000.48	
Ending Balance		46,951.23
Bank Balance	52,342.78	
Outstanding Checks	(5,391.55)	
Book Balance		46,951.23
Total Savings & Checking Balances as of June 30,2010		76,678.78

12 checks outstanding at 6/30/2010



Organization of MISO States

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OMS Executive Director Report July 6, 2010

FERC and DOE Activity

1. On June 8, the FERC issued an order in Docket No. ER08-394, directing the Midwest ISO to further explore a locational capacity mechanism to ensure reliability, with a compliance filing due December 6, 2010. This order has added urgency to the work of the Supply Adequacy Work Group as it examines the time elements of Module E. The OMS received a briefing from Midwest ISO staff on June 18.
2. On June 17, the FERC issued a Notice of Proposed Rulemaking on Transmission Planning and Cost Allocation by Transmission Operating Public Utilities, in Docket No. RM10-23. The NOPR is aimed at better coordination of regional and interregional planning, planning to reflect public policy objectives, removal of right-of-first refusal language, and better align costs and benefits of new transmission. Comments are due in late August.
3. On June 29, the FERC issued an Order on the MISO-PJM market-to-market complaints. It denied summary judgment, consolidated the proceedings, and established hearing and settlement judge procedures. ALJ Cintron, who conducted earlier settlement discussions, has been designated as the Settlement Judge. A settlement conference has been scheduled for July 28. (FERC Docket Nos. EL10-45, EL10-46-000, and EL10-60).

OMS-MISO Activity

1. The OMS held a final(?) cost allocation / regional planning (CARP) workshop by conference call on June 14. The Midwest ISO announced its final filing outline at the RECB meeting on June 22.

2. OMS staff have continued to participate in MISO workshops on Extended Locational Marginal Cost Pricing, also called "Convex Hull Pricing." Dr. Proctor attended the July 1 workshop for OMS.
3. OMS held its monthly call with the Independent Market Monitor on June 24.
4. 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:
 - None.
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 invited to participate in an Advisory Panel being formed by the National Center for Interstate Compacts to explore the potential of an interstate compact to address transmission line siting across state lines. The first meeting is tentatively scheduled for late July.

Upcoming dates:

- Next regular **OMS Board of Directors meeting: July 8, 2010** at 1:00 pm CDT
- Next **OMS Executive Committee meeting – July 29, 2010** at 1:00 pm CDT
- 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
07/15/2010	ER09-1431-00_	The Midwest ISO to submit a Compliance Filing to fulfill its commitment to file superseding Tariff revisions regarding the RECB Phase II cost allocation methodology on or before July 15, 2010.	129 FERC ¶61,060 (2009)	RECBTF
07/19/2010	ER10-___-000	The Midwest ISO to submit its eTariff Baseline Filing.	Order No. 714	N/A
08/01/2010	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
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	N/A

OMS Executive Director Report

July 6, 2010

Page 4

		Order No. 890.		
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

July 6, 2010

Report of the OMS Demand Response and Technology Working Group

1. The MISO Demand Response Working Group monthly meeting was held on Monday, June 28. Items of interest from that meeting are:
 - a. Kevin Larson of the MISO staff provided an updated spreadsheet showing the amounts of various types of DR on the MISO system.
 - b. There was a lengthy discussion led by Mike Robinson providing an update of the the status of the items listed on the 'barriers to participation' that had been developed last year by the DR stakeholders, as required by Order 719.
 - c. There was a discussion of the BPM for DR led by MISO staff.

2. On June 17, 2010, FERC staff issued the final version of the National Action Plan on Demand Response. This document is available under Docket No. OA09-10.

3. Still no word or rumors on possible FERC action on MISO's proposal to incorporate ARC's in the MISO market (Docket ER09-1049) or on the FERC rulemaking on tion for Demand Response Compensation in Organized Wholesale Energy Markets.

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

This is the August hot topic. The GBWG will be following this, along with other OMS workgroups.

2. MISO Capital Budget

MISO's initial draft will be released later this summer.

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 report last month. The OMS intervened in this case without taking a substantive position.

The M&TWG met on 6/30 to discuss the merits of using the Adjusted Grouped Zonal method over that proposed by MISO. Nick Bowden of the ICC Staff made a presentation on the merits of the adjusted grouped zonal method, the position taken in the ICC comments filed on June 24th. The M&TWG came to a general consensus that the adjusted grouped zonal method is a more accurate approach and decided to ask MISO to speak to the work group to discuss its proposed cost allocation. The work group will meet with Kevin Vannoy, Director, Market Services, Midwest ISO, on 7/7 to further discuss the use of ASM zones and cost allocation. We hope to get a better understanding from MISO what it means for a reserve zone to bind and what the resulting effect is on available operating reserves. While the time has passed for comments to FERC, MISO expects to revisit cost allocation after implementing reserve procurement enhancements.

