



**ORGANIZATION OF MISO STATES, INC.
Board of Directors Meeting
Conference Call Minutes
August 11, 2011**

Approved September 8, 2011

Monica Martinez, President of the Organization of MISO States, Inc. (OMS), called the August 11, 2011 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
Kari Bennett, Indiana
Parveen Baig, proxy for Rob Berntsen, Iowa
Bill Bowker, proxy for David Armstrong, Kentucky
Monica Martinez, Michigan
Burl Haar, proxy for David Boyd, Minnesota
Robert Kenney, Missouri
Jerry Lein, proxy for Tony Clark, North Dakota
Greg Rislov, proxy for Gary Hanson, South Dakota
Randel Pilo, proxy for Eric Callisto, Wisconsin

Absent

Manitoba
Montana
Ohio

Agency members participating

Dave Johnston – Indiana
Bill Bokram, Orjiakor Isiogu, Lisa Pappas, Angie Butcher, Bill Bokram, Jessica VanDeusen – Michigan
Kim Moran – Montana
Don Neumeyer, Lois Schubert, Julie Urban – Wisconsin

Others on the call

Marya White – EISPC
Steve Kozey – MISO
Bill Smith, Julie Mitchell – OMS Staff

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

Approval of Minutes from July 14, 2011

The minutes were approved by consensus.

Treasurer's Report

The July 2011 OMS Treasurer's report was approved by consensus.

Review of the July 28, 2011 Executive Committee Meeting

Bill Smith highlighted the following items from the July 28, 2011 Executive Committee Meeting:

- The status of the Nominating Committee;
- Potential transition of officers;
- Fall Planning Retreat, potential dates and locations;
- Board Meeting agenda;
- 2012 OMS Budget;
- Co-sponsorship of the MGA Transmission Meeting

Monica Martinez also noted that Chairman David Armstrong of Kentucky had tendered his resignation as Vice-President of OMS effective the end of August. He will continue to serve as Kentucky's representative to OMS.

Administrative Report

The Executive Director's written report was distributed prior to the meeting.

BUSINESS

1. MISO Advisory Committee

- Chris Ericson and Bill Bokram presented an overview of the key points of the Hot Topic. Wisconsin felt the third paragraph on the first page was redundant and could be dropped.

Randel Pilo moved to remove the paragraph and adopt the draft as amended. Bill Bowker seconded. There was additional discussion and clarification regarding language. The motion was passed by unanimous voice vote.

- Bill Bowker mentioned two other AC issues:
 - MISO has asked the stakeholder groups to clarify the October topic. Bill Bokram referenced the importance of this issue to OMS in the issue rankings done in the fall of 2010.
 - A routine motion concerning the duration of the RECB task force will come before the Advisory Committee.

2. Planning Advisory Committee – Robert Kenney

A written report was submitted. Robert Kenney highlighted the following items:

- The first draft of MTEP '11 has been released and MISO is seeking input from the PAC;
- There has been a revision to the transmission service request;

3. Action Item: OMS Comments on FERC Incentives Rules, Docket #RM11-26 – Randy Rismiller and Dave Johnston

- Randy Rismiller provided some background on these comments (including a possible extension) and highlighted those parts that might be controversial.
- Robert Kenney noted that Missouri had requested a footnote on Missouri's statutory requirements regarding QUIP.
- Randy Pilo presented Wisconsin's concerns: that the document might be too long and that Wisconsin has no policy guidance of this issue; and at this point would have to either vote no or abstain.

- President Martinez stated that Michigan would probably have the same issues as Wisconsin.

Robert Kenney moved to accept the document. Kari Bennett seconded. A roll call vote was taken:

**Illinois: abstain
 Indiana: yes
 Iowa: yes
 Kentucky: abstain
 Manitoba: absent
 Michigan: abstain
 Minnesota: abstain
 Missouri: yes
 Montana: absent
 North Dakota: abstain
 Ohio: absent
 South Dakota: abstain
 Wisconsin: abstain**

The motion failed with 3 yes votes, 0 no votes, 3 absents and 7 abstentions. If the extension is not granted by FERC, states have until the evening of August 24 to change their votes. If the extension is granted by FERC, the vote will be brought back to the September Board Meeting.

4. Action Item: Travel Stipends for the MGA Transmission meeting, Sept. 15-16 , Des Moines, IA.

The Executive Committee voted to co-sponsor the MGA Transmission meeting, Bill Smith proposed that the Board reimburse travel for those wishing to attend. The proposal was supported as presented.

5. Update – Options for OMS Comments on MISO Resource Filing – Don Neumeyer
 Don Neumeyer presented the Resources Work Group's work on this issue. President Martinez requested that all Commissioners work with their staffs and the Resources Work Group to answer their questions and offer comments on what direction they think the document should take.

6. OMS Budget for 2012 – Bill Smith
 Bill Smith presented the draft OMS Budget for 2012. Approval is needed at the September meeting so it can be submitted to MISO for its consideration. Randy Pilo asked if the technology budget was sufficient.

7. Update – Eastern Interconnection Planning Process – Marya White
 Marya White submitted a written update. There were no questions.

8. MISO Communications Procedures for Alerts and Warnings – Steve Kozey
 Steve Kozey spoke about MISO's communication procedures for maximum generation alerts, warnings, and events.

Updates and Work Group Status Reports

Demand Response WG

- No Report;

Transmission Cost Allocation WG

- Written Report;

Markets and Tariffs WG

- Written Report;

Resources WG

- No Report;

Regional Planning WG

- No Report;

Governance and Budget

- No Report;

Modeling WG

- Written Report;

ADJOURNMENT

The OMS Board of Directors meeting adjourned at 2:20 pm CDT.

OMS

**Organization of MISO States
Report of the Treasurer
Kari Bennett, Indiana Utility Regulatory Commission
to the
Board of Directors
August 11, 2011
Report for July 2011**

CASH ON HAND

The beginning balance as of July 1 for the Wells Fargo Business Performance Savings Account was \$33,714.12. Interest earned for this month was \$1.43. The July 31, 2011 ending balance was \$33,715.55.

The beginning balance as of July 1 for the Chase Bank One Checking account was \$177,785.09. The total disbursements from the checking account for July 2011 were \$30,615.17. Deposits and interest were \$1.30. As of July 31, 2011, the checking account bank balance was \$147,121.22 and the book balance was \$146,871.20 (with 1 check outstanding).

The total savings and checking account balances as of July 2011 is \$180,586.75.



TREASURER'S REPORT
Organization of MISO States
July 31, 2011

Wells Fargo Business Performance Savings Account

Balance as of 07/01/2011			\$	33,714.12
7/29/2011	INT	Interest on Savings	\$	1.43
Business Performance Savings Account Balance as of 07/31/2011				<u>\$ 33,715.55</u>

Chase Bank One Commercial Checking with Interest

Balance as of 7/1/2011			\$	177,785.09
7/15/2011	DEP	Midwest ISO	\$	-
7/29/2011	DEP	Interest	\$	1.30
Total Deposits				<u>\$ 1.30</u>

