



Organization of MISO States

**ORGANIZATION OF MISO STATES, INC.  
Board of Directors Meeting  
Conference Call Minutes  
January 13, 2011**

**Approved February 10, 2011**

Monica Martinez, President of the Organization of MISO States, Inc. (OMS), called the January 13, 2011 meeting of the OMS Board of Directors to order via conference call at approximately 1:00 p.m. (CST). The following board members or their proxies participated in the meeting:

Randy Rismiller, proxy for Sherman Elliott, Illinois  
Jim Atterholt, Indiana  
Rob Berntsen, Iowa  
Bill Bowker, proxy for David Armstrong, Kentucky  
Monica Martinez, Michigan  
Tom Pugh, Minnesota  
Joshua Harden, proxy for Robert Kenney, Missouri  
Brad Molnar, Montana  
Jerry Lein, proxy for Tony Clark, North Dakota  
Quanetta Batts, proxy for Valerie Lemmie, Ohio  
Jim Melia, proxy for Ty Christy, Pennsylvania  
Greg Rislov, proxy for Gary Hanson, South Dakota  
Eric Callisto, Wisconsin

Absent

Manitoba

Agency members participating

Chris Ericson – Illinois  
Mary Becerra, Dave Johnston – Indiana  
Parveen Baig, Jeff Kaman – Iowa  
Bill Bokram, Angie Butcher, Wanda Jones – Michigan  
Nancy Campbell (OES), Burl Haar - Minnesota  
Adam McKinnie, Joan Wandel, Janet Wheeler – Missouri  
Kim Moran – Montana  
Don Neumeyer, Randy Pilo, Brian Rybarik – Wisconsin

Others on the call

Bill Smith, Julie Mitchell – OMS Staff  
Jennifer Curran, J.T. Smith, Edward Garvey – MISO  
Martina Schwartz – NARUC

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

## **Approval of Minutes from November 29, 2010**

Rob Berntsen moved to approve the November 29, 2010 minutes. Jim Atterholt seconded. The motion was passed by unanimous voice vote.

## **Treasurer's Reports – Joan Wandel for Robert Kenney November 2010**

The beginning balance as of November 1 for the Wells Fargo Business Performance Savings Account was \$29,732.56. Interest earned for this month was \$1.22. The November 30, 2010 balance was \$29,733.78.

The beginning balance as of November 1 for the Chase Bank One Checking account was \$122,563.16. The total disbursements from the checking account for November 2010 were \$48,790.68. Deposits and interest were \$50,001.29. As of November 30, 2010, the checking account bank balance was \$128,303.02 and the book balance was \$123,773.77 (with 12 checks outstanding).

The total savings and checking account balances as of November 2010 is \$153,507.55.

## **December 2010**

The beginning balance as of December 1 for the Wells Fargo Business Performance Savings Account was \$29,733.78. Interest earned for this month was \$1.27. The December 31, 2010 balance was \$29,735.05.

The beginning balance as of December 1 for the Chase Bank One Checking account was \$123,773.77. The total disbursements from the checking account for December 2010 were \$32,198.29. Deposits and interest were \$50,001.24. As of December 31, 2010, the checking account bank balance was \$143,359.08 and the book balance was \$141,576.72 (with 5 checks outstanding).

The total savings and checking account balances as of December 2010 is \$171,311.77.

**Jim Atterholt moved to accept both the November & December reports. Tom Pugh seconded. It was noted that the November end date should be corrected to November 30<sup>th</sup>. The reports were then approved by unanimous voice vote.**

## **Review of the December 16, 2010 Executive Committee Meeting**

Bill Smith highlighted the following items from the December 16, 2010 Executive Committee Meeting:

- MGA Discussions;
- Black Sea meeting in March;
- OMS Goals development;
- New commissioner training;
- Board meeting agenda;
- Website redesign.

Monica Martinez discussed changes to the NARUC luncheon. OMS is hosting commissioners from the Entergy states. It is not a MISO luncheon.

## **Administrative Report**

Bill Smith discussed the following items from his Executive Director's Report:

- Clarification of the OMS proxy process. All states are asked to please use the appropriate proxy form;
- Adam McKinnie reported that the SPP Regional State Committee (RSC) is working on issuing an RFP regarding cost allocation (attachment). They are requesting assistance on seams issues from OMS if anyone is willing;
- Market to market settlement agreement between MISO and PJM was filed January 4. If OMS should wish to comment, it is due Jan. 24. Monica asked all states to send their comments and opinions to Bill if interested in having OMS file.
- Reliability First organization filed a reliability standard outlining the 1-in-10 loss of load expectation. Ohio filed an objection. Bill Smith explained the 1-in-10 concept for those who were unfamiliar with it. Randy Pilo and Don Neumeyer gave further background on the 1-in-10 standard. If OMS decides to file late comments, Ohio states that they will abstain. Iowa suggested that OMS file comments supporting the rejection of the 1-in-10 LOLE. Bill Smith will draft a letter to FERC stating that OMS would participate in a technical conference regarding this issue but taking no position now. It will be circulated to the Board prior to submitting to FERC.
- FERC has invited OMS to participate in a meeting on Saturday, February 12, 2011 prior to NARUC to discuss RTO/ISO performance metrics. Bill Smith will continue to work with FERC to obtain more details on this meeting and report back to the Board.
- Michigan State University's Public Utility Institute will be conducting Grid School again this year in March. In 2010, OMS provided a stipend for this. Travel and tuition are estimated at \$1,900. The budget allows for sending some staff from the states. A stipend that would include cost-sharing from the states was discussed as well. It was agreed to develop a more specific package and present it to the Executive Committee.

## **BUSINESS**

### **1. MISO Briefing on EPA Rules**

Jennifer Curran from MISO discussed an on-going MISO study on proposed EPA rules and the impact those would have on utilities. MISO has been gathering input from stakeholders and is offering to hold a workshop or series of workshops to gather input from OMS. Board members and staff asked questions about the format of both the workshops and the study.

### **2. MISO Advisory Committee Issues – Bill Bowker for David Armstrong**

- There will not be discussion of the resource adequacy issue at the January 19<sup>th</sup> AC meeting. At the Dec. 1<sup>st</sup> meeting, the OMS comments on a potential capacity market were presented.

**Bill Bowker moved to nominate Gail Maly to the Finance Subcommittee at the January 19<sup>th</sup> meeting. Eric Callisto seconded. The motion passed by unanimous voice vote.**

- Don Neumeyer presented the procedure for the February Advisory Committee discussion of capacity issues.

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

- Parveen Baig presented the PAC update. There were two main issues: the EPA rules and the MTEP '11 futures. MISO planning staff will evaluate the futures used in MTEP '10 and whether those should be continued. The regional planning work group has developed comments in response to the MTEP futures and will distribute for comments from staff before submitting.

**4. Discussion: Midwest Governor’s Association briefings – Bill Smith**

- Bill Smith gave an update on the work being done between MISO and the MGA to develop informational packets for both new and returning governors and staff. Ed Garvey requested that as governors designate energy policy staff, those names be forwarded to either Ed Garvey or Bill Smith to create a complete distribution list.

**5. Action Item: FERC Order on Multi-Value Projects, Docket No. ER10-1791**

- Randy Rismiller summarized the documents that were distributed prior to the meeting. He suggested going through the main document, written by Illinois, section by section. Burl Haar reviewed the content of the Minnesota amendment.
- Eric Callisto proposed an alternative regarding Section A. He suggested that the comments stick to any substantive issues that can be agreed upon and either footnote the absence of consensus addressed in Section A or delete it entirely. Randy Rismiller pointed out that FERC found there was general consensus of support among state authorities and participants across the Midwest ISO region for MISO’s filing. Bill Smith pointed out that FERC’s assessment is inaccurate given the “general consensus” they cited for OMS’s filing and suggested that the sections could be reordered in the comments. Following discussion on why Section A was included, President Martinez asked the Board which of the comments (Minnesota or Illinois) they were more comfortable with. Several states voiced support for the Minnesota alternative comments. There was general discussion about the differences between the comments.

**Rob Berntsen moved to accept the Minnesota amendment. Eric Callisto seconded.**

- Randy Rismiller proposed changing the title of the Minnesota amendment from “there was a nine state majority that supported MISO’s MVP Proposal” to “there was a nine state majority that supported the OMS comments.”
- Burl Haar suggested that both the title and the similar reference in the last sentence on page 2 be revised to state “that generally supported MISO’s MVP proposal.”
- Bill Smith requested the inclusion of the phrase “as filed including the export charge” in the conclusion sentence.
- There was general support for those changes to the Minnesota amendment. The inclusion of the Minnesota amendment eliminates the original section A of the main document. The original section B becomes section A, the original section C becomes section B and the Minnesota amendment becomes the new section C.

**Indiana moved to eliminate the original section B titled “The Commission Erred in Accepting a Cost Allocation that Does Not Allocate Any Cost of MVPs to Interconnecting Generators” in its entirety from the document. South Dakota seconded.**

**Illinois - no  
Indiana - yes  
Iowa - no  
Kentucky - abstain  
Manitoba - absent  
Michigan - yes  
Minnesota - no  
Missouri - abstain  
Montana - no  
North Dakota - yes  
Ohio - abstain**

**Pennsylvania - absent**  
**South Dakota - yes**  
**Wisconsin - no**

**Yes – 4; No – 5; Abstain – 3; Absent – 2**

**The motion failed to receive the required 8 yes votes for passage. Monica Martinez suggested that the work group include a footnote to represent the variety of state positions on this issue.**

- The Board then discussed the original section C, titled “The Commission Erred in Eliminating the Midwest ISO’s Proposal to Apply an MVP Charge to Exports Sinking in PJM.” Illinois will submit a footnote to Bill Smith for inclusion. There were no other changes to the section and it was accepted for inclusion.
- Section D, “The Commission Erred in Accepting the Midwest ISO’s Proposed MWh-Only Charge”, was reviewed next. There were no proposed changes and it was accepted for inclusion. South Dakota requested to abstain from this section.
- Section E, “The Commission Erred in Accepting a Portfolio Approach to MVP Project Selection Because it Will Result in Costly Transmission Over-Building,” was reviewed. The final sentence in the first paragraph on page 15 was amended to state “Moreover, the OMS CARP rejected the SPP portfolio approach...” It was agreed by acclamation to include the section as amended.
- Section F, “The Commission’s Proposal to Require the Midwest ISO to File Annual Informational Reports is Inadequate,” was reviewed. Indiana questioned the need for this section based on mechanisms already in place to file complaints and control siting.