Status: Continuing workgroup discussions. Continuing monitoring.

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 6/29 MSC meeting concerned the allocation of monies based on the effects of the errors on the granting of FTRs and FTR funding.

FERC's 6/29/10 order in EL10-45 *et al*/consolidates proceedings and establishes hearing and settlement procedures.

Status: Continue to monitor.

3. MISO Convex Hull Workshop 4

MISO gave the 4th and final workshop on Convex Hull Pricing (CHP) and Extended Locational Marginal Pricing (ELMP) on 7/1/10. A vote is expected at the 8/3 MSC meeting. See separate report under Business Agenda.

The M&TWG sent ELMP questions to MISO on June 14th and is working on a date for an ELMP primer with MISO to provide an overview of the new pricing approach. As such, the work group is not yet able to recommend an OMS position.

Status: Continue to monitor. Will circulate motions for 8/3 MSC meeting.

4. Potential items coming up

MISO proposed Reserve Procurement Enhancements and MISO proposed Dispatchable Intermittent Resource Proposal.

Status: No change since last status report.

For those interested, please note the following MISO meetings:

MISO Market Subcommittee - monthly meetings (8/3 next mtg)

MISO RSG Task Force – monthly meetings (8/4 next mtg)

MISO FTR Working Group – monthly meetings (8/4 next mtg)

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 July 8, 2010

Midwest ISO SAWG – RA Construction

The Midwest ISO SAWG posted the responses for several stakeholders per the questions posed at the end of May. The June 3rd meeting had a discussion of the issues around improving the Resource Adequacy Construct. Below is a set of questions the RAWG is considering when thinking of proposals that could improve the Midwest ISO. Clearly the independent generators (without bilateral capacity contracts) are looking for some longer assurances of some cash flow for their business model, say 1 to 3 years. In contrast the retail choice wholesale energy suppliers do not long term contracts because load shifting. They want the one month commitment. The non-retail choice states are okay with the bi-lateral contracts and the universal buy/sell Planning Reserve Credits. Any change to long planning periods, commitment periods, and associated forecasting has trade-offs between stakeholders and different risk/reward implications. The Retail Suppliers' representative made a presentation at the July 1st SAWG meeting last Thursday.

The Midwest ISO is looking to retain its membership and looking for proposals. The following questions, from our Michigan team, are being used to thoughtfully explore the issues.

1. Should the capacity requirement of MISO's current RA construct be changed to a centralized MISO-run capacity market that is more like PJM's RPM?
2. To what extent should the goal of MISO's RA construct to ensure resource adequacy also be to ensure or "enable" the recovery of investment in resources?
3. Should the capacity requirement of MISO's current RA be changed to be more forward looking so that its requirement is a year or more out into the future, and if it should, how many years forward should it be?
4. Should load forecasts be changed to that of centralized MISO load forecasts? Note that a change to a centralized MISO-run capacity market (1 above) pretty much requires a centralized MISO forecast.
5. Should the current requirement that each LSE update its forecast be changed so that MISO tracks, verifies and changes LSE load forecasts due to retail load switching? This could also apply to non-retail choice for load changes that occur during the planning period.
6. How should MISO's RA construct be changed to reflect local and aggregate PRCs on a more locational basis as required by two FERC orders?

06/08/10 FERC order rejecting 8/18/09 filing and requiring a compliance filing in 6 months that examines a locational requirement for RA (ER08-394-024)

<http://elibrary.ferc.gov/idmws/common/opennat.asp?fileID=12362521>

02/19/10 MISO files information filing regarding deliverability of LMRs and progress since 6/17/09 filing that is still pending. MISO plans to continue its interim solution and work on a permanent

solution for LMRs to participate in VCA effective next planning year starting 6/01/11. (ER08-394-007, ER08-394-009)

<http://elibrary.ferc.gov/idmws/common/opennat.asp?fileID=12272997>

7. Can the VCA be changed so that it can reflect locational requirements and still offer PRCs as a standard tradable product, and if so, how?

The RAWG has a round one draft for revising the Principles for Resource Adequacy. The previous versions were March 12, 2004 and May 10, 2007. The RAWG will have a final draft by the end of July. If an OMS Director would like the working copy, they can contact Don Neumeyer (don.neumeyer@wisconsin.gov) or their State RAWG member.

The RAWG had a conference call July 6th. The Work Group members on the call agreed there is no need for a radical change to the Midwest ISO RA construct at this time, but were willing to listen to proposals.