Checks and Charges

Date	Check #	Descriptions		
6/30/2011	386	MG Trust Co.	\$	2,243.86
6/30/2011	387	MG Trust Co.	\$	298.57
6/30/2011	388	MG Trust Co.	\$	96.01
6/20/2011	3788	Adam McKinnie - Travel	\$	1,210.23
6/27/2011	3798	Diversified Management Svcs	\$	32.50
6/27/2011	3799	Infomax Office Systems	\$	54.77
6/27/2011	3800	Jessica Van Deusen - Travel	\$	377.62
6/27/2011	3802	Rob Berntsen	\$	1,510.82
6/27/2011	3803	State of Michigan - Travel	\$	146.78
6/27/2011	3804	William Bowker	\$	193.80
7/5/2011	3805	Conference Suite	\$	1,022.72
7/7/2011	3806	Adam McKinnie - Travel	\$	930.10
7/7/2011	3807	Walt Cecil - Travel	\$	360.80
7/11/2011	WD	Paychex	\$	114.67
7/13/2011	3808	100 Court Investors	\$	1,706.42
7/13/2011	3809	Conference Suite	\$	651.64
7/13/2011	WD	Chase	\$	4,903.23
7/19/2011	3810	Combined Systems Technology	\$	282.72
7/19/2011	3811	Qwest	\$	254.62
7/25/2011	3812	Bill Smith	\$	222.46
7/28/2011	WD	Paychex - Payroll	\$	9,291.48
7/29/2011	WD	Paychex - Taxes	\$	4,709.35

Total Checks and Charges			\$	<u>30,615.17</u>
CHECKING ACCOUNT BALANCE 07/31/11			\$	<u>147,171.22</u>
CERTIFICATES OF DEPOSIT, SAVINGS AND CHECKING ACCOUNT BALANCES AS OF 07/31/11			\$	<u>180,586.75</u>

CHASE CHECKING ACCOUNT RECONCILIATION

	Check #	Amount
Bank Balance 07/31/11		\$ 147,171.22
Less Checks Outstanding		
6/30/2009	ADJ	Visa Adjustment \$ 0.02
7/28/2011	3813	DMS \$ 300.00
Total Outstanding Checks & Book Adjustments		<u>\$ 300.02</u>
Book Balance 07/31/11		<u>\$ 146,871.20</u>

OMS

OMS Treasurer Report for Month of July 2011

Wells Fargo Business Performance Savings Account

Beginning Balance	33,714.12	
Deposits and Interest Earned this Month	1.43	
Withdrawals	<u>0.00</u>	
Ending Balance		<u><u>33,715.55</u></u>

Chase Bank One Checking Account

Beginning Balance	177,785.09	
Total Disbursements	30,615.17	
Deposits/Interest/Adjustments	<u>1.30</u>	
Ending Balance		<u><u>147,171.22</u></u>
Bank Balance	147,171.22	
Outstanding Checks & Adjustments	300.02	
Book Balance		<u><u>146,871.20</u></u>

Total Savings & Checking Balances as of July 31, 2011 180,586.75



Organization of MISO States

100 Court Avenue, Suite 315
Des Moines, Iowa 50309

Phone: 515-243-0742
Fax: 515-243-0746
www.misostates.org

OMS Executive Director Report August 1, 2011

FERC and DOE Activity

1. On July 20, the MISO filed its resources adequacy revisions. Docket No. ER11-4081. Comments are due September 15, 2011.
2. On July 21, the FERC issued its long-awaited rule on transmission planning and cost allocation. For regions in an RTO, most activity will involve procedures for evaluating plans offered by non-transmission owners and improved seams agreements with neighboring regions. Order No. 1000, Docket No. RM10-23, 136 FERC ¶61,051. Rehearing requests will be due in late August.

OMS-MISO Activity

1. MISO has offered additional stakeholder briefings to explain aspects of the resource filing. The first of these will be held Thursday, August 4, from 8:00 – 11:00 (in place of the Resources Adequacy Work group meeting. Further briefings for state commissions can be scheduled if commissioners would find them useful.
3. MISO is beginning stakeholder review of MVP projects. The MISO Board's Strategic Planning Committee will be briefed on the process August 16. Briefings for OMS members can be arranged if desired.

Public Relations

1. Presentations:
 - None



Organization of MISO States

100 Court Avenue, Suite 218
Des Moines, Iowa 50309

Phone: 515-243-0742
Fax: 515-243-0746
www.misostates.org

2. Pending speaking/meeting invitations:

- October 4: Bill Smith has been asked to brief the NARUC International Relations Staff Subcommittee on the Black Sea project.

Upcoming dates:

- Next regular **OMS Board of Directors meeting: August 11, 2011**, at 1:00 pm CDT
- Next **OMS Executive Committee meeting: August 25, 2011**, at 1:00 pm CDT
- Regular OMS Board meetings: September 8, October 13, November 10, December 1
- OMS Executive Committee meetings: September 22, October 27, November 22, December 15
- OMS Planning Meeting: September dates to be determined
- OMS Annual Meeting: October 19, 2011, in Carmel

Upcoming Midwest ISO FERC Filings

Filing Date	Docket No.	Description	Pursuant to Commission Action	Working Group or Committee where issue/change will be reviewed
08/19/2011	RM10-17-000	The Midwest ISO to submit a compliance filing pursuant to the Commission's March 15, 2011 Order regarding Demand Response ("DR").	Order No. 745 134 FERC ¶ 61,187	DRWG / TBPSC
03/01/2012	ER10-1791-000	The Midwest ISO to submit a compliance filing to describe what changes to its allocation of congestion rights are necessary to reflect the allocation of Multi Value Project costs.	133 FERC ¶ 61,221 (2010)	RECB TF



Organization of MISO States

100 Court Avenue, Suite 218
Des Moines, Iowa 50309

Phone: 515-243-0742
Fax: 515-243-0746
www.misostates.org

Meetings for state regulators, August 16 - 18

Location: St. Paul Hotel, St. Paul, Minnesota
Times are Central Daylight Time

Tuesday, August 17

- 1:00 Tour of MISO Saint Paul control center for OMS members, 1125 Energy Drive, St. Paul [please confirm with Bill Malcolm]
- 3:00 PM – 4:30 Midwest ISO Informational Forum - Promenade Ballroom
- 4:30 – 6:00 System Planning Committee of the MISO Board – Agenda note: review of MVP projects.
- 6:30-8:30 Informal staff dinner, Minnesota History Center, RSVP with Bill Malcolm

Wednesday, August 18

- 7:30 – 9:30 Markets Committee of the MISO Board - Promenade Ballroom
- 9:00 – 10:00 OMS –TO meeting - Archbishop Ireland Room**
- 10:00 – 3:00 Advisory Committee - Promenade Ballroom
- 2:30 – 4:30 Audit & Finance Committee of the Board of Directors – Agenda note: first discussion of MISO’s 2012 budget
- 3:00 – 4:30 Steering Committee – Agenda note: Coordination of stakeholder committee work
- 4:30 – 6:00 Human Resources Committee of the Board of Directors
- 6:30 - Informal Dinner at Faces Mears Park Restaurant, 380 Jackson St., St Paul

Meetings for state regulators, August 2011

Page 2

Thursday, August 19

- 8:30 – 10:30** **Board of Directors Meeting - Promenade Ballroom**
- 11:00 - 2:30 MISO Entity Leadership/Governance Guide Training –
Agenda note: This training is required for MISO work
group leadership and recommended for those interested
in the stakeholder process
- 12:30 Golf outing [note that OMS cannot reimburse greens fees]