**Indiana moved to delete Section F. Minnesota seconded.**

**Illinois - no**  
**Indiana - yes**  
**Iowa - no**  
**Kentucky - abstain**  
**Manitoba - absent**  
**Michigan - abstain**  
**Minnesota - yes**  
**Missouri - abstain**  
**Montana - yes**  
**North Dakota - yes**  
**Ohio - abstain**  
**Pennsylvania - absent**  
**South Dakota - abstain**  
**Wisconsin - no**

**Yes – 4; No – 3; Abstain – 5; Absent – 2**

**The motion failed to receive the required 8 yes votes for passage. Monica Martinez suggested that the work group include a footnote to represent the variety of state positions on this issue.**

**Indiana moved to accept the document as revised. South Dakota seconded.**

**Illinois - yes**  
**Indiana - yes**  
**Iowa - yes**  
**Kentucky - abstain**  
**Manitoba - absent**  
**Michigan - yes**  
**Minnesota - yes**  
**Missouri - abstain**

Montana - yes  
North Dakota - abstain  
Ohio - abstain  
Pennsylvania - absent  
South Dakota - yes  
Wisconsin - yes

Yes – 8; No – 0; Abstain – 4; Absent – 2

The motion passed.

**6. Discussion: Commissioner RTO Training 2011 – Bill Smith**

- Bill Smith updated the Board on the status of the training guide presentations he is putting together. The first one will be in Iowa on January 24.

**7. Discussion: Special Meetings – Bill Smith**

- Timely RSVP's are requested for the following events:  
NARUC meeting luncheon on February 14th between OMS commissioners and Entergy state representatives;  
Advisory Committee meeting in New Orleans on February 24<sup>th</sup>;  
Joint Spring meeting between OPSI/OMS in April.

**8. Update: Plans for the Black Sea Exchange – Bill Smith**

- Bill Smith presented the draft agenda and solicited volunteers. The meeting is scheduled for March 7-9, 2011 in Istanbul, Turkey.
- Martina Schwartz of NARUC spoke on the goals of the conference.

**9. Update: Eastern Interconnection Planning Process – Brian Rybarik**

- Brian Rybarik provided a written report.

**Updates and Work Group Status Reports**

Demand Response WG

- No Report;

Transmission Cost Allocation WG

- No Report;

Markets and Tariffs WG

- Written Report;

Resources WG

- Written Report;

Regional Planning WG

- No Report;

Governance and Budget

- No Report;

Modeling WG

- No Report;

**ADJOURNMENT**

The OMS Board of Directors meeting adjourned at 3:30 pm CST.

# OMS

**Organization of MISO States  
Report of the Treasurer  
Robert Kenney, Missouri Public Service Commission  
to the  
Board of Directors  
December 16, 2010  
Report for November 2010**

## CASH ON HAND

The beginning balance as of November 1 for the Wells Fargo Business Performance Savings Account was \$29,732.56. Interest earned for this month was \$1.22. The November 3, 2010 balance was \$29,733.78.

The beginning balance as of November 1 for the Chase Bank One Checking account was \$122,563.16. The total disbursements from the checking account for November 2010 were \$48,790.68. Deposits and interest were \$50,001.29. As of November 30, 2010, the checking account bank balance was \$128,303.02 and the book balance was \$123,773.77 (with 12 checks outstanding).

The total savings and checking account balances as of November 2010 is \$153,507.55.



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

Wells Fargo Business Performance Savings Account

Balance as of 11/01/2010			\$	29,732.56
11/30/2010	DEP	Interest on Savings	\$	1.22
				<hr/>
Business Performance Savings Account Balance at 11/30/2010				<u>\$ 29,733.78</u>

Chase Bank One Commercial Checking with Interest

Balance as of 11/1/2010			\$	122,563.16
11/8/2010	DEP	Midwest ISO	\$	50,000.00
11/30/2010	DEP	Interest	\$	1.29
				<hr/>
Total Deposits			\$	50,001.29

Checks and Charges

Date	Check #	Descriptions		
11/2/2010	WD	Expertplan	\$	600.00
11/5/2010	3619	MI Travel Reimbursement	\$	280.61
11/5/2010	3620	MT Travel Reimbursement	\$	241.55
11/5/2010	3621	IA Travel Reimbursement	\$	383.79
11/5/2010	3622	MI Travel Reimbursement	\$	423.10
11/5/2010	3623	IA Travel Reimbursement	\$	568.78
11/5/2010	3624	MN Travel Reimbursement	\$	654.42
11/5/2010	3625	MN Travel Reimbursement	\$	444.90
11/5/2010	3626	MI Travel Reimbursement	\$	81.15
11/5/2010	3627	IA Travel Reimbursement	\$	477.12
11/5/2010	3628	IA Travel Reimbursement	\$	422.25
11/5/2010	3629	MO Travel Reimbursement	\$	455.30
11/5/2010	3630	MI Travel Reimbursement	\$	139.94
11/5/2010	3631	OH Travel Reimbursement	\$	113.00
11/5/2010	3632	MI Travel Reimbursement	\$	364.84
11/5/2010	3633	MI Travel Reimbursement	\$	285.79
11/5/2010	3634	WI Travel Reimbursement	\$	740.03
11/5/2010	3635	WI Travel Reimbursement	\$	49.30
11/10/2010	WD	Paychex	\$	116.97
11/19/2010	3636	100 Court Investors	\$	1,686.42
11/19/2010	3637	IA Travel Reimbursement	\$	87.50
11/19/2010	3638	IA Travel Reimbursement	\$	928.54
11/19/2010	3639	DWX Internet	\$	30.00

11/19/2010	3640	MT Travel Reimbursement	\$	78.00
11/19/2010	3641	IA Travel Reimbursement	\$	396.33
11/19/2010	3642	MO Travel Reimbursement	\$	3,519.00
11/19/2010	3643	Qwest	\$	243.49
11/23/2010	WD	Chase	\$	15,399.62
11/23/2010	3644	IA Travel Reimbursement	\$	55.04
11/23/2010	3645	MT Travel Reimbursement	\$	439.80
11/23/2010	3646	MT Travel Reimbursement	\$	753.90
11/23/2010	3647	IL Travel Reimbursement	\$	273.35
11/29/2010	WD	Paychex Payroll	\$	9,966.36
11/30/2010	WD	Paychex	\$	5,062.88
11/30/2010	3648	Conference Suite	\$	220.65
11/30/2010	3649	DWX Internet	\$	35.00
11/30/2010	340	401K Distribution	\$	427.55
11/30/2010	341	401K Distribution	\$	2,243.86
11/30/2010	342	401K Distribution	\$	100.55

Total Checks and Charges \$ 48,790.68

CHECKING ACCOUNT BALANCE 11/30/2010 \$ 123,773.77

CERTIFICATES OF DEPOSIT, SAVINGS AND CHECKING ACCOUNT BALANCES AS OF 11/30/2010 \$ 153,507.55

**CHASE CHECKING ACCOUNT RECONCILIATION**

	<u>Check #</u>	<u>Amount</u>
Bank Balance 11/30/2010		\$ 128,303.02
Less Checks OS		
	340	\$ 427.55
	341	\$ 2,243.86
	342	\$ 100.55
	3599	\$ 25.31
	3619	\$ 280.61
	3634	\$ 740.03
	3635	\$ 49.30
	3640	\$ 78.00
	3644	\$ 55.04
	3647	\$ 273.35
	3648	\$ 220.65
	3649	\$ 35.00
Book Balance 11/30/2010		<u>\$ 123,773.77</u>

# OMS Treasurer Report for Month of November 2010

## Wells Fargo Business Performance Savings Account

Beginning Balance	29,732.56	
Interest Earned this Month	1.22	
Withdrawals		
Ending Balance		29,733.78

## Chase Bank One Checking Account

Beginning Balance	122,563.16	
Total Disbursements	(48,790.68)	
Deposits/Interest/Adjustments	50,001.29	
Ending Balance		<u>123,773.77</u>
Bank Balance	128,303.02	
Outstanding Checks	4,677.79	
Book Balance		<u><u>123,773.77</u></u>

## **Total Savings & Checking Balances as of November 30, 2010**

**153,507.55**

12 checks outstanding at 11/30/2010

# *OMS*

**Organization of MISO States  
Report of the Treasurer  
Robert Kenney, Missouri Public Service Commission  
to the  
Board of Directors  
January 13, 2010  
Report for December 2010**

## CASH ON HAND

The beginning balance as of December 1 for the Wells Fargo Business Performance Savings Account was \$29,733.78. Interest earned for this month was \$1.27. The December 31, 2010 balance was \$29,735.05.

The beginning balance as of December 1 for the Chase Bank One Checking account was \$123,773.77. The total disbursements from the checking account for December 2010 were \$32,198.29. Deposits and interest were \$50,001.24. As of December 31, 2010, the checking account bank balance was \$143,359.08 and the book balance was \$141,576.72 (with 5 checks outstanding).

The total savings and checking account balances as of December 2010 is \$171,311.77.



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

Wells Fargo Business Performance Savings Account

Balance as of 12/01/2010			\$	29,733.78
12/31/2010	DEP	Interest on Savings	\$	1.27
				<hr/>
Business Performance Savings Account Balance at 11/30/2010				<u>\$ 29,735.05</u>

Chase Bank One Commercial Checking with Interest

Balance as of 12/1/2010			\$	123,773.77
12/13/2010	DEP	Midwest ISO	\$	50,000.00
12/31/2010	DEP	Interest	\$	1.24
Total Deposits				<hr/>
				\$ 50,001.24

Checks and Charges

Date	Check #	Descriptions		
12/8/2010	3650	IA Travel Reimbursement	\$	59.44
12/8/2010	3651	IA Travel Reimbursement	\$	303.85
12/8/2010	3652	MI Travel Reimbursement	\$	124.90
12/8/2010	3653	MO Travel Reimbursement	\$	311.50
12/8/2010	3654	MI Travel Reimbursement	\$	139.94
12/8/2010	3655	OH Travel Reimbursement	\$	23.00
12/8/2010	3656	MI Travel Reimbursement	\$	428.73
12/10/2010	WD	Paychex	\$	109.47
12/13/2010	WD	Chase	\$	3,075.60
12/13/2010	3657	Court Investors	\$	1,706.42
12/13/2010	3658	Triplett Office Supplies	\$	201.32
12/14/2010	3659	MI Travel Reimbursement	\$	629.22
12/14/2010	3660	IA Travel Reimbursement	\$	187.98
12/14/2010	3661	ND Travel Reimbursement	\$	176.08
12/14/2010	3662	IA Travel Reimbursement	\$	519.80
12/14/2010	3663	MI Travel Reimbursement	\$	277.02
12/15/2010	3664	CA Travel Reimbursement	\$	499.46
12/15/2010	3665	Triplett Office Essentials	\$	326.93
9/29/2010	3666	VOID		
12/21/2010	3667	MI Travel Reimbursement	\$	258.98
12/21/2010	3668	The Novick Group	\$	3,324.00
12/21/2010	3669	Qwest	\$	247.30

12/21/2010	3670	MI Travel Reimbursement	\$	139.65
12/21/2010	3671	OH Travel Reimbursement	\$	485.30
12/21/2010	3672	MI Travel Reimbursement	\$	258.69
12/28/2010	3673	DWX Internet	\$	35.00
12/28/2010	3674	WI Travel Reimbursement	\$	818.56
12/29/2010	WD	Paychex Payroll	\$	10,655.34
12/30/2010	WD	Paychex Payroll Taxes	\$	4,090.98
12/30/2010	346	401K Distribution	\$	443.22
12/30/2010	347	401K Distribution	\$	96.75
12/30/2010	348	401K Distribution	\$	2,243.86