The SAWG has twice per month meeting schedule. The July 19th meeting has time for stakeholder presentations. The week of July 18th is NARUC. The SAWG August meetings are scheduled for the 5th and 19th. The next OMS Board meeting is August 12th. The RAWG will present a draft Revised Principles of Resource Adequacy by the end of July.

Submitted by Don Neumeyer
Chair of the Resources Work Group

OMS Transmission Cost Allocation (TCA) Working Group

Report for July 8, 2010 OMS Board Meeting

There are two current items that may require OMS comments:

1. July 15 Midwest ISO Transmission Cost Allocation filing

MISO's final cost allocation approach was released at the June 22 RECB meeting:

- 100% postage stamp of revenue requirements to load and exports (MWh) for Multi Value Projects
- Generation Interconnection Projects cost sharing methodology remains the same
 - 10% of 345kV and above facilities will be shared postage stamp to load
 - All other costs borne by the interconnecting developer
- Use inclusion criteria for qualifying projects:
 - Multi Value Projects (MVP)
 - RECB I Baseline Reliability stays the same
 - RECB II criteria stays the same (for now)

The TCA WG co-chairs solicit feedback from the MISO Board as to what OMS' comments will be on this filing.

2. FERC Notice of Proposed Rulemaking on Transmission Planning and Cost Allocation by Transmission Owning and Operating Public Utilities (RM10-23-000)

Issued June 17, this FERC NOPR proposes to amend its Order 890. The FERC fact sheet is below. Comments are due on August 30.

Working from the August 30 comment date, the TCA WG co-chairs propose the following schedule to address this NOPR:

June 30: Published in Federal Register

Week of July 19: TCA Work Group meeting

July 19-August 4: Drafting of OMS Comments

August 5-10: TCA Work Group meeting

August 10-11: Distribution of draft to OMS Board

August 12: OMS Board discussion

August 13-20: Finalization of OMS Comments

August 23: Distribution of OMS Comments for email voting by states

August 30: OMS files comments at FERC

FERC Fact Sheet:

The Commission is proposing to amend the transmission planning and cost allocation requirements for public utility transmission providers established in Order No. 890 to ensure that transmission services are provided on a basis that is just, reasonable and not unduly discriminatory or preferential.

Purpose

To incorporate in transmission planning processes public policy requirements established by state or federal laws or regulations that may drive transmission needs.

To provide sponsors of transmission projects the right, consistent with state or local laws or regulations, to construct and own facilities selected for inclusion in regional transmission plans.

To improve coordination in the evaluation of transmission facilities proposed to be located in two neighboring transmission planning regions.

To provide a closer connection between transmission planning and cost allocation processes.

Overview

With respect to transmission planning processes, the proposed rule would:

Require each public utility transmission provider to participate in a regional transmission planning process that produces a regional transmission plan and that meets certain transmission planning principles established in Order No. 890.

Require that local or regional transmission planning processes account for public policy requirements established by state or federal laws or regulations that may drive transmission needs.

Remove from FERC-approved tariffs or agreements any right of first refusal that provides an incumbent public utility with an undue advantage over a non-incumbent transmission project developer, while preserving state authority.

Require each public utility transmission provider through its regional transmission planning process to enter into a transmission planning agreement with the public utility transmission providers in each neighboring transmission planning region.

With respect to transmission cost allocation, the proposed rule would:

Establish principles for allocating the costs of new transmission facilities in a manner that is at least roughly commensurate with the distribution of benefits. (See section VC of the NOPR)

Require each public utility transmission provider to have a cost allocation method for new transmission facilities in the regional transmission plan that satisfies certain proposed cost allocation principles.

Require each public utility transmission provider to have a cost allocation method for new transmission facilities resulting from the planning agreements implemented by neighboring regions that satisfies certain proposed cost allocation principles.

Applicability

The proposed rule would apply to all public utility transmission providers, including RTOs and ISOs. Each public utility transmission provider would be required to make compliance filings with the Commission showing how it complies or will comply with the proposed requirements.

The Commission proposes that transmission providers that are not public utilities would have to adopt the requirements of this proposed rule as a condition of maintaining the status of their safe harbor tariff or otherwise satisfying the reciprocity requirement of Order No. 888.

MISO EXTENDED LOCATION MARGINAL PRICING ACTIVITIES (CONVEX HULL PRICING)

The Midwest ISO has completed the four workshops scheduled to examine the ELMP as a revised method of calculating energy prices. A number of questions remain. The Midwest ISO plans to hold a stakeholder vote on 8/3/10 to proceed with developing the details, forming a working group, then determining the design based on principles outlined in the education phase, and then draft tariff language. They plan to file with the FERC by the end of this year. This report supplements our 5/13/10 update and 6/10/10 presentation.