**Please register with MISO by August 10 at
<https://www.signup4.net/Public/ap.aspx?EID=20112526E>**



MISO Advisory Committee
Saint Paul Hotel, St. Paul, Minnesota
August 17, 2011
10:00 am – 3:10 pm CPT
Dial-in and WebEx information available at www.misoenergy.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. Role of IMM and IMM State of the Market Recommendations | | 10:15 |
| 5 Minute presentations per Sector, including Minority Opinions | | |
| Following with debate- style exchange | | |
| a. OMS | | |
| b. Power Marketers | | |
| c. Eligible End Users | | |
| d. IPP | | |
| e. Munis/Coop/TDU | | |
| f. Public Consumer Advocates | | |
| g. Environmental | | |
| h. Coordinating Members | | |
| i. Transmission Owners | | |
| LUNCH | | 11:45 |
| 3. IMM's Recommendations - 2010 State of the Market Report | Todd Hillman | 12:45 |
| 4. Advisory Committee Items | Gary Mathis | 1:05 |
| a. Review of AC Management Plan | | |
| b. October Hot Topic and Draft Team | | |
| c. Solicit 2012 Hot Topics | | |
| d. September Meeting Discussion | | |
| 5. Standing Committee/Other Stakeholder Committee Reports | | |
| a. Steering Committee | Dennis Kramer | 1:25 |
| b. RECB Task Force Update\ | Paul Jett | 1:35 |
| c. Stakeholder Governance Working Group | Bill SeDoris | 1:45 |
| d. Reliability Subcommittee Update | Tony Jankowski | 1:55 |
| e. Planning Advisory Committee Update | Bob McKee | 2:05 |
| f. Market Subcommittee Update | Bill SeDoris | 2:15 |
| g. TBPSC Update | Mark Nielsen | 2:25 |
| h. OMS Update | Bill Smith | 2:35 |
| i. Transmission Owners Update* | Dennis Kramer | 2:45 |
| 6. New Business | All | 2:55 |



7. Recap – Issues/Assignments

Alison Lane

3:00

Rotating Agenda Team September:

Dehn Stevens
David Armstrong
Eric Robertson

2011 Hot Topics:

- Policy impact to MISO market design

August 17, 2011

Motion for the Advisory Committee:

“The Advisory Committee supports the recommendation of the RECB Task Force to extend the sunset date for the continued evaluation of Market Efficiency Projects to June 2012 with the goal of filing tariff revisions at FERC by March 2012.”

To: OMS Board of Directors
From: Christine Ericson, Bill Bokram, Co-Chairs, OMS Markets and Tariffs Work Group
Subject: OMS comments on August AC hot topic
Date: 8/9/2011

Re: OMS Board of Directors meeting 8/11/11

Business Item 1: MISO Advisory Committee meeting August 17, hot topic paper

On July 14, 2011, MISO issued the hot topic questions for the 8/17/11 MISO Advisory Committee on the issue of "**The role of the IMM and IMM State of the Market Recommendations.**" The OMS Markets and Tariffs Work Group (M&TWG) met and prepared the attached responses. The OMS **M&TWG recommends that OMS approve the comments** as those of the State Regulatory Authorities Sector.

The comments encourage MISO to require the Independent Market Monitor to:

- Develop concise high level summaries to reports
- Take a more active role in MISO's stakeholder process
- Provide additional oversight in the area of transmission planning
- Be more independent of MISO

The comments encourage MISO to periodically review the IMM contract and rebid it.

The comments address the IMM's 2010 SOM Report Recommendations:

- Prioritize the 14 SOM recommendations into three areas: (1) market improvement, (2) seams issues, and (3) constraint relaxation
- Oppose recommendation to use a sloped demand curve in resource adequacy construct.

The comments address market design:

- Give high priority to state regulatory authority guidance
- Prepare a new report on whether markets are workably competitive or if they need revising

The work group considered answering the question on what IMM recommendations we support, but due to lack of consensus and time, we declined to recommend taking positions on the specific recommendations, and instead provide a recommended priority for MISO consideration of the IMM recommendations. We do recommend opposing the use of a sloped demand curve in a capacity market because that is consistent with the OMS position presented to the AC last December and February.

**State Regulatory Authorities Sector Responses To the Advisory Committee
Hot Topic Questions
August 11, 2011**

Questions:

MISO's Independent Market Monitor (IMM) currently performs a variety of roles including market oversight and design advisor. Considering your understanding of the IMM role at MISO, please answer the following questions:

- 1. How does the role of the IMM in the MISO markets compare to the role of IMMs in markets operated by other RTOs? Are there practices employed elsewhere that should be considered in the MISO context?**

In some RTOs the IMM takes a more active role in the stakeholder process than does the MISO IMM. For example, the PJM IMM is often present at PJM stakeholder meetings and actively contributes to the stakeholder discussions. These contributions increase the stakeholder understanding of issues, which facilitates more productive stakeholder meetings. Also, the PJM IMM actively develops solutions to market inefficiencies, gaming opportunities and other inadequacies it perceives in the PJM markets and proposes them through the stakeholder process. In contrast, the MISO IMM typically offers a list of recommendations, which generally point out problems, but stops short of offering possible solutions to the problems. The PJM IMM proactively responds to stakeholder requests (especially those from state commissions) and acts on his own initiative to produce information and opinions on RTO issues. The MISO should consider whether it would be beneficial for the IMM to contribute more actively to the stakeholder process. The state regulators believe it would be beneficial and would like the IMM to take a more active role in MISO stakeholder process.

The MISO IMM does significant reporting to the RTO management, Board of Directors, and the state commissions, using extensive handouts of economic-oriented information. As part of the Informational Forum, the MISO prepares a "dashboard" summary to distribute information to its stakeholders. This is a good business practice. The state regulators encourage the IMM to explore the use of a new brief high level summary of this sort before or after major IMM reports to facilitate easier communication of information to a wider audience and highlight the most significant findings of the report. The state regulators would also find it useful for the IMM to go beyond the statistical metrics and highlight the most significant findings and implications of those findings. For example, the analysis could include information such as modified Lerner indices on a more granular scale, perhaps by month, season, broadly or narrowly constrained zones, etc. This would be in addition to the calculation to what the IMM offers in the annual State of the Market Report (SOM). (A modified Lerner index is simply the percentage above marginal cost or reference level that the energy market clears at appropriately adjusted for congestion and losses.)

2. How does the role of the IMM differ from the role of regulatory bodies (state and federal) and other external monitors (eg. NERC)? Are their gaps or overlaps in roles of these entities that should be addressed?

FERC has the statutory obligation under the Federal Power Act to ensure that wholesale rates are just and reasonable and not unduly discriminatory. State regulators have their own separate statutory authority that is also reinforced by the Federal Power Act. The North American Electric Reliability Corporation (NERC) serves as the Electric Reliability Organization, with separate statutory authority over reliability of the grid. All of these are statutory obligations separate from monitoring markets. FERC may not delegate its authority to the IMM to ensure that RTOs comply with the Federal Power Act. Other stakeholders may be looking out for some interest (usually a particular business or consumer interest and sometimes the public interest), but they do not have any statutory authority to exercise in the area of market monitoring.

The IMM is a creature of the FERC, not of the states, and is independent of MISO management and the MISO Board, although the IMM's coverage overlaps with some state functions. The IMM does not administer tariffs; this is the job of MISO. The IMM does not have regulatory authority over MISO. FERC does. Like the states, the IMM can make market improvement suggestions to MISO. Unlike the states, the IMM does not have regulatory authority over public utilities, such as load serving entities, and utility owned generation facilities in their respective states.

In terms of gaps, one area where it might be beneficial to have some additional independent oversight would be in the area of transmission planning, and the interplay between transmission planning and the markets. First, the MTEP process does not require MISO or the transmission owners/developers to notify affected states when they propose a particular project for MTEP consideration. Moreover, many state commissions lack the necessary resources to adequately monitor all the projects being planned in the MTEP process. In an age of greater regionalization of transmission planning, any one transmission project is more likely to affect many or all ratepayers in a region. The level of technical involvement and absolute number of transmission projects approved through RTO transmission plans may present gaps in the regulation and oversight of these regional plans. MISO's Market Monitoring Plan requires the market monitor to perform transmission system related functions such as reporting on the conduct of various entities attempting to exercise market power or reduce the quantity or quality of Transmission Service and/or monitoring the operation, use and congestion of the Transmission System since all these factors affect the competitive conditions of the region.¹ The plan does not appear to specifically include IMM monitoring, reporting and/or participation in MISO's transmission planning process. The IMM may not have the obligation or the necessary expertise to actively oversee the transmission planning process. Therefore, there may be a gap in the regulation of the regional transmission planning process.