Total Checks and Charges

\$ 32,198.29

CHECKING ACCOUNT BALANCE 12/31/2010

\$ 141,576.72

CERTIFICATES OF DEPOSIT, SAVINGS AND CHECKING ACCOUNT BALANCES AS OF 12/31/2010

\$ 171,311.77

CHASE CHECKING ACCOUNT RECONCILIATION

	<u>Check #</u>	<u>Amount</u>
Bank Balance 12/31/2010		\$ 143,359.08
Less Checks OS		
	3651	\$ 303.85
	3670	\$ 139.65
	3671	\$ 485.30
	3673	\$ 35.00
	3674	\$ 818.56
Book Balance 12/31/2010		<u>\$ 141,576.72</u>

# OMS Treasurer Report for Month of December 2010

## Wells Fargo Business Performance Savings Account

Beginning Balance	29,733.78	
Interest Earned this Month	1.27	
Withdrawals		
Ending Balance		29,735.05

## Chase Bank One Checking Account

Beginning Balance	123,773.77	
Total Disbursements	(32,198.29)	
Deposits/Interest/Adjustments	50,001.24	
Ending Balance		<u>141,576.72</u>
Bank Balance	143,359.08	
Outstanding Checks	4,677.79	
Book Balance		<u><u>141,576.72</u></u>
<b>Total Savings &amp; Checking Balances as of December 31, 2010</b>		<b><u><u>171,311.77</u></u></b>

5 checks outstanding at 12/31/2010



## Organization of MISO States

100 Court Avenue, Suite 315  
Des Moines, Iowa 50309

Phone: 515-243-0742  
Fax: 515-243-0746  
[www.misostates.org](http://www.misostates.org)

### **OMS Executive Director Report January 11, 2011**

#### **FERC and DOE Activity**

1. Settlement documents were filed on January 4 to improve the operation of the MISO –PJM Joint Operating Agreement and avoid future errors in market-to-market operations. Comments are due January 24. Docket Nos. EL10-45, EL10-46-000, and EL10-60.
2. On December 8, the Midwest ISO made compliance outlining plans for development of its resource adequacy plans. Docket No. ER08-394.
3. On December 16, the Commission issued its order conditionally approving Midwest ISO's cost allocation proposal for Multi-Value Projects, Docket No. ER10-1791. Rehearing petitions on the order should be filed January 14.
4. The Commission has invited OMS and its sister organizations to participate in a meeting in Washington, Saturday, February 12, to discuss RTO/ISO performance metrics. The related RTO report was filed December 6 in Docket No. AD10-5.

#### **OMS-MISO Activity**

1. Resource adequacy discussions continue in the Midwest ISO's Supply Adequacy Work Group. The Midwest ISO released a draft proposal December 6. OMS Staff comments were made at the January 6 SAWG meeting.
2. OMS officer transition is taking place smoothly. Treasurers and their staff members held a call on January 5 to discuss details of the function.
3. OMS membership transitions:
  - Chairman Jergeson has completed his term on the Montana PSC and the OMS Board.
  - Chairman Callisto is now serving as the Wisconsin PSC's OMS Board member in place of Commissioner Azar.

## **Public Relations**

1. Presentations:
  - None
2. Pending speaking/meeting invitations:
  - Iowa "Midwest ISO Users Guide," Monday, January 24.

## **Upcoming dates:**

- Next regular **OMS Board of Directors meeting: February 10, 2011**, at 1:00 pm CDT
- Next **OMS Executive Committee meeting – January 27, 2010** at 1:00 pm CDT
- OMS – ERSC lunch, February 14
- Regular OMS Board meetings: March 10, April 14
- Advisory Committee and MISO Board meetings, New Orleans, February 22-24
- OMS Executive Committee meetings: February 24, March 24
- Black Sea Partnership Workshop, Istanbul, March 7 – March 9
- Energy Bar Association, Midwest Energy Conference, Carmel and Indianapolis, March 14-15.
- OMS-OPSI Spring meeting, Columbus, April 7-8



Organization of MISO States

100 Court Avenue, Suite 315  
Des Moines, Iowa 50309

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

To: OMS Board of Directors  
From: William H. Smith, Jr.  
Executive Director  
Date: December 28, 2010  
Re: Clarification of OMS Proxy Process

The OMS Secretary for 2010 has recommended clarification of the OMS proxy process.

The bylaw provision covering proxies is Article IV, section 6:  
A member regulatory authority may allow a proxy from the same agency to participate as a substitute for its designated director at a meeting of the Board of Directors by notifying the Secretary of the Organization.

<http://www.misostates.org/OMSbylaws2009revisionsFINAL.pdf>

This language allows proxies to be designated on a one-time or a standing basis. Notification to the Secretary is most easily done by e-mail. The following form is sufficient:

[Standing proxy]

The \_\_\_\_\_ Commission designates \_\_\_\_\_ to serve as its proxy at OMS Board meetings from \_\_\_\_ (date) \_\_\_\_ to \_\_\_\_ (date) \_\_\_\_.

[One-time proxy]

The \_\_\_\_\_ Commission designates \_\_\_\_\_ to serve as its proxy at the OMS Board meeting on \_\_\_\_ (date) \_\_\_\_.

The proxy designation should come from the e-mail account of the OMS Board member and should be addressed to Secretary Rob Berntsen at [rob.berntsen@iub.state.ia.us](mailto:rob.berntsen@iub.state.ia.us) with a copy to Jeff Kaman at [jeff.kaman@iub.state.ia.us](mailto:jeff.kaman@iub.state.ia.us). At times it may be necessary for someone else to send the proxy message; in that case, the e-mail should show a copy to the Board member.

FEDERAL ENERGY REGULATORY COMMISSION  
WASHINGTON, DC 20426

OFFICE OF THE CHAIRMAN

December 17, 2010

The Honorable Valerie Lemmie  
President, OMS  
Public Utilities Commission of Ohio  
180 East Broad Street  
Columbus, Ohio 43215

RSVP

Dear President Lemmie:

I would like to formally invite you participate in the upcoming meeting being held in conjunction with the National Association of Regulatory Utility Commissioners (NARUC) Winter meeting to discuss the topic of RTO/ISO performance metrics.

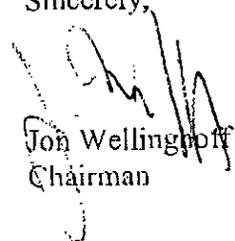
The members of the ISO/RTO Council subject to the Commission's jurisdiction will be presenting the results of the performance metrics they recently filed with the Federal Energy Regulatory Commission (Commission) in response to the Commission's ISO/RTO performance metrics initiative.<sup>7</sup>

The date and time of this meeting is Saturday, February 12, 2011, from 1:00 pm to 4:00 pm. The location is the Renaissance Washington Hotel, 999 Ninth Street NW, Washington, DC 20001.

This meeting is being held in conjunction with the NARUC Winter meetings but it is not formally part of the NARUC agenda. The Commission has made arrangements for the conference room so there will be no charge for attendance and the meeting will be open to NARUC attendees as well as members of the public. Since we expect to have participation from all of the RTO/ISOs within the Commission's jurisdiction, as well as members from each Regional State Committee (RSC), this should be a well attended event. We will provide further information about the agenda and speakers for the event in the next few weeks.

Please confirm the time on your schedule. We would also appreciate it if you would inform your fellow Commissioners in OMS about the importance of this event and encourage them to attend.

Sincerely,



Jon Wellinghoff  
Chairman

cc: William Smith, OMS

<sup>7</sup> The ISO/RTO Council filing is publicly available at: <http://eLibrary.ferc.gov/idmws/search/fercensearch.asp>. For the "date range" select "all". In the space where the docket number is requested, insert "AD10-5".

# Proposed EPA Rules Impact Analysis

Organization of MISO States

January 13, 2011

# Issue

- The Environmental Protection Agency is promulgating rules that will greatly impact the utility industry
  - 3 draft rules issued in 2010 and one to be issued next year
  - 3 rules to go into effect in 2011 and one in 2012
- Clean Water Act – Section 316(b) affects cooling water intake structures (final rule 2012)
- Title I of Clean Air Act – National Emission Standards for Hazardous Air Pollutants. Commonly referred to as the Maximum Achievable Control Technology (MACT) Standard (draft and final rules 2011)
- Clean Air Transport Rule (CATR) – intent is to further reduce SO<sub>2</sub> and NO<sub>x</sub> by limiting allowances (final rule in 2011)
- Coal Combustion Residuals (CCR) – surface impoundments with high hazard potential ratings rule (final rule 2011)