MISO Convex Hull Pricing Workshop 4 – July 1, 2010

This was the 4th of 4 planned stakeholder workshops. MISO's Paul Gribik presented, with Susan Pope of IECG and Dr. Bill Hogan of Harvard University supporting.

MISO is proposing to use Extended LMP (ELMP) involving convex hull pricing, by extending the calculation of LMP to include the costs of commitment decisions in the calculation of prices. The ELMP framework presented for educational purposes in the workshops provides a set of principles for pricing that will allow the inclusion of offers from block-loaded gas (combustion) turbines and demand response in the price determination, as well as the mitigation of transitory price spikes¹ that occur in the real-time energy markets.

The emphasis of this final workshop was on the application of ELMP to the real-time energy and ancillary services markets. In this regard, Mr. Gribik noted that it appears that from the test applications of ELMP to day-ahead markets, the differences between ELMP and LMP are likely to be minimal, particularly in the day-ahead energy markets. However, several decisions need to be made in the day-ahead markets that relate to the resources and costs to be included in the calculation of ELMP, as well as the timing of these calculations and application to the settlement process. The presentation involved alternatives to give workshop participants a feel for some of the issues that would need to be determined before implementation. While Mr. Gribik made some recommendations on these alternatives, MISO is open to hear arguments regarding all alternatives.

Alternatives for resources to be included is primarily a question of what time frame should be used in real time with respect to resources available for the calculation; i.e., should the calculations include only resources that are committed or available for quick start, or should it also include resources that were available day-ahead in the unit commitment process, but were not committed? With respect to costs to be included, should the ELMP calculation consider only avoidable costs, thereby excluding start-up costs for units that are already committed, or should these non-avoidable costs also be included? Mr. Gribik leans toward using only avoidable costs, but is open to arguments for the alternative.

With respect to timing of the calculation of ELMP, should these be made at the end of each hour based on what is known as well as what is forecasted for the next several hours, or should the calculations be made at the end of each day? Mr. Gribik recommended making the calculations at the end of each hour in order to provide pricing information to market participants on a timely basis, and also noted that

¹ For example, transitory price spikes occur when a unit that was scheduled to be on-line at a certain time was delayed for a short time (e.g., 5 minutes) and was not available for dispatch. Because ELMP calculation are made after-the-fact, such calculations can smooth over this transitory event and avoid sending an aberrant price signal to market participants.

making these calculations for a twenty-four hour period would require a significantly more complex set of calculations.

In addition, settlement application involving options of combining day-ahead and real-time calculations of uplift were discussed. Examples were presented showing that combining the settlements from both markets is likely to result in decreasing the amount of uplift payments. Final recommendations on settlement procedures would be up to the recommendations of the MSC, if it decides to move forward with the ELMP framework.

Finally, MISO stated that every aspect of ELMP need not be implemented at the outset, and decision needed to be made regarding what elements of ELMP should be implemented. Should MISO move forward and implement ELMP as a comprehensive pricing approach for all aspects of the market, or should MISO implement aspects of ELMP to address specific issues while not modifying other pricing aspects? For example, consider only commitment effects of “fast-start” resources such as CTs using ELMP.

This was the final workshop; there are no votes in workshops. It appears that MISO's intent is to conclude the educational/workshop process, and then get buy-in for ELMP as a framework from the MSC at its August 3 meeting, and then proceed with developing details for the implementation of the ELMP framework in a new working group. Options within the ELMP framework and exact design would be developed within the working groups assigned to develop the details. Based on the recommendations of that work group and approval by the Market Subcommittee, MISO's target is to develop a tariff filing by the end of this year.

Next Steps

- Discussion and vote at 8/3/2010 MSC on whether to proceed with ELMP - or - implement elements of ELMP to solve market issues noted as the rationale for discussing ELMP
- Working Group(s) to evaluate goals, options and tradeoffs
- Draft tariff language to implement in December 2010

We expect any motion(s) to proceed with ELMP to be provided one week before the 8/3 MSC meeting and will circulate them to the M&TWG . The M&TWG sent a list of questions to the Midwest ISO in June requesting clarification on a number of elements of the ELMP proposal. In addition, the M&TWG requested that the Midwest ISO provide an overview of the ELMP approach to the OMS Board, We have not received a response on either. We also note that the Midwest ISO has given little attention to comparing the pros and cons of other approaches such as those identified in the December 2007 whitepaper (see 1/8/08 MSC meeting materials). Because of these outstanding questions and concerns, the M&TWG has not taken a position on the ELMP approach and does not have a recommendation at this time.

References:

These workshops were recorded and are posted on MISO's web site at:

http://www.midwestiso.org/publish/Folder/5e2639_12471e7994b_-7f200a48324a

-Or- under Documents\Committee Meetings & Presentations\Workshop Materials\CHP Workshop