Second, there appears to be a gap between the transmission planning process and the markets themselves. To the extent that there are many of the same entities in both the transmission planning process as well as the various markets, there is a risk that action in one arena could impact the other arenas. There does not appear to be adequate oversight or regulation to protect against gaming between these various constructs.

¹ Tariff Section 50.

There may be overlaps where both the IMM actions and state regulation affect wholesale markets. The states' role is to set reasonable retail rates and to ensure adequate resources for those load serving entities under their jurisdiction. In most cases, the states and the IMM desire the same outcome. In situations where the IMM's role to prevent the exercise of market power in wholesale markets adversely affects the states' role, the states expect to continue to address their concerns in appropriate venues including the MISO stakeholder process and before the FERC.

3. Are there changes you would like to see in the IMM's role at MISO?

Yes. We would like to see an increased IMM role in the development and implementation of MISO's market design within the stakeholder process. In addition, we would like to see the IMM's role be more independent of MISO. While it is appropriate for the IMM to provide input to MISO on market design and tariff language, it is not appropriate for the IMM to ever represent MISO via testimony or affidavit in FERC filings, as that compromises the independence of the IMM. Instead, the IMM should always participate in the MISO stakeholder process and FERC proceedings as a separate and independent entity.

In addition, we believe that the magnitude and scope of IMM responsibility suggest that the IMM contract with MISO should be periodically reviewed for both cost-effectiveness and best practices. We recommend that the contract be subject to periodic competitive bidding to ensure that the overall package most benefits customers. The importance of the monitoring and mitigation functions requires a vigorous reexamination through a competitive bidding process on a periodic basis.

Finally, as noted above, a new role for the IMM regarding transmission planning may be appropriate. Presently, MISO conducts transmission planning for reliability lines, "economic" lines, "MVP" projects, and projects in the annual MTEP process. We believe that the process would greatly benefit from an IMM opinion regarding what is the efficient amount of congestion to be addressed (and mitigated) via projects in these planning processes. MISO should strive to achieve an efficient level of transmission infrastructure, and the IMM's professional insight could be quite useful in the planning process necessary to achieve such a goal and would help to provide parameters to a process which otherwise can appear to be very arbitrary. In so doing, the IMM would also serve to protect against any potential for gaming between the transmission planning and market constructs.

In the IMM's role as a market design advisor, the IMM includes recommendations for market design changes in the annual State of the Market Reports. On June 15, 2011, the Markets Committee of the BOD reviewed a presentation discussing MISO's response to the IMM's 2010 recommendations. Considering this design advisor role and the specific 2010 recommendations, please answer the following questions:

1. Which of the proposed market enhancements (slides 6-11) does your sector support? How would you prioritize the recommendations that you support?

The IMM has made recommendations to MISO for market improvement. Generally speaking, energy markets work best when seams issues, discontinuities and irregularities within and between adjacent markets are reduced. This is the focus of many of the IMM's recommendations. In the abstract and in practice, the most efficient markets are those that are continuous in product scope and geographically contiguous. The OMS also recognizes that NERC and operational engineering issues can arise that might make what may be optimal in

economic theory, less than desirable for the hands-on daily operation of the grid. In recognition of these balancing interests and in the spirit of prioritizing as requested, the OMS suggests the following IMM recommendations be given highest priority for MISO stakeholder consideration. In so doing, the OMS is not taking a position on the recommendations themselves.

First Priority for consideration:

- #1 CT Pricing;
- #2 Demand Response--Set Price;
- #4 Look-Ahead Capability;
- #6 Market Power Mitigation for Local Resource Commitments;
- #9 Short-Term Load Forecast; and
- #11 Real-Time Offer RSG Payments.
- #12 Spinning Reserve market improvement

The first priority recommendations focus on making market signals more accurate and transparent and implementing tools that enhance the information necessary to make appropriate decisions in day to day operation of the grid. These recommendations also appear to have positive impacts on electricity consumers. The OMS acknowledges the complexity associated with coordinating major projects such as ELMP, Ramp Management and Look Ahead Dispatch and supports thorough analysis of each of these recommendations.

The second list of priorities for consideration pertains to seams-type issues. At a time of capacity and energy surplus, taking actions in these areas will facilitate transactions across RTO areas, resulting in a lower overall cost of dispatch and enhance efficiency. These actions would also serve to make the markets more geographically continuous. The OMS realizes that MISO cannot make these changes alone, and that other RTOs would need to be actively and willingly involved.

Second Priority for consideration:

- #7 Market-to-Market Interchange Optimization;
- #8 Market-to-Market Other Coordination; and
- #13 Removing inefficient barriers to capacity trading with adjacent areas.

The OMS gives these recommendations second priority because the intricate seams-oriented nature of the issue requires cooperation from more than one RTO and perhaps FERC involvement where consensus cannot be reached. In addition, the impacts on electricity consumers in the MISO footprint are more ambiguous requiring careful analysis before moving forward.

The third priority concerns an unresolved matter between the IMM and MISO.

Third Priority for consideration:

- #3 on Constraint Relaxation.

This IMM recommendation is unclear and needs more study before the OMS can provide meaningful substantive comment. This IMM recommendation refers to the use of the constraint relaxation algorithm to set LMPs based on a transmission constraint's marginal value limit when the constraint is unmanageable. The IMM estimates that this algorithm artificially reduced the value of congestion charges by more than \$300 million in 2010. The impact here is unclear. Reducing congestion charges would appear to increase the value to the MISO

footprint by any common sense definition, but because MISO has not provided sufficient details regarding how it calculates its “value” to the region, the OMS is uncertain how to categorize this. Moreover, MISO and the IMM still seem to disagree on this issue. The IMM’s recommendation is made to improve the economic efficiency of the markets, yet MISO management has implemented a plan that is moving more slowly perhaps due to operational or engineering issues. MISO may also be loath because the impact on real time LMPs may be extremely large and beyond the acceptance level of market participants and regulators. No other RTO has agreed to discontinue this constraint relaxation algorithm. At this point in time there is still much confusion. This issue is complex, with numerous engineering, operational, and economic considerations. For a better understanding, both the IMM and MISO should provide a new report to OMS and all stakeholders and perhaps hold an explanatory workshop. It may be necessary to form a task force to properly analyze this issue. This recommendation was first made by the IMM in 2005. The OMS is concerned that the two sides have a nearly 7-year disagreement on this matter and have not yet found an amenable solution.

2. Which enhancements should not be pursued at this time?

#14 Sloped demand curve for in its resource adequacy construct

MISO should not implement a sloped demand curve concept as part of its capacity market construct. Doing so would introduce a variable requirement that would incent LSEs that own resources to opt-out of the auction in order to avoid the additional costs of being forced to purchase resources beyond their planning resource reserve requirement.² This would result in a thinly traded auction. In an RTO where the majority of LSEs own resources, this is not viewed as a market enhancement. The OMS is consistent in this regard and has indicated this position to MISO management and the Board on two previous occasions.³ The OMS supports MISO’s current construct with a fixed planning resource margin requirement and does not support this IMM recommendation.

In considering market design changes, MISO seeks guidance from several sources (Stakeholders, the IMM, the Markets Advisory Committee or MAC and others):

1. How should MISO weigh/balance the guidance provided by these various groups?

Guidance from state regulatory authorities should be given the highest consideration, especially in matters that affect the reliability and rates of retail electric service. MISO should continue to be mindful that while the design of its markets is very important, wholesale market prices are not the only, or the most important, information that state regulatory authorities use to determine resource and transmission needs for entities under their jurisdiction.