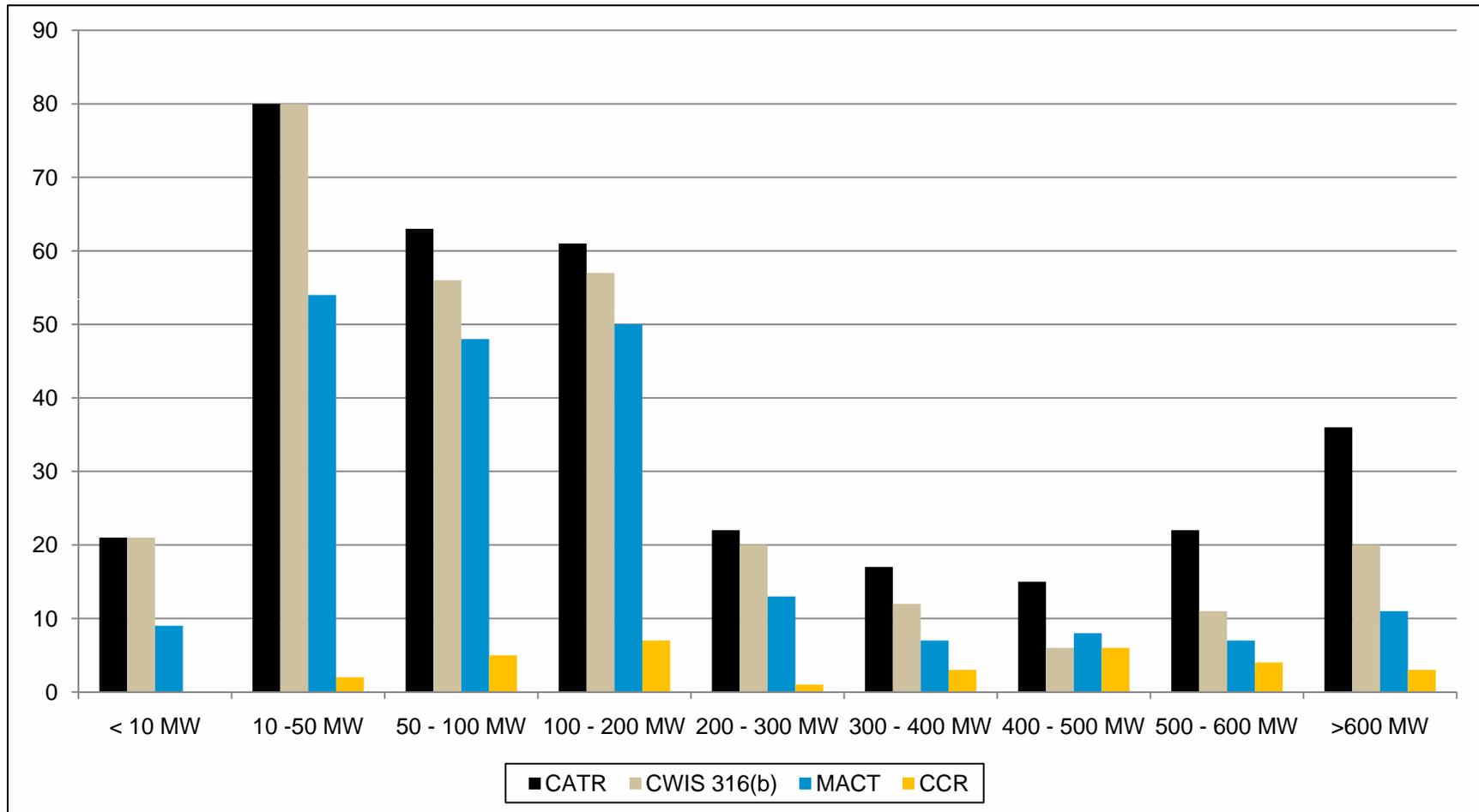
# NERC - Retirement Analysis Summary

- Clean Water Act 316(b) 'cooling water intake structures' has the greatest potential capacity impact across the Eastern Interconnection
  - 32-41 GW affected either by retirement or unit conversion
- Three of the proposed rules primarily target coal-based capacity in the Eastern Interconnection and will have significant impact on the Midwest ISO
  - MACT – 3 to 18 GW of Capacity with retirement risk
  - CATR – 3 to 7 GW of Capacity with retirement risk
  - CCR – 2 GW of Capacity with retirement risk
- NERC identified 46 – 76 GW of vulnerable capacity from the combination of retirements and derates from the 4 rules

# Midwest ISO - Capacity and Cost Initial Summary

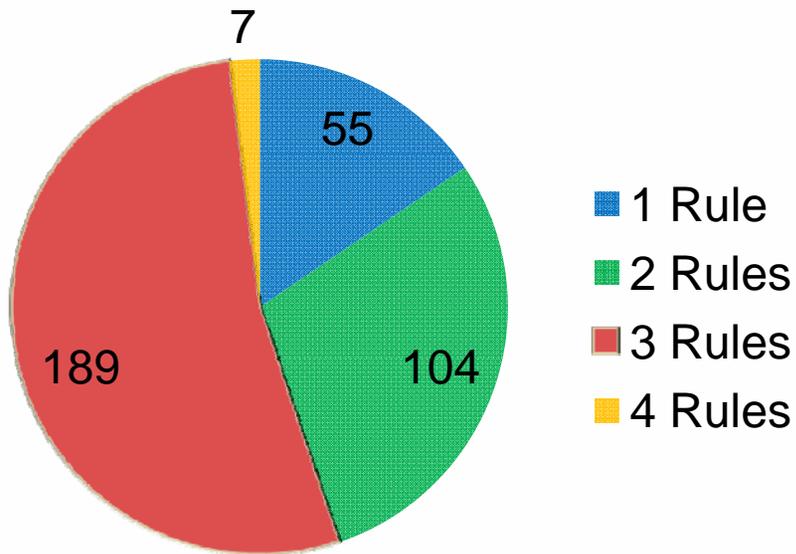
- Clean Water Act 316(b) 'cooling water intake structures'
  - 283 units in Midwest ISO representing over 47,000 MW
  - About 75% of these units are 200 MW or less
  - Cost impact in the \$15.5 billion range
- Maximum Achievable Control Technology (MACT)
  - 207 units in Midwest ISO representing 32,000 MW
  - Over 75% of these units are 200 MW or less
  - Cost impact in the \$28 billion range
- Clean Air Transport Rule (CATR)
  - 337 units in Midwest ISO representing 71,000 MW)
  - Over 65% of the these units are 200 MW or less
  - Cost impact unknown at this time
- Coal Combustion Residuals (CCR)
  - 31 units in Midwest ISO representing 10,000 MW
  - About 45% of these units are less than 200 MW
  - Cost impact in the \$1 billion range

# Midwest ISO Units Impacted by EPA regulations

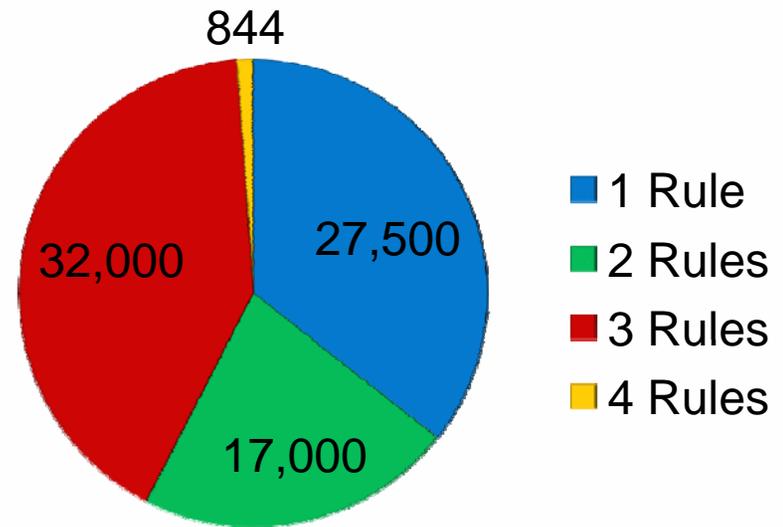


# Impact On Midwest ISO - By Rules

**Units**



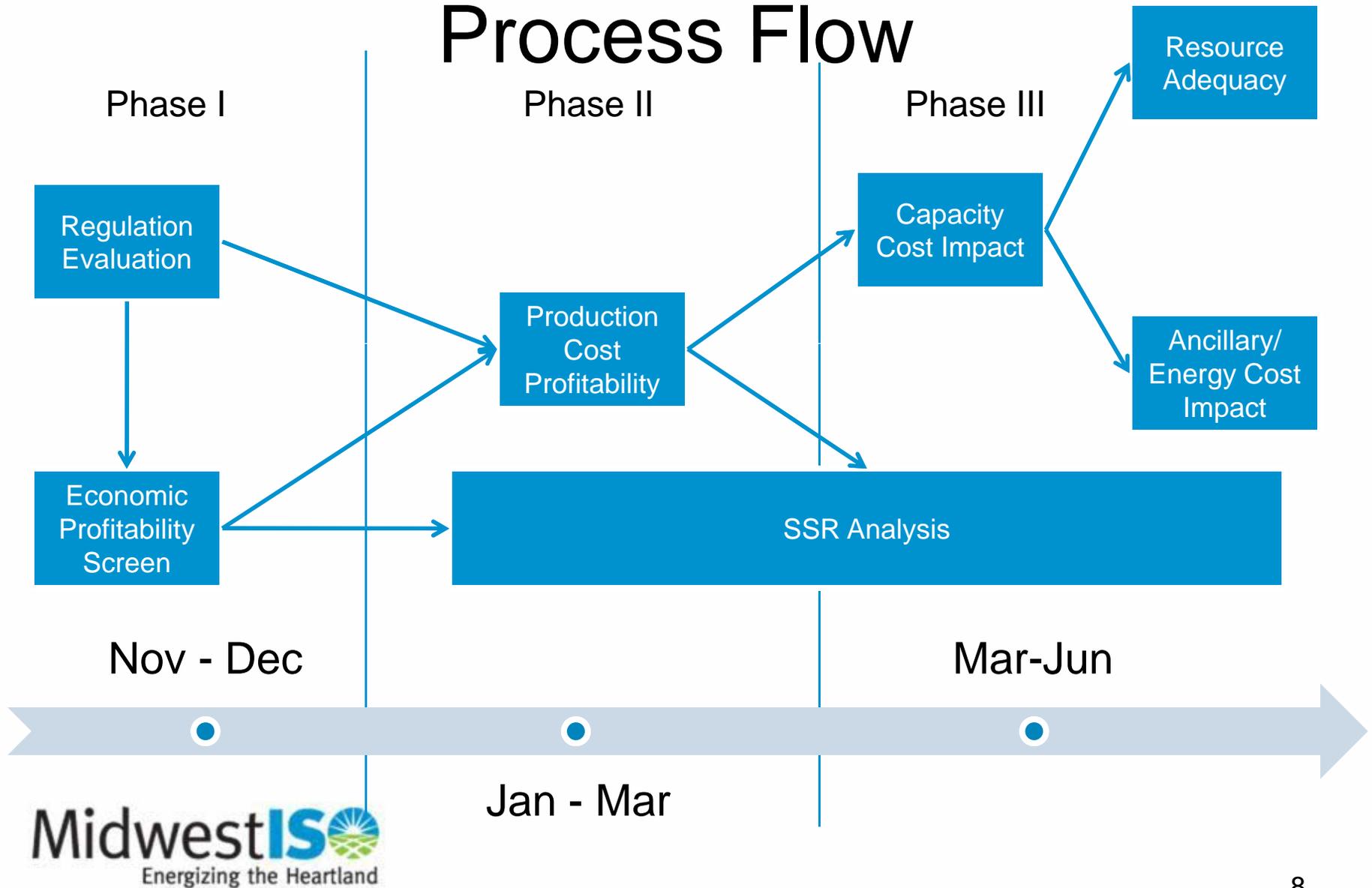
**MW**



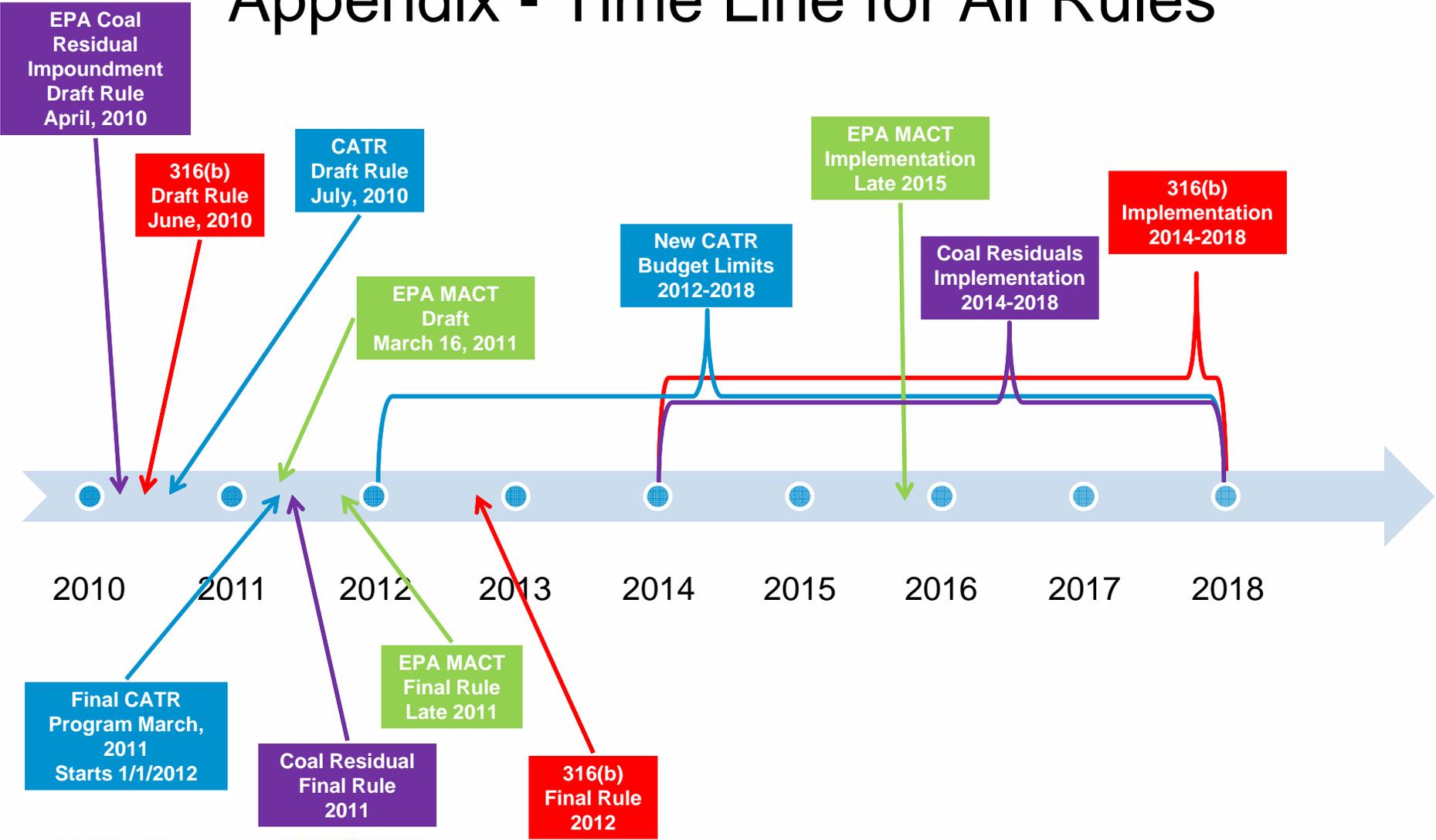
# Key Study Questions

- Is there a resource adequacy risk?
- Is there a transmission adequacy risk?
- What is the impact on the energy and ancillary service markets?
- What is the impact on capacity cost?

# Study Scope Process Flow



# Appendix - Time Line for All Rules



## Gail Maly

Gail Maly has served as a Public Utility Auditor with the Public Service Commission of Wisconsin for the past twenty three years. She performs audits of utility accounting records and procedures, develops demand forecasts and revenue requirements, and advises the Commission on energy policy and budgetary issues. She is an active member of the Organization of MISO States' (OMS) Governance and Budget Workgroup, serving as co-chair for the last two years.

**Midwest ISO Advisory Committee  
Conference Call  
January 19, 2011  
10am – 12:00pm EPT  
Dial-in and WebEx information available at [www.midwestiso.org](http://www.midwestiso.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. Midwest ISO response to sector comments - October Hot Topic - Adequate Price Signals	Todd Ramey	10:15
3. Advisory Committee Items	Gary Mathis	10:30
a. Review AC Charter		
b. Review of AC Management Plan		
c. Finance Subcommittee Nominations		
d. February RA Discussion Overview		
4. Standing Committee/Other Stakeholder Committee Reports		
a. Tariff and Business Practices Subcommittee	Marc Nielsen	10:45
b. Steering Committee	Dennis Kramer	10:55
c. Stakeholder Governance Working Group	Bill SeDoris	11:00
d. Market Subcommittee	Marlene Parsley	11:05
e. Reliability Subcommittee Update	Tony Jankowski	11:10
f. Planning Subcommittee Update	Bob McKee	11:20
g. Transmission Owners Update*	JoAnn Thompson	11:30
h. OMS	Bill Smith	11:35
5. New Business	All	11:40
6. Recap – Issues/Assignments	Alison Lane	11:45

Rotating Agenda Team February: Jim Keller  
Chris Lyons  
Blaine Poff

2011 Hot Topics:

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

√ Denotes Potential Voting Item

\* Denotes Report is Oral

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

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Midwest Independent Transmission System Operator, Inc.	)	Docket No. ER10-1791-000
	)	

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**REQUEST FOR REHEARING OF THE  
ORGANIZATION OF MISO STATES**

Pursuant to Rule 713 of the Federal Energy Regulatory Commission’s (“Commission”) Rules of Practice and Procedure, 18 C.F.R. §385.713, the organization of MISO States (“OMS”) hereby submits this Request for Rehearing regarding the Commission’s “Order Conditionally Accepting Tariff Provisions” issued on December 16, 2010 (“December 16 Order”), in the above captioned docket.<sup>1</sup> Herein, the OMS respectfully requests that the Commission grant rehearing of the December 16 Order.

**I. BACKGROUND**

On July 15, 2010, the Midwest ISO filed revisions to its Open Access Transmission, Energy and Operating Reserve Markets Tariff (“July 15 Filing”). In particular, the July 15 Filing proposed to: (1) establish a new category of transmission projects designated as multi-value projects (“MVPs”) and a corresponding cost allocation methodology for MVPs; (2) provide for generator interconnection projects (“GIPs”) arising within a defined time period to share the

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<sup>1</sup> *Midwest Independent Transmission System Operator, Inc.*, 133 FERC ¶ 61,221(2010).

costs of network upgrades on which they mutually rely; and (3) otherwise retain the cost allocation for network upgrades associated with GIPs.<sup>2</sup>

On September 10, 2010, the OMS submitted its Comments concerning the Midwest ISO's July 15 Filing. On December 16, 2010, the Commission conditionally accepted the Midwest ISO's July 15 Filing, and directed the Midwest ISO to submit a compliance filing that:

- 1) States in the Midwest ISO Tariff that the Midwest ISO will review MVPs on a portfolio basis;
- 2) Revises the Midwest ISO Tariff to ensure that the MVP usage rate is not applied to export or wheel-through transactions that sink in the PJM region;
- 3) Provides an explanation as to how the proposed Midwest ISO Tariff language relating to monthly net actual energy withdrawal and demand response resources and emergency demand response resources is consistent with the rate design objectives as stated by the Midwest ISO, and why it does not result in double netting; and
- 4) Revises the Midwest ISO Tariff to clarify that the divisor of the MVP usage charge in Attachment MM reflects the MWhs of grandfathered service provided by each transmission owner to reflect an allocation of the costs of MVPs recovered under grandfathered agreements;<sup>3</sup>

The December 16 Order also requires the Midwest ISO to submit a compliance filing by June 1, 2011 concerning the allocation of Financial Transmission Rights and Auction Revenue Rights resulting from MVP funded transmission projects. The Order also requires the Midwest ISO to file ongoing annual informational reports with the Commission describing the selection of MVPs, including the achievements and shortcomings of the MVP selection process, after each full planning cycle has been completed.<sup>4</sup>

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<sup>2</sup> July 15 Filing, at 1-2.

<sup>3</sup> December 16 Order, at P 4.

<sup>4</sup> December 16 Order, at P 4.

## II. LIST OF ISSUES AND SPECIFICATION OF ERRORS

- A. The Commission Erred in Accepting a Cost Allocation that Does Not Allocate Any Cost of MVPs to Interconnecting Generators.
- B. The Commission Erred in Eliminating the Midwest ISO's Proposal to Apply an MVP Charge to Exports Sinking in PJM.
- C. 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.
- D. The Commission Erred in Accepting the Midwest ISO's Proposed MWh-Only Charge.
- E. The Commission Erred in Accepting a Portfolio Approach to MVP Project Selection.

## III. DISCUSSION

### **A. The Commission Erred in Accepting a Cost Allocation that Does Not Allocate Any Cost of MVPs to Interconnecting Generators.<sup>5</sup>**

The Commission erred in finding the Midwest ISO's MVP cost allocation proposal to be just and reasonable when the primary cost causer and beneficiary – generators whose interconnection is enabled by the MVP, are not allocated any of that MVP's cost. This decision goes against the first factor the Commission stated that it would use in Order No. 890 and which it has claimed to have used here, i.e. "cost causation".

Generators will be among the primary beneficiaries of MVP construction. Generators will derive quantifiable financial benefits from the sale of energy because the bulk of their interconnection cost, the MVP cost in the Midwest ISO proposal, is funded by the general public.

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<sup>5</sup> The following OMS members do not join in this section: Indiana Utility Regulatory Commission, Michigan Public Service Commission, North Dakota Public Service Commission, and South Dakota Public Utilities Commission.

The Commission has erred in failing to recognize these circumstances by accepting a cost allocation that does not allocate any cost of MVPs to interconnecting generators.<sup>6</sup>

While it appears that the siting decisions of profit-motivated private generation developers is a primary cause of the MVP proposal and those generation developers will derive the most concrete benefit, the Commission has determined that those entities need not bear any of the cost. Instead, the Commission determined the allocation of costs to generators to be an alternative proposal, and declined to address the issue.<sup>7</sup> This is an error, as a cost allocation which neglects the allocation of costs to primary cost causer and beneficiary (if not the cost causer and beneficiary) cannot be just and reasonable. A just and reasonable allocation would recognize the fact that certain generators are the primary driver behind the planning and construction of MVPs.

The Commission's decision to not allocate MVP costs to interconnecting generators will also skew generation developers' location decisions. Instead of considering the total cost of interconnection – the MVP and the tie line to the remote generator, interconnecting generators will now only have to consider just the tie line to the MVP. Therefore, a generator will, for the profit incentives listed above, now have the incentive to drive the MVP process to access the geographies closest to the most productive fuel resources, e.g. highest and most consistent wind speeds, regardless of the total cost of production which considers both fuel and delivery costs. While the decision to site generation in areas with the greatest fuel resources sounds like a rational decision for both the generator and society as a whole, it is not necessarily so. The cost

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<sup>6</sup> For policy reasons, some states have chosen (e.g., Michigan), and the Commission has approved, allocation of such generator charges to all load in their state. The renewable energy potential in Michigan has been studied and specific geographic zones have been recommended for economic renewable energy development.

<sup>7</sup> December 16 Order, at P 240.

per-MWh is lower for fuel-rich sites when only considering generation costs, but when considering both the relevant generation and transmission costs, the per unit cost would be lower for a generator in an area that has slightly lower productivity fuels but considerably less need for transmission investment.