² Capacity market constructs with sloped demand curves are generally designed with an over-procurement bias so that the market clears at or above the planning reserve margin target.

³ OMS Resource Adequacy comments to the Board and Advisory Committee on December 1, 2010 and February 23, 2011.

2. What aspects of the IMM's role in the energy and ancillary markets designs and oversight does your sector support? Are there changes you would like to see in the IMM's role?

In the 2010 State of the Market report dated June 2011, the IMM indicates that the wholesale energy markets run by MISO are competitive. The basis for the IMM conclusion involves the use of certain economic-oriented metrics such as the measurement of profitability for virtual offers and bids, withheld generating capacity and output gap measurements, and any pricing above marginal costs. Some of these metrics are defined by the FERC tariff setting up the MISO markets, and some have been developed separate from the tariff by the IMM and MISO. The IMM also uses other knowledge in making the overall conclusion.

The OMS believes that MISO in conjunction with the IMM should prepare a new report for stakeholders and the states, suggesting which tariffs and procedures with respect to whether markets are workably competitive need updating or revising in light of new knowledge and expertise in the area. This is because some of the metrics were developed in the 2003 to 2005 period. The report should opine on any new metrics that should be put into the tariff. The states and stakeholders should be given the opportunity for a full vetting of this subject as it develops, before any update-type filing is made at the FERC. The importance of this subject is critical to states, since states evaluate the MISO markets on their continued competitive operation.

3. What is your sector's view of the role the IMM should play in the design and oversight of the capacity market?

The IMM should strongly consider the interests of the states, so that customers in such states do not find themselves either paying twice for capacity or paying for more reliability than is deemed necessary by specific states. Under federal law, State resource adequacy is the domain and jurisdiction of the states, and the IMM should not encroach on any state's resource adequacy determination.

OMS Planning Advisory Committee Update
Meeting of July 27, 2011

- **MTEP 11 Work –Draft Review Schedule and CMVP Analysis**
 - The first draft of the MTEP11 Report has been released by MISO Staff. MISO Staff is seeking input from the PAC on the following schedule:
 - First draft released – 8-1-11
 - Input on first draft requested by 8-15-11. Looking for input on content, grammar and word choice, general direction of the document, plus any questions
 - Second draft planned to be posted on 9-1-11
 - Looking for feedback on that document by 9-9-11 in order to get the document into the MISO Board Report. For this round of input, MISO Staff is seeking feedback directed towards the MISO Board.
 - Ultimately, MISO Staff would like PAC to consider approving the document at the 9-24-11 PAC meeting.
 - Additionally, MISO Staff presented a brief version of the Candidate Multi-Value Project (CMVP) analysis, including the work MISO Staff is doing to build the business case for MVPs. This was done in much more detail at the next day’s CMVP meeting.
- **Revised Transmission Service Request (TSR) Business Practice Manual (BPM) language:**
 - Motion was originally brought before PAC a few months ago, and tabled for further discussion.
 - Motion to approve the TSR BPM language included in the background materials was posted and passed.
 - TSR BPM language will give flexibility to MISO Staff to include an additional model when studying the impact of a TSR.
- **EPA Study Update**
 - MISO Staff presented the preliminary analysis of potential rule changes. One of the rules had their name changed to “Cross State Air Pollution Rule” (CASPR)
 - Due to rule changes, in the updated models, Wisconsin, Iowa, and Missouri will now require “seasonal NOx” allowances to control summertime ozone pollution.
 - Potential retirements due to these rules – 26 Coal Units, just under 3 GWs. However, if a \$50 / ton carbon cost is assumed, ~12.6 GWs of plant retirements are predicted.
 - The full report on the EPA Study will be reviewed by the PAC later on this summer.
- **Congested Flowgate Study for MTEP12**
 - There is currently a Technical Review Group (TRG) working on this topic, next set to meet this week (around 8-10-11)
 - Currently looking at the same 4 futures as for MTEP11.
 - Methods of solving the congested flowgates will be evaluated as one of the following options: eligibility as a Market Efficiency Project (MEP), Cross Border MEP (especially for RTO Seams flowgates), or sponsored project
- **Demand Response (DR) and Energy Efficiency (EE) Proposed Tool Update**
 - The proposed tool to properly capture the DR and EE of load serving entities (LSEs) will not be ready in time for MTEP12 analysis.
 - Thus, in order to set the demand and energy growth rates, will need to pick an option other than the tool.

- MISO Staff has proposed 3 options:
 - Similar approach to MTEP11, Global Energy Partners Projections
 - Engage a consultant to estimate DR and EE potential
 - Model mandated DR and EE programs similar to how wind is modeled
- PAC Chair Bob McKee wants PAC to tee this up for next month. If you have an idea other than the three listed, please bring it to PAC.
- Further, McKee wants the PAC to be involved in the development of the proposed tool

- **Energy Storage Technology –Technical Review Group Work**
 - The TRG is working on the scope document for the group
 - Plan is to have Phase 1 of the Study, initial economic assessment of current energy storage options with sensitivities, due November 2011
 - Phase 2 of the Study, detailed model simulations, is planned to be due June 2012

- **FERC Order 1000 Briefing**
 - MISO Staff gave a brief overview of the recently released FERC Order 1000 regarding transmission planning and cost allocation, mostly using FERC slides
 - The presentation also contained a preliminary assessment of what MISO thinks FERC Order 1000 requires that is currently in their tariff, and what topics they will need to work on.
 - Items MISO Staff has preliminarily identified that will need work include: coordination among seams neighbors regarding identifying more efficient or more cost-effective transmission solutions; establishing procedures to identify transmission needed to meet public policy requirements; having a cost allocation methodology in place for cross border / seams transmission projects; and multiple tasks involving right of first refusal issues.
 - Note that compliance filings for most issues identified in FERC Order 1000 are due in 12 months, with the exception of most cross border issues, including cost allocation, for which FERC allotted 18 months.

Next PAC Meeting – Wednesday August 24, 2011 in St. Paul, Minnesota

Organization of MISO States

2012 Budget - draft

	Budget 2009	Actual 2009	Budget 2010	Actual 2010	Budget 2011	Actual through June 30 2011	Budget 2012	Budget 2012	Comments
1 Ordinary Income/Expense									
2 Income									
3 Excise Tax Refund - IRS		49,375							
4 MISO Grant	480,000	480,000	660,000	560,000	600,000	250,000	600,000		
5 Interest - Checking Acct and Savings		391		117		17			
6 Miscellaneous revenue		1,939		1,498	1,500	962			
7 Total Income	480,000	531,539	660,000	561,615	601,500	250,979	600,000		
Cash carried forward from prior year	110,000	96,325	114,000	98,255	98,255	139,112	120,000		
Total funds available	590,000	627,864	774,000	659,870	699,755	390,091	720,000	0	
8 Expense									
9 Personnel Compensation and Benefits									
10 OMS payroll and retirement matching funds									
11 Compensation - Exec Director	140,000	138,343	147,000	142,340	147,000	68,931	153,000		
12 Compensation - Admin Asst	75,000	64,174	79,000	62,017	79,000	31,351	83,000		
13 Compensation - additional personnel	35,000	10,195	135,000	11,417	135,000	6,773	135,000	Need sooner	
14 Other Personnel Expenses									
15 Staff Training	2,000	0	2,000	0	2,000	0	2,000		
16 Paychex Accounting Fees	1,500	1,312	2,200	1,527	1,600	763	1,600		
17 Total Personnel Expenses	253,500	214,024	365,200	217,301	364,600	107,818	374,600		
18 Office Expenses (non-personnel)									
19 Computers	6,000	0	6,000	65	6,000	154	6,000		Capitalized
20 Computer support	8,000	6,286	8,000	5,752	10,000	2,600	8,000		
21 Web Development & Site Hosting	600	450	600	955	10,000	5,733	1,000		
22 Furniture/Office Equipment	1,500	0	1,500	0	1,500	42	1,500		