The only substantive reason the Midwest ISO gave in its proposal or during the stakeholder process for not allocating MVP costs to interconnecting generators is the potential for market distortions as identified in a consultant's report.<sup>8</sup> Under the MVP proposal, MVP costs would be recovered by a per-MWh charge. If this per-MWh charge were assessed to generators, the Midwest ISO would introduce a variable cost that could be factored into the newly interconnecting generator's offer. Existing generators would not have to factor this cost into their offers. This could potentially result in a lower utilization of new generators and potentially increase the market price for energy. However, this potentially adverse outcome would be avoided if the MVP charges were simply allocated to generators on a capacity (per-MW) basis. Then these fixed costs would not be factored into generator's energy offers and would have to be recovered through a bilateral contract or profits made when the generator was infra-marginal.

Therefore, as shown above, the Commission has erred in deciding that the MVP proposal is just and reasonable when it does not allocate any cost to a primary cost causer and beneficiary, interconnecting generators.

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<sup>8</sup> "Evaluation of MVP Transmission Cost Allocation Design", Prepared by Scott Harvey and Susan Pope (June 9, 2010).

**B. The Commission Erred in Eliminating the Midwest ISO's Proposal to Apply an MVP Charge to Exports Sinking in PJM.<sup>9</sup>**

The Commission erred in rejecting the proposed MVP charge for export and wheel-through transactions that sink in PJM.<sup>10</sup> The Commission stated that the MVP charge would essentially re-impose the rate pancakes between PJM and the Midwest ISO that the Commission ordered be eliminated as a result of it approving the RTO membership decisions of utilities that resulted in the seam between PJM and the Midwest ISO.<sup>11</sup> As such, the Commission directed the Midwest ISO to file, in a future compliance filing, tariff revisions that ensure that wheel-through and export transactions to PJM are not subject to MVP charges.<sup>12</sup>

The Commission erred in not allowing the Midwest ISO to charge PJM members for the benefits that they receive from MVPs. The Commission erred because both wheel-through and export transactions sinking in PJM benefit PJM load. One of the major benefits of MVPs is increased transfer capacity the need for which is caused in part by wheel through and export transactions. These benefits are related to the increase in demands for renewable energy in response to state RPS, which exists in PJM as well, and are likely to lead to increased transfer of energy from and through the Midwest ISO to PJM because of productivity levels of and experience with terrestrial renewable generation in the Midwest ISO footprint. As such, those members of PJM that derive a direct benefit from an MVP should be allocated a portion of that particular MVP's costs.

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<sup>9</sup> The ICC abstains from this Section.

<sup>10</sup> December 16 Order, at P 440.

<sup>11</sup> December 16 Order, at P 440-441.

<sup>12</sup> December 16 Order, at P 440-441.

As noted by the Commission, one of the intended purposes of the MVPs is to provide load serving entities with a means of complying with public policy mandates.<sup>13</sup> Indeed, unless a significant amount of off-shore wind capacity is developed in the Atlantic Ocean, it is likely that a significant amount of the power purchased by PJM utilities for the purpose of complying with state public policy requirements will be produced in the Midwest ISO and transmitted to PJM via an MVP that is located in the Midwest ISO. By not allowing the Midwest ISO to allocate a portion of this MVP's costs to members of PJM commensurate with the benefit that they receive from the MVP, the Commission has effectively endorsed free ridership by members of PJM on the MVPs located in the Midwest ISO. Such an outcome is discriminatory and not conducive to just and reasonable rates.

If it is the case that the proposed MVP rate does not differentiate between MVPs that provide only intra-regional benefits and MVPs that provide both intra- and inter-regional benefits, then the Commission should have directed the Midwest ISO to develop a mechanism that would allow MVP costs to be allocated to PJM members that receive the direct benefits that these MVPs provide. By ensuring that PJM members do not pay for the benefits that they receive from the MVPs, the Commission has violated the principles of cost causation. Indeed, the U.S. Court of Appeals stated that the cost causation principle requires the Commission to ensure that the costs allocated to a beneficiary under a cost allocation method are at least roughly commensurate with the benefits that are expected to accrue to that entity.<sup>14</sup> While imposing MVP costs on non-beneficiaries would be unreasonable, it is just as unreasonable to allow direct beneficiaries of MVPs to free-ride based on a prior Commission decision.

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<sup>13</sup> December 16 Order, at P 194.

<sup>14</sup> *Illinois Commerce Commission*, 576 F.3d at 476-77 (citing *Midwest ISO Transmission Owners*, 373 F.3d at 1369; *Sithe*, 285 F.3d, at 5).

Accordingly, the Commission should reconsider its decision to require the Midwest ISO to file tariff revisions that ensure that wheel-through and export transactions to PJM are not subject to MVP charges. In fact in developing its MVP approach under the umbrella Regional Generator Outlet Study, RGOS, the Midwest ISO explicitly modeled that some of the energy would sink in PJM. Therefore, the Commission should direct the Midwest ISO to develop and file a mechanism and rate that differentiates between MVPs that provide only intra-regional benefits and those that provide both intra- and inter-regional benefits. Such a rate would allow the Midwest ISO to allocate MVP costs in accordance with well established principles of cost causation.

**C. 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.<sup>15</sup>**

Contrary to the Commission's characterization,<sup>16</sup> the state commissions in the Midwest ISO region are not in full consensus regarding the MVP proposal. The Commission is correct that the OMS submitted Comments on the Midwest ISO's July 15 Filing that were described as "generally supported" by nine of the fourteen OMS members. However, the OMS Comments also specifically stated that "these comments are not supported by the Illinois Commerce Commission, the Kentucky Public Service Commission, the Manitoba Public Utilities Board, Public Utilities Commission of Ohio, and the Pennsylvania Public Utility Commission."<sup>17</sup> The

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<sup>15</sup> The ICC believes that the statement that "there was a nine state majority that generally supported the Midwest ISO's MVP Proposal" is inaccurate. While nine of the OMS members voted to generally support the filing of the OMS's September 10, 2010 Comments, the Comments were voted on in their entirety and not on any one sentence taken out of context. The Comments contained detail on the various positions of the members on the many issues associated with the Midwest ISO's July 15, 2010 filing. There was no OMS vote taken specifically on the Midwest ISO's MVP proposal.

<sup>16</sup> December 16 Order, at P 204.

<sup>17</sup> OMS Comments, at footnote 1.

Commission’s observation that only the Kentucky Public Service Commission “explicitly does not support OMS’ comments”<sup>18</sup> is not accurate.<sup>19</sup>

Review of the OMS Comments also reveals that, even among the nine-state majority expressing general support for the OMS filing, a wide spectrum of views were expressed. The OMS Comments contain numerous footnotes to qualify the level of individual state commission support and clarify individual state commission positions. For example, while the Commission lists the Missouri Public Service Commission as supporting the Midwest ISO’s MVP proposal, footnote 7 of the OMS Comments specifically states that “The Missouri Public Service Commission (“MOPSC”) has voted for and continues to support the ‘CARP Proposal’ compromise position regarding allocating a portion of the cost of the MVPs directly to generators.”<sup>20</sup> Indeed, only five of the fourteen OMS members acceded to the Midwest ISO’s MVP proposal to not charge interconnecting generators MVP costs.<sup>21</sup> The OMS majority unequivocally stated that “the cost causers of the MVPs are remote generators” and cited to the report of the Independent Market Monitor for support.<sup>22</sup> The OMS majority stated, “Looking at the issue strictly from the cost causation and beneficiaries pay perspective, the Midwest ISO approach of charging load 100% for the MVP overlay is not in accord with economic principles nor practice, and should be rejected.”<sup>23</sup>

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<sup>18</sup> December 16 Order, at footnote 265, emphasis added.

<sup>19</sup> Even if the Commission’s observation in this regard was accurate, it would be irrelevant because, under the OMS Bylaws, the effect of voting against a proposal, abstaining from a proposal, or being absent from the vote on a proposal all have exactly the same weight. Under the OMS Bylaws, a proposal becomes a position of the OMS provided that it is supported by a majority of the OMS members. Consequently, those members choosing not to support an OMS position often abstain from the vote rather than voting no because the result is the same.

<sup>20</sup> OMS Comments, at footnote 7.

<sup>21</sup> OMS Comments, at 4.

<sup>22</sup> OMS Comments, at 6.

<sup>23</sup> OMS Comments, at 7 (emphasis added).

In summary, the OMS notes that clearly there was not a consensus of all OMS states on the MVP issue, however, nine of the OMS states did support the Midwest ISO's MVP proposal as it was filed, including the export charge.

**D. The Commission Erred in Accepting the Midwest ISO's Proposed MWh-Only Charge.<sup>24</sup>**

The Commission erred in using the logic that benefits accrue in all hours of the year to justify the Midwest ISO proposed per-MWh (energy or usage) charge as just and reasonable. After finding the Midwest ISO's per-MWh charge to be just and reasonable the Commission proceeded to dismiss the superiority of a MW charge as irrelevant.

The Commission has erred because the benefits of MVPs which accrue to loads are not based on the number of units of energy withdrawn from the Midwest ISO system. Loads in the Midwest ISO may exist that never use an MVP to withdraw electricity. It may be true that loads which utilize proximate generation for their withdrawals of energy receive the benefit of increased reliability because of a more robust transmission network, but this is not related to that load's consumption of MWhs or the power they flow over an MVP.

What is relevant is what causes the design and cost of the MVP transmission facility. The primary cause of the size of that transmission facility investment is the capacity value of the interconnecting generators the Midwest ISO is assuming will interconnect directly or indirectly with the proposed MVPs. Therefore, the most objective billing determinant should be the peak generating capacity forecasted to be delivered over MVPs. It is that capacity number which is the determining factor in the design and cost of MVPs. Similarly, cost could be assessed to loads based on their demand at the hour of peak generating output from generators interconnected to

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<sup>24</sup> The following OMS members do not join in this section: South Dakota PUC and Wisconsin PSC.

MVPs. This data would be as readily available to the Midwest ISO as the total consumption data and therefore it would be just and reasonable to allocate costs on that basis.

Again, the Commission erred in accepting the Midwest ISO's proposed per-MWh charge, because the benefits of MVPs are not necessarily related to MWhs of consumption and MWhs of consumption is not necessarily related to the usage of any MVP facility.

The Commission also erred in finding the per-MWh charge just and reasonable based on a comparison to a MW (demand) charge. The Commission decided, in part, that the per-MWh charge is just and reasonable because it allocates the cost variably over time, implying the MW charge could not. The Commission erred first by justifying the per-MWh charge based on its character relative to a MW charge, a comparison to alternatives which the Commission asserts it need not consider.<sup>25</sup> Also, the Commission erred in characterizing a demand charge as one that has to be assessed up front and could not change over time. Demand charges could be assessed based on the daily, weekly, or monthly peak load, and in a similar sense reflect the variable benefits derived from withdrawing energy from the Midwest ISO transmission system.

In its Comments, the OMS recommended that the Commission direct the Midwest ISO and its stakeholders to further explore this issue and consider the possibility of a two-part charge that incorporates both energy and demand concepts.<sup>26</sup> The OMS observed that "This combination may capture the year-round effects of the MVPs with the peak investment incentives of existing and future transmission and generation assets. As the economy improves

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<sup>25</sup> December 16 Order, at P 383-384.

<sup>26</sup> OMS Comments at 9.

and reserve margins become tighter, the relative split between an energy and demand charge could be adjusted to provide better relative incentives.”<sup>27</sup>

Accordingly, the OMS recommends that the Commission re-hear this issue and direct the Midwest ISO to assemble the stakeholders to reconsider this matter.<sup>28</sup>

**E. The Commission Erred in Accepting a Portfolio Approach to MVP Project Selection Because it Will Result in Costly Transmission Over-Building.**<sup>29</sup>

The Midwest ISO discussed the portfolio approach to project evaluation and selection for the first time in its Answer, filed October 18, 2010, addressing comments on the Midwest ISO’s July 15 Filing.<sup>30</sup> The Midwest ISO states in its Answer that each potential MVP project should not be evaluated on its own merits but must be viewed as an integral part of a portfolio of MVPs.<sup>31</sup> The Midwest ISO chided commenters for overlooking the “context and practical application of the new MVP category.”<sup>32</sup> The Midwest ISO described commenters as “illogical” for focusing on specific multi-value projects rather than on a portfolio of projects.<sup>33</sup>

In Answers to the Midwest ISO’s Answer, parties pointed out that the portfolio concept was not part of the actual MVP tariff language that the Midwest ISO filed on July 15, 2010.<sup>34</sup> Parties urged the Commission to reject the Midwest ISO’s new-found portfolio justification to the extent that using such an approach would support the development of unwarranted projects,

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<sup>27</sup> OMS Comments at 9.

<sup>28</sup> Michigan and Wisconsin dissent because of the nature of renewable wind resources. Such resources are energy oriented and as such transmission planning will increasingly need to focus in energy movement and not just planning capacity concepts.

<sup>29</sup> The following OMS members do not join in this section: .

<sup>30</sup> Midwest ISO Answer, at 14-16.

<sup>31</sup> Midwest ISO Answer, at 14.

<sup>32</sup> Midwest ISO Answer, at 15.

<sup>33</sup> Midwest ISO Answer, at 15.

<sup>34</sup> See, e.g., ICC Answer at 8, and Motion For Leave To Answer And Limited Answer Of The Coalition Of Midwest Transmission Customers at 3-7.

i.e., those that do not pass muster on their own project-specific merits.<sup>35</sup> Parties recommended the application of proper project-specific benefit/cost analyses and stated that it is not appropriate to “bundle up all the projects in the hopes that together the benefits may outweigh costs.”<sup>36</sup> Parties urged the Commission to reject the Midwest ISO’s proposed “aggregate” benefit/cost concept in favor of a meaningful project specific test.<sup>37</sup> Moreover, the OMS CARP rejected the Southwest Power Pool portfolio approach at its October 2009 meetings when it specifically abandoned the concept for further study in the remaining part of 2009 and all of 2010.<sup>38</sup>

In the December 16 Order, the Commission accepted the proposed portfolio concept<sup>39</sup> and directed the Midwest ISO to submit a compliance filing to “revise the Tariff to state that MVPs will be reviewed on a portfolio basis.”<sup>40</sup> The Commission stated that “We will require Midwest ISO to make a compliance filing that includes the portfolio approach to project selection in its tariff.”<sup>41</sup> The Commission further stated that,

The portfolio approach will help Midwest ISO to prioritize its transmission expansion projects in such a way as to ensure global benefits from the projects afforded regional cost sharing and maximize the number of system users who will share in those benefits. Midwest ISO’s ability to move projects in a portfolio forward with an eye to the benefits for the entire region will also assure that its analysis takes into proper consideration the need to match costs with benefits.<sup>42</sup>

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<sup>35</sup> See e.g., ICC Answer at 8-9, and Motion for Leave to Answer and Limited Answer of the Coalition of Midwest Transmission Customers at 3-7.

<sup>36</sup> See. e.g., ICC Answer, at 8-9.

<sup>37</sup> See. e.g., ICC Answer, at 9.

<sup>38</sup> The states of Iowa, Minnesota, North Dakota, South Dakota and Wisconsin clarify that although they did not support the SPP portfolio approach in OMS CARP, there is value in aggregating some transmission projects for evaluation, such as was done in the Upper Midwest Transmission Development Initiative.

<sup>39</sup> December 16 Order, at P 222.

<sup>40</sup> December 16 Order, at P 223.

<sup>41</sup> December 16 Order, at P 54 (emphasis added).

<sup>42</sup> December 16 Order, at P 221.

The Commission also stated that, “the portfolio approach to project selection ensures that those benefits will be widely spread around the Midwest ISO region.”<sup>43</sup>

It appears that the Commission’s concept of the portfolio approach may encompass internally inconsistent ideas. For example, the Commission made the following statements:

- “This initial screen [the requirement that each project satisfy at least one of the three Criteria] will ensure that each project can benefit the Midwest ISO region.”<sup>44</sup>
- “we find that the three criteria will determine that each individual project will have regional benefits.”<sup>45</sup>
- “Midwest ISO and stakeholders will review each candidate MVP on an individual basis in order to assess its benefits.”<sup>46</sup>

The Commission concluded that, while some projects support certain areas more than others, “the entire portfolio of projects is expected to provide regionally distributed benefits.”<sup>47</sup>

Contrary to the Commission’s assertion, the Midwest ISO’s filed MVP language, particularly Criterion 1, does not require that a benefits test be passed. However, if that fact is set aside, and it is assumed for the sake of argument, that each project must pass a global benefit/cost test in order to qualify for MVP cost allocation treatment as the Commission asserts, it is unclear why the Midwest ISO would need to employ a portfolio approach to project selection. Under an assumption that each project must pass a benefits test on its own merits, it is unclear how application of a portfolio approach would help to ensure that benefits “will be widely spread around the Midwest ISO region” or “maximize the number of system users who will share in those benefits” as asserted by the Commission. Assuming that each project must

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<sup>43</sup> December 16 Order, at P 54.

<sup>44</sup> December 16 Order, at P 201.

<sup>45</sup> December 16 Order, at P 54.

<sup>46</sup> December 16 Order, at P 207.

<sup>47</sup> December 16 Order, at P 159.

pass a meaningful benefits test on its own merits, the only way that application of a portfolio approach to project selection would advance these Commission-stated objectives would be for the Midwest ISO to decline to add projects to an MVP portfolio if the addition of such projects would unbalance the portfolio (i.e., projects whose benefits flow mainly to a subset of Midwest ISO zones).<sup>48</sup> On the other hand, if each project is not required to pass a meaningful benefits test on its own merits, then the result of applying a portfolio approach to project selection will be to expand the portfolio. As a practical matter, the effect of applying a portfolio approach under these circumstances would be for the Midwest ISO to add projects that bring benefits to particular zones or sub regions in order to balance the portfolio, even if those projects would not be found to be beneficial in a stand-alone analysis. The result would be transmission over-building.

The OMS is concerned that application of a portfolio approach to project selection will result in the construction of unnecessary transmission projects – “over-building”. The Midwest ISO’s Answer states that MVP projects “should not be viewed in isolation”<sup>49</sup> and urges parties not to focus “on any specific project.”<sup>50</sup> However, unless each project is required to satisfy a meaningful benefits test, the result of application of a portfolio approach will be the padding of portfolios and the approval of projects that could not stand on their own merits.

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<sup>48</sup> The Missouri Commission does not unconditionally agree with this statement. For unbalanced portfolios, the Southwest Power Pool tariff allows for transfers of cost from the zonal rate to the region-wide rate for zones whose allocated cost exceed their benefits from a portfolio of projects. Thus, eliminating projects to balance a portfolio is not the only way to achieve balance when each project is required to have benefits that exceed costs on a region-wide basis. The Missouri Commission recognizes that transfer payments were not proposed by the Midwest ISO, and under the absence of such a proposal, the elimination of projects that have region-wide benefits that primarily go to a sub-region may effectively be a way to balance the benefits of a portfolio throughout the Midwest ISO region.

<sup>49</sup> Midwest ISO Answer, at 14.

<sup>50</sup> Midwest ISO Answer, at 14-15.

Consequently the OMS urges the Commission to reject the portfolio approach to project evaluation<sup>51</sup> and selection and urges the Commission to require the Midwest ISO to apply a meaningful benefits test to each candidate MVP project. The Commission's acceptance of the portfolio approach in the December 16 Order will lead to unjustified and costly over-building. As such, it is unjust and unreasonable and the Commission's acceptance of it constitutes error. The portfolio concept at best only works for a handful, say six or seven, extra high voltage ("EHV") projects that have robustness by being "no regrets" types of projects under numerous scenarios including export. This was an issue significantly addressed by the UMTDI, or Upper Midwest Transmission Development Initiative.

#### **IV. CONCLUSION**

WHEREFORE, for the reasons set forth above, the OMS requests rehearing of the Commission's December 16 order conditionally accepting the Midwest ISO's MVP proposal in the above captioned docket.

The OMS submits this request because a majority of the members have agreed to generally support it. Individual OMS members reserve the right to file separate pleadings regarding the issues discussed herein. The following members generally support this request:

Illinois Commerce Commission  
Indiana Utility Regulatory Commission  
Iowa Utilities Board  
Michigan Public Service Commission  
Minnesota Public Utilities Commission

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<sup>51</sup> The Missouri does not advocate rejection of a portfolio approach as stated. Moreover, if costs are to be allocated on a region-wide basis, then a portfolio of projects that results in a zone paying more in costs than it receives in benefits is not a just and reasonable result. The Missouri Commission does agree that in order to avoid overbuilding, individual projects included in the portfolio need to provide more incremental benefits than incremental costs to the entire Midwest ISO footprint, and would urge the Commission to rehear this issue to find solutions that would encompass both a portfolio approach and a require individual projects to meet a region-wide benefits test.

Missouri Public Service Commission  
Montana Public Service Commission  
North Dakota Public Service Commission  
South Dakota Public Utilities Commission  
Wisconsin Public Service Commission

The Manitoba Public Utilities Board and the Pennsylvania Public Utility Commission did not participate in this pleading. The Public Utilities Commission of Ohio abstained from the vote on these comments. The Kentucky Public Service Commission concurs with the OMS position concerning Issues A and E, but abstains on the balance of the comments.

The Iowa Consumer Advocate and the Minnesota Office of Energy Security, as associate members of the OMS, participated in these comments and generally support these comments.

Respectfully submitted,

*William H. Smith, Jr.*  
William H. Smith, Jr.  
Executive Director  
Organization of MISO States  
100 Court Avenue, Suite 315  
Des Moines, Iowa 50309  
Tel: 515-243-0742

Dated: January 14, 2010

#### CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon each person designated on the official service list compiled by the Secretary in this proceeding.