23	Rent, parking, other occupancy	11,500	20,497	20,500	20,237	20,500	10,239	20,500		
24	Books, subscriptions, reference	3,000	2,125	3,000	2,185	3,000	2,225	3,000		
25	Equip rental & maintenance									
26	Printer/Copier/Fax Rental	2,000	490	1,000	668	1,200	55	2,500		
27	Postage, shipping, delivery	1,000	553	1,000	322	1,000	525	1,000		
28	Printing & copying	600	914	1,000	0	1,000	136	1,000		
29	Supplies	2,000	2,155	3,000	1,538	2,000	704	2,000		
30	Phone, Fax, DSL	3,000	3,558	4,000	3,065	3,500	1,838	3,500		
31	Miscellaneous Operating Expense	0	31		257		0			
32	Total Office Expenses (non-personnel)	39,200	37,059	49,600	35,044	59,700	24,251	50,000	0	
33	Organizational (corp) and Insurance Expenses									
34	Professional, Audit, Other	3,200	5,537	5,000	5,200	5,000	4,837	5,500		
35	General Office Insurance	2,600	2,274	2,600	2,560	2,600	2,330	2,600		
36	Workers' Comp	600		600	0	600	0	0		
37	Directors & Officers Insurance	3500	3324	3,500	3,324	3,500	0	3,500		
38	Total Organization and Insurance Expense	9,900	11,135	11,700	11,084	11,700	7,167	11,600	0	
39	Consultants / DC Counsel	100,000	4,266	140,000	12,420	80,000	9,062	60,000		
40	OMS - meetings and training									
41	Officers	3,000	3,067	3,000	4,319	4,000	0	4,000		
42	Exec Dir	12,000	14,189	13,000	13,866	13,000	8,282	16,000	5,000	Added meetings
43	Other Staff	2,000	690	2,000	275	2,000	275	2,000		
44	Total OMS Officer and Staff Expenses	17,000	22,212	18,000	18,460	19,000	8,557	22,000	5,000	
45	MISO Meeting Expenses									
46	MISO work groups and committees	45,000	13,473	45,000	15,948	30,000	10,479	30,000		
47	MISO BOD,AC - Lead States	20,000	15,216	20,000	13,484	18,000	22,078	25,000		
48	Consumer Advocate Travel	30,000	8,944	30,000	5,868	30,000	3,228	30,000		
49	Exec Dir (MISO AC,BOD)	10,000	3,455	11,000	4,855	8,000	5,538	10,000		
50	Total MISO Meeting Expenses	105,000	41,088	106,000	40,155	86,000	41,323	95,000	0	

51	OMS Meetings									
52	OMS Annual Meeting									
53	Director attendance expense	20,000	11,451	25,000	20,391	25,000	930	25,000	5,000	2010 cost pd 2011
54	Annual Meeting Location Costs	2,500	970	2,500	2,204	2,500	0	2,500		
55	Total OMS Annual Meeting	22,500	12,421	27,500	22,595	27,500	930	27,500	5,000	
56	Regular OMS BOD Meeting									
57	Regular BOD Mtg Location Costs	4,000	0	4,000	0	4,000	1,546	4,000		
58	Regular BOD Meeting attendance expense	12,000	0	20,000	0	20,000	1,940	20,000		
59	Total Regular OMS BOD Meeting	16,000	0	24,000	0	24,000	3,486	24,000	0	
60	OMS Executive Committee Meeting									
61	OMS Exec Com Mtg attendance expense	3,000	0	3,000	21,130	8,000	415	8,000		
62	OMS Exec Comm - Meeting Location	500	0	500	3,114	3,000	0	3,000		
63	Total OMS Executive Committee Meeting	3,500	0	3,500	24,244	11,000	415	11,000	0	
64	Conference Calls	24,000	12,202	12,000	4,235	12,000	2,619	6,000	1,000	
65	OMS Work Group Meetings - attendance expense	12,000	0	12,000	0	12,000	0	5,000		
66	OMS Work Group meeting - location costs		0		0	-	0	0	0	
67	MWDRI meetings - attendance expense	55,000	0	0	0	-	0	0	0	
68	MWDRI meetings - location/call costs	0	0	0	0	-	0	0	0	
69	FERC/DOE Tech Conference - attendance expense	8,000	18,662	8,000	3,199	10,000	0	8,000		
70	OMS Technical Training	10,000	148,124	25,000	103,685	25,000	15,300	25,000	5,000	
71	Technical training location costs		7,141	10,000	23,284	10,000	0	10,000		
72	Total OMS Meeting and Training Expenses	273,000	274,271	246,000	205,486	236,500	72,630	233,500	16,000	
73	Total Expenses	675,600	536,489	812,500	468,915	752,500	220,928	729,700	16,000	
74	Operating surplus of funds available over expenses	-85,600	1,930	-38,500	190,955	(52,745)	169,163	-9,700		
75	Depreciation allowance									
	Net Surplus of available funds over expenses									

EASTERN INTERCONNECTION STATES PLANNING COUNCIL

Briefing to the Organization of MISO States

August 11, 2011

RECENT MEETINGS

- EISPC in-person Meeting – July 26-27: Agenda topics included Council discussions/decisions on Futures/Sensitivities latest modeling results; processes and timelines for selecting the three final scenarios upon which full transmission “build-out” plans will be conducted; the Clean Energy Zones Study Goals and Objectives, Definitions and Study Deliverables; Studies and Whitepapers; and a discussion of what EISPC will want the final direction and products of the entire project to be to deem it a success.
- Upcoming EISPC in-person Meeting – September 22-23: EISPC will review the modeling results for the entire package of 80 Future/Sensitivity modeling runs; select the final three scenarios upon which the transmission “build-out” modeling will be conducted; and review the progress of various Studies and Whitepapers as well as the Clean Energy Zone Study.

MODELING UPDATES

To date, modeling results have been issued for:

- Future 1 (Business as Usual) as well as its related Sensitivities
- Future 2 (National Carbon Reduction/National Implementation) as well as its related Sensitivities
- Future 3 (National Carbon Reduction/Regional Implementation) as well as its related Sensitivities
- Future 4 (Strong EE/DR/DG/Smart Grid) as well as its related Sensitivities
- Future 5 (National RPS/National Implementation) and its related Sensitivities
- Future 6 (National RPS/Regional Implementation)
- Future 7 (Nuclear Resurgence)
- Future 8 (National Carbon Reduction with Strong EE/DR/DG/Smart Grid)

The Sensitivity modeling for Futures 6, 7 and 8 is currently underway and is expected to be completed by August 26th.

PHASE 2 TRANSMISSION “BUILD-OUT” PLANNING

EISPC has now begun the process of deciding what criteria and processes should be used in winnowing down the eighty Future/Sensitivity modeling runs from Phase 1 to determine three final scenarios. Each of these three scenarios will form the basis upon which transmission planning will be conducted in Phase 2.

There is much discussion about wanting one scenario to show a large transmission build-out, one to show a small transmission build-out and a third to show something in the middle. In order to firm up these more general thoughts, discussions to date have revolved around identifying “bookends” scenarios such as very high-vs.-low transmission, national-vs.-regional scenarios, national-vs.-high EE/DR/DG/SGrid, etc. There have also been discussions about methods used to cluster the 80 runs to try to identify themes among the runs themselves. Lastly, there have been discussions about which of the identified main variables (including load growth, costs,

emissions, energy inter-regional transfers, etc.) are most important and should be used as in defining the bookends, clusters or both.

ENERGY ZONES WORKGROUP

At the July EISPC meeting, the Council edited and approved the final draft of the foundational documents for the Clean Energy Zone Study. The foundational documents include:

- Study Goals and Objectives and Study Deliverables
- Attachment A provides the details of the Energy Resources and Technologies included in the Study
- Attachment B provides a listing of the general task categories in which the three National Laboratories (Oak Ridge National Laboratory, Argonne National Laboratory and the National Renewable Energy Laboratory) as well as other Stakeholders (most notably the Association for State Fish and Wildlife Agencies and the National Association of State Energy Officials as well as other state, federal and NGO Stakeholders) will assist in the Study.

EISPC's Energy Zones Workgroup is now going forward with identifying the myriad of tasks necessary to conduct the study and determining which of the tasks can be performed by the Labs and which must be procured from outside parties.

OTHER STUDIES AND WHITEPAPERS

At the July EISPC meeting, the Council approved the scopes of work for Study No. 7—Assessment of Coal Potential (including Carbon Capture and Storage), Study No. 5—Assessment of the Location of New Nuclear and Uprating Existing Nuclear, and Whitepaper No. 5—Consideration of Other Incentives and Disincentives for Development of Nuclear Power. The Studies and Whitepapers Workgroup will now move forward with the necessary steps to issue RFPs for these Studies and Whitepaper. These and all of the other Studies and Whitepapers will be coordinated with the Clean Energy Zone Study (and vice versa) to ensure that all information is shared and not duplicated.

The Studies and Whitepapers Workgroup also updated the Council on the status of the following:

Study No. 2—Identification of State-by-State Potential for Demand Side Resources

Study No. 3—Assessment of State-by-State Potential for Energy Storage

Study No. 4-- Identification of State-by-State Potential for Distributed Generation

Study No. 6—State-by-State Assessment of Existing Customer Sited Generation

Whitepaper No. 2—Market Structures: Identification of Relevant Market Structures that Will Effect Resource Development

Whitepaper No. 9—Smart Grid – Identify the Potential for Smart Grid Developments and Impacts

UPCOMING MEETINGS

EISPC's next in-person meeting will be held on September 22-23, 2011 in Baltimore Maryland. The next scheduled EISPC meeting after that is slated for November 16-17, 2011 in St. Louis, Missouri (immediately after the NARUC meeting.) Information about the September meeting will be posted as it becomes available at www.eispc.org.

Respectfully submitted,
Marya White, Director
Eastern Interconnection States Planning Council

Notifications Regarding Supply Situations

Organization of MISO States
Board Call

August 11, 2011

Stephen Kozey

Terms Used by Reliability Coordinators

- **Maximum Generation Alert**
- **Maximum Generation Warning**
- **Maximum Generation Event**
 - Stage 1
 - Stage 2
 - Stage 3

The MISO region reached a Maximum Generation Event Stage 1 on July 21.

Primary Paths of Communication

- **The load serving entities within MISO are the prime/first line of communication to their regulators regarding supply situations.**
- **The load serving entities within MISO are the principal entities to communicate with their customers regarding demand side actions.**
- **MISO communicates regional matters to all of its local balancing authorities, transmission operators, generators and load serving entities.**

Who decides what MISO says and how it says it?

- **There are pre-agreed templates for what MISO will include in its various notices. They appear on the MISO web site.**
- **There are three pre-agreed routes for these communications to go out to our audiences.**
 - MISO messaging system
 - MISO website
 - NERC Reliability Coordinator Information System

Who gets the information

- **Local Balancing Authorities**
- **Transmission Operators**
- **Generator Operators**
- **Market Participants**

How do Regulatory agencies get notified?

- **By being included on one of several possible MISO e-mail distribution lists.**
- **From their load serving entities.**

Does An Emergency Event mean load is being shed?

- **No, there are three steps in an Event. Firm load shedding is called for in the third step.**
- **In step 1 all actions relate to generation. Available emergency only generators will come on. All resources will expect to be called on in their emergency ranges.**
- **In step 2 local balancing authorities have to sequentially, PREPARE to shed load, use their load modifying resources (behind the meter gen) and load management, commit emergency demand response and ask for voluntary conservation.**

What Next?

- **Step 3 involves using operating reserves, getting waivers or exceptions to environmental de-rates and employing voltage reductions.**
- **In step 4, MISO would seek to purchase emergency operating reserves from other Balancing Authorities.**
- **Finally, in step 5 MISO would issue directives to reduce firm load – shed load.**

How far did we get in July

- **We got to step 1 of the Event.**
- **Details of the operational day will be covered in presentations made as part of the Operating Report next week in St. Paul.**

Suggestions for changes to communication protocols

- **We would look forward to any suggestions on how to keep channels of communication open that are valuable to OMS and also preserve the direct relationship between the load serving entities and you, their regulators.**

1. MISO Hot Topic for August AC Meeting

MISO's hot topic for the August Advisory Committee meeting is "The role of the IMM and IMM State of the Market Recommendations." The M&TWG met and prepared a draft response.

Status: Comments are before the OMS Board for approval.

2. MISO Extended Locational Marginal Pricing (ELMP)

No change since last month report. We are planning on updating the Board in September and October as MISO develops the specifics of the ELMP staged approach.

Status: continuing to monitor.

3. MISO August 2 MSC Meeting

From the last Market Subcommittee meeting, here are some items of interest:

Order 741 Credit Reform Compliance Filing

MISO summarized its plans for a 9/30/11 compliance filing.

Dispatchable Intermittent Resources update

MISO now has 2,037 MW registered as DIR out of 10,680 MW registered. For the period 6/1-7/15 (DIR went into effect on 6/1), DIR dispatch was 8,180 MWh versus manual curtailments of 45,900 MWh. The LMP during curtailments averaged \$15.15, while it averaged - \$43.03 during downward dispatch.

Constraint Relaxation Review and Next Steps

MISO is developing enhancements to contingency analysis software to reduce occurrences of constraint violations. MISO is also evaluating software to reduce (but not eliminate) over-relaxation. MISO is investigating use of a demand curve versus a penalty approach for pricing unmanageable constraints. MISO is deferring its decision to eliminate constraint relaxation pending future technical discussion with external economists/experts.

2010 State of the Market Report

The presentation and full report are included in the meeting materials under item 12.

For those interested, please note the following MISO meetings:

MISO Market Subcommittee - monthly meetings (8/30next mtg)

MISO RSG Task Force – monthly meetings (8/31 next mtg)

MISO FTR Working Group – monthly meetings (8/31 next mtg)

MISO ELMP Task Team – as needed meetings (to be announced)

MISO Seams Mgt Working Group – monthly meetings (8/29 next mtg)

MISO Ramp Management Enhancement Workshop 3 – (9/1 next mtg)

The **OMS Markets and Tariffs Work Group** covers: Energy and Operating Reserve markets, Market Monitoring and Mitigation. See

http://www.misostates.org/index.php?option=com_content&view=article&id=63:markets-a-tariffs-workscopereference&catid=60:workscopereference&Itemid=206

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

OMS Modeling Workgroup

On August 8th the OMS Modeling Workgroup held an informational meeting regarding the use of engineering models by the Public Service Commission of Wisconsin. The agenda included a section on modeling issues and complications, three models used by the Wisconsin Commission, including EGEAS, PROMOD, and Powerworld, and a brief list of models used elsewhere by stakeholders. Every state except Indiana, South Dakota, and Kentucky participated.

Submitted by Mike Schlindwein, PSCW

Transmission Cost Allocation Working Group

Monthly Report for the OMS Board Meeting August 11, 2011

FERC NOI on Transmission Incentives, RM11-26

On May 19, FERC issued a Notice of Inquiry (NOI) on Promoting Transmission Investment Through Pricing Reform (Docket No. RM-11-26-000).

The NOI focuses on several topics related to FERC's implementation of its transmission incentives program, such as the following:

- What factors should the Commission consider in evaluating an application for incentives?
- What obstacles are faced by transmission developers and what incentives are best suited to addressing those obstacles?
- How should the Commission consider changes in cost estimates?
- What other factors should the Commission consider in implementing the law?

There are 74 questions asked by FERC throughout the NOI. Comments are due on August 25 and the TCAWG developed OMS comments that are being considered as Item 3 on today's agenda.

FERC NOPR on Transmission Planning and Cost Allocation, RM10-23

FERC released an order on July 21, naming it Order 1000. Excerpts from the FERC fact sheet are below. TCAWG members are still digesting this large order.

Planning Reforms

The rule establishes three requirements for transmission planning:

- Each public utility transmission provider must participate in a regional transmission planning process that satisfies the transmission planning principles of Order No. 890 and produces a regional transmission plan.
- Local and regional transmission planning processes must consider transmission needs driven by public policy requirements established by state or federal laws or regulations. Each public utility transmission provider must establish procedures to identify transmission needs

driven by public policy requirements and evaluate proposed solutions to those transmission needs.

- Public utility transmission providers in each pair of neighboring transmission planning regions must coordinate to determine if there are more efficient or cost-effective solutions to their mutual transmission needs.

Cost Allocation Reforms

The rule establishes three requirements for transmission cost allocation:

- Each public utility transmission provider must participate in a regional transmission planning process that has a regional cost allocation method for new transmission facilities selected in the regional transmission plan for purposes of cost allocation. The method must satisfy six regional cost allocation principles.
- Public utility transmission providers in neighboring transmission planning regions must have a common interregional cost allocation method for new interregional transmission facilities that the regions determine to be efficient or cost-effective. The method must satisfy six similar interregional cost allocation principles.
- Participant-funding of new transmission facilities is permitted, but is not allowed as the regional or interregional cost allocation method.

Compliance

- Order No. 1000 takes effect 60 days from publication in the *Federal Register*.
- Each public utility transmission provider is required to make a compliance filing with the Commission within 12 months of the effective date of the Final Rule.
- Compliance filings for interregional transmission coordination and interregional cost allocation are required within 18 months of the effective date.

MISO Filing Regarding Transmission Cost Allocation Waiver for Entergy, ER11-3278

On April 25, Entergy announced its intention to join the Midwest ISO. Entergy is a large, multi-state holding company with operating companies in Arkansas, Mississippi, Louisiana and Texas. It has around 30,000 MW of generating capacity and approximately 15,000 miles of transmission.

The move will need to be approved by elected officials and regulators in each of Entergy's jurisdictions. The Entergy operating companies are Entergy Arkansas, Inc., Entergy Gulf States Louisiana, L.L.C., Entergy Louisiana, LLC, Entergy Mississippi, Inc., Entergy New Orleans, Inc. and Entergy Texas, Inc. The integration has a targeted implementation date of December 2013.

MISO filed for a waiver of certain tariff provisions on June 3, 2011 (ER11-3728-000), asking for a FERC ruling on or before July 31, 2011 so that the states that will be considering Entergy filings will know the outcome of the FERC decision regarding the allocation of transmission project costs.

The waiver centers on studying and, ultimately, ensuring the comparability of the Northern Planning Region (MISO footprint today) and the Southern Planning Region (the Entergy area). Until comparability is achieved or confirmed, between 5-10 years, each region will pay for its own projects. When comparability is assured, the both regions will participate in cost sharing as a single region. However, even after the 5-10 year transition period, cost sharing in the Southern Region for MVPs will be phased in over four years, with their share going from 25%, 50%, 75% and 100% in year four.

Currently awaiting FERC action.

Midwest ISO Reliability Expansion Criteria and Benefits Task Force (RECB), Phase III: Market Efficiency Projects

After spending 2009-10 working on issues that became the MISO MVP proposal, in 2011 the RECB Task Force took up the last of its three tasks (the first was to address interconnection issues in low load areas, aka the "Otter Tail problem"), which is to reexamine the criteria and cost allocation for market efficiency projects. These projects are also known as "RECB II projects" because in the first iteration of the RECB TF in 2005-2008, first reliability projects were dealt with ("RECB I projects") and then market efficiency projects were dealt with; both resulted in FERC filings and tariff changes. A market efficiency project is just how it sounds: a project that isn't needed for reliability but one that can produce benefits by relieving transmission congestion and lowering the costs of power for customers.

At the July 26 RECB meeting, MISO proposed to postpone any filing until March of 2012. Two reasons for this are to evaluate any implications from the recently released FERC Order 1000, and that MISO has just started another Top 10 Congested Flowgates study. The

results of that study may inform possible economic transmission projects. The August and September RECB meetings are cancelled, and a new proposal will be developed during the October, November and December meetings.

Midwest ISO Multi-Value Project Case, ER10-1791

On December 16, 2010, FERC approved the Midwest ISO filing in ER10-1791-000. The FERC order approved the new transmission project category of Multi-Value Projects (MVPs) and sharing the costs throughout the Midwest ISO footprint to MISO load. FERC rejected the MISO proposal to initiate an export charge to PJM for projects constructed in MISO that benefit PJM load. FERC directed MISO to make a compliance filing by February 14, 2011, on four items, including FERC's directive to explain the portfolio concept.

The Midwest ISO made its compliance filing on February 14, addressing all four items.

MISO's explanation of the review of MVPs on a portfolio basis is the following:

In compliance with the Commission directive to revise the Tariff to state that all MVPs will be reviewed on a portfolio basis, the Midwest ISO has revised Attachment FF to clarify that a "Multi Value Project must be evaluated as part of a portfolio of projects, as designated in the transmission expansion planning process, whose benefits are spread broadly across the footprint."⁷ The new defined term "Portfolio" has also been added to Module A to clarify that it refers to MVPs that, when evaluated together, have the effect of addressing one or more Transmission Issues. (page 3)

The OMS filed a Request for Rehearing on January 14, 2011. The OMS sought rehearing on the following issues:

- The Commission Erred in Accepting a Cost Allocation that Does Not Allocate Any Cost of MVPs to Interconnecting Generators.
- The Commission Erred in Eliminating the Midwest ISO's Proposal to Apply an MVP Charge to Exports Sinking in PJM.
- OMS Clarifies That There Was Not Full OMS Consensus of This Complex Cost Allocation Issue, However, There Was a Nine State Majority That Generally Supported the Midwest ISO's MVP Proposal.
- The Commission Erred in Accepting the Midwest ISO's Proposed MWh-Only Charge.
- The Commission Erred in Accepting a Portfolio Approach to MVP Project Selection.

The Midwest ISO also filed for rehearing, seeking to overturn FERC's decision to not allow the export charge to PJM.

We are still waiting on the FERC order on rehearing.

Generator complaint against MISO interconnection cost allocation and reimbursement option, EL11-30-000

On March 22, a group of wind developers/generators filed a complaint against MISO and its Transmission Owners. The developers want to eliminate Option 1 for how they pay for generator interconnections. This option allows a transmission owner to initially reimburse the interconnecting customer and then to establish a monthly charge that includes the Project Cost for Network Upgrades, and components for the recovery of O&M expenses, General and Common Depreciation (“Depreciation”) Expense, Taxes other than Income Taxes, Income Taxes, and a Return.

On May 13, 2011, the OMS filed comments arguing that eliminating Option 1 could have detrimental effects on the TOs, and, consequently, their ratepayers. On May 20, 2011, Complainants filed an answer.

Currently awaiting FERC action.