Dated at Des Moines, Iowa, this 14th day of January, 2011.

*William H. Smith, Jr.*  
William H. Smith, Jr.



Organization of MISO States

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January 20, 2011

Ms. Kimberly D. Bose, Secretary  
Federal Energy Regulatory Commission  
888 First Street, N.E.  
Washington, D.C. 20426

Re: Midwest Independent Transmission System Operator, Inc.  
Docket No. ER10-1791-000

Errata to filing

Dear Ms. Bose:

The Organization of MISO States filed a rehearing petition in the referenced docket on January 14, 2011. After that filing was made, the Public Utilities Commission of Ohio changed its vote from abstention to general support. A revised page 17 is attached to reflect this change.

As a further matter, footnote 29 should be deleted.

Very sincerely,

*William H. Smith, Jr.*  
William H. Smith, Jr.  
Executive Director

cc: Service list

Missouri Public Service Commission  
Montana Public Service Commission  
North Dakota Public Service Commission  
Public Utilities Commission of Ohio  
South Dakota Public Utilities Commission  
Wisconsin Public Service Commission

The Manitoba Public Utilities Board and the Pennsylvania Public Utility Commission did not participate in this pleading. The Kentucky Public Service Commission concurs with the OMS position concerning Issues A and E, but abstains on the balance of the comments.

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*William H. Smith, Jr.*  
William H. Smith, Jr.

**Development and Integration of Renewable Energy Resources  
in the Black Sea region:  
Regulatory Issues and Regional Market Opportunities**

**Black Sea Regional Regulatory Initiative**

**March 7, 2011  
Istanbul, Turkey**

**Objective:**

**The workshop will engage the Black Sea regulators, the Organization of MISO States (OMS), and the Energy Community to:**

- Exchange information on current status of renewable energy policies and regulations in each Black Sea country
- Identify key regulatory issues and gaps on the national level and the region as a whole, posed by the accelerated development of renewable energy resources
- Discuss and share best practices in regulatory policy used to facilitate renewable integration consistent with the EU standards
- Examine necessary conditions and prospects for converging the national regulatory frameworks to enhance electricity flows across national borders by pursuing regional and subregional trading arrangements to achieve system security and reliability

**March 7, 2011**

**9:00 Welcoming Remarks; Objectives**

**USAID  
NARUC**

**9:30 Framework Presentations on the Status of Renewable Energy Resources  
in the Black Sea region**

Each regulator will present their country's case on the development and integration of renewable energy resources into the respective national electricity systems, and discuss existing regulatory gaps and challenges.

Moderator:

- Ukraine (9:30-9:50)
- Moldova (9:50-10:10)

- Azerbaijan (10:10-10:30)

### **10:30 Morning break**

- Georgia (10:50-11:10)
- Armenia (11:10-11:30)
- Turkey (11:30-11:50)

*Discussant: Mr. Nenad Stefanovic, Chair of Electricity Working Group, ECRB*  
(Analyses of Country Positions for Compliance with EU RES Regulations and Standards)

Q&A

### **12:45 Lunch**

### **13:45 Regulatory Issues for Market Integration and Trade in Renewable Energy Resources in the U.S. Midwest Region**

*Organization of MISO States*  
*Midwest ISO*

### **15:00 Afternoon Break**

### **15:15 Development and Process of Establishing Best Practices to Enhance National Investments into Renewable Energy Resources, and Encouraging Regional/Sub-Regional Market in Renewables**

The session will discuss how regulators in Europe and the United States can incentivize development of renewable energy in national energy systems, and facilitate conditions for establishing cross-border trade from national/state clean energy investments

- Cross-border transmission planning
- Cost allocation (cost causation and system usage)
- Monitoring cross-border access
- Transparency

*Dr. Peter Kaderjak, REKK*  
*Organization of MISO States*

### **16:30 Wrap-up and Discussion**

### **17:30 Adjourn**

**Joint Transmission System Operator – Utility Regulator  
Workshop on Integration and Cross Border Trade of Renewable  
Energy Resources in Regional Transmission Networks**

**Black Sea Regional Transmission Planning Project**

**Black Sea Regional Regulatory Initiative**

**Southeast Europe Cooperation Initiative (SECI)  
Regional Transmission Planning Project**

**March 8-9, 2011  
Istanbul, Turkey**

**Objective:**

**The workshop will provide a forum for public utility regulators and transmission system operators to:**

- Exchange information on energy policies and regulations promoting the accelerated development of renewable resources
- Examine the system planning, operational challenges, regulatory issues and opportunities posed by the accelerated development of intermittent renewable energy resources
- Discuss regulatory, market and administrative best practices used to integrate renewable energy resources and support their cross-border trade while improving system security and reliability

The workshop will feature case studies followed by moderated discussion and question/answer period to support an interactive learning environment.

**March 8, 2011**

**8:30 Welcoming Remarks; Objectives**

**USAID**

**USEA**

**NARUC**

**9:00 Legislative Drivers, Regulatory Practices and Market Solutions: The Challenge of Advancing Prospects for Integrating and Trading Renewable Energy Resources**

As a result of a supportive policy environment and generous incentives for renewable energy development, system operators have been confronted with a myriad of planning and operational challenges posed by the large number of renewable energy projects proposed by developers. Examination of case studies will review the:

- Policy environment under which accelerated renewable development has occurred
- Incentives employed to accelerate development of renewable energy resources
- Results of incentive programs
- Planning and operational challenges to transmission system operators
- Administrative best practices employed by the system operators to integrate large numbers of new renewable energy projects
- Role of regulators in the development and integration of renewable energy projects
- Market mechanisms established to smooth the integration of renewable energy projects

**Moderator:**

**Case studies:**

*Jay Caspary, Southwest Power Pool*

*Jorge Hidalgo Lopez, Red Electrica*

*European Federation of Energy Traders*

*Peter Kaderjak, REKK*

**Discussants:**

*ERGEG*

*Organization of MISO States*

**Questions and Answers**

**10:45 Morning Break**

**11:00 Regulatory Perspectives**

Regulators will discuss national/state policies and regulations used in the respective regions to incentivize development of renewable energy.

- Have the national/state regulations and approaches achieved their intended results?

- What role do regulators have in promoting, monitoring and approving renewable projects in each country?
- How can an approval process be developed so that it satisfies the need for expediency, regulatory transparency, economic feasibility, and rigorous system analysis?

**Moderator:**

Organization of MISO States  
Energy Community of Southeast Europe  
Energy Market Regulatory Authority of Turkey

**Discussant:**

Developer: Horizon Agency  
Transmission System Operator: Transelectrica

**Questions and Answers**

**12:30 Lunch**

**13:45 System Operators' Views from the Region**

The SECI Transmission System Planning Project and the Black Sea Regional Transmission Planning Projects have developed regional transmission planning models for 2015 and 2020. Their current analyses focus on integrating renewable energy resources, particularly wind generation, in the medium- and long-term planning horizons. Presentations will provide an overview of the goals, objectives and status of the current scopes of work in the BSTP and SECI Transmission Planning Projects focusing on renewable energy integration; a review of current and prospective development of intermittent renewable energy resources, and the system planning and operational challenges to security and system reliability.

**Moderator:**

SECI Transmission Planning Project  
Black Sea Regional Transmission Planning Project

**Discussants:**

Energy Community of Southeast Europe  
Transmission System Operator: Ukrenergo  
Transmission System Operator: Southwest Power Pool

**Questions and Answers**

**15:30 Afternoon Break**

**15:45 Integrating Intermittent Renewable Energy Resources: TSO  
Operational Challenges and Solutions**

System Operators will examine administrative and market mechanisms they have adopted to address planning and operational issues associated with intermittent renewable energy resources, including frequency and voltage regulation, reserve margins, and ramping capability, among others

**Moderator:**

Red Electrica  
Turkish Electricity Transmission Company  
Transelectrica

**Discussant:**

Transmission System Operator: Southwest Power Pool  
Regulator: Organization of MISO States

**Questions and Answers****17:30 Wrap-up and Adjourn****18:30 Reception Sponsored by United States Energy Association and the National Association of Regulatory Utility Commissioners****March 9, 2011****9:00 Addressing Cost Allocation for System Upgrades and Affordability of Tariffs**

The rapid development of renewable energy resources is causing grid operators to consider large investments necessary to integrate them in a secure and reliable manner. Regulators and System Operators will address the policy framework, load flow, dynamic transmission planning methodologies, cost allocation formulas and affordability issues that are all used to determine who pays for transmission system upgrades necessary to interconnect new renewable resource

**Moderator:**

Organization of Midwest ISO States  
Southwest Power Pool  
Red Electrica

**Discussants:**

Peter Kaderjak, REKK  
CRES, Greece

**Questions and Answers****11:00 Morning Break****11:15 Queue Management**

Developers have responded to policies encouraging accelerated development of clean energy resources with a plethora of project proposals seeking network interconnection. System Operators have had difficulty distinguishing those projects truly ready to move forward and managing a large queue of interconnection studies. System operators will review improvements in the queue management processes to obtain increased

commitment from renewable energy developers and to speed up the study process needed to obtain an Interconnection Agreement

**Moderator:**

Southwest Power Pool

Red Electrica

Turkish Electricity Transmission Company

**Discussant:**

Developer: Horizon Energy

Regulator: Organization of MISO States

**Questions and Answers**

**12:45 Lunch**

**13:45 Technical Requirements and Regulatory Issues in Interconnection**

**Agreements**

System Operators and Regulators will discuss technical requirements TSOs include in Interconnection Agreements with wind power including voltage ride through capability; provision of reactive power; supervisory control and data acquisition; and interconnection modeling

**Moderator:**

Southwest Power Pool

Red Electrica

Transelectrica

**Discussants:**

Turkish Electricity Transmission Company

NEK Bulgaria

Energy Markets Regulatory Authority of Turkey

**Questions and Answers**

**15:30 Conference Wrap-Up**

**16:00 Adjourn**

**(16:15 – 17:00)**

**Black Sea and OMS Regulators hold a private project meeting with Peter Kaderjak, REKK**

## **EISPC Update**

### **RECENT MEETINGS**

- **EISPC - November 17-18, Atlanta GA (after NARUC) [EISPC identified futures and sensitivities]**
- **SSC - December 13-14, Charlotte NC [SSC tentatively defined 8 futures]**

### **BASELINE INFRASTRUCTURE**

EISPC is currently in the process of identifying the “baseline infrastructure” to be used in the modeling roll up and subsequent modeling efforts. The “baseline infrastructure” will be the facilities (both generation and transmission) that are already in the model when it is run. The model will then identify new facilities necessary to meet future needs under a variety of scenarios. For items that are already constructed and in-service, this was not a difficult exercise. For facilities that are not currently in-service, some judgment was necessary to identify whether the facilities would be “reasonably certain” to be constructed (and therefore should be included in the modeling).

To determine the proper “baseline infrastructure,” EISPC took the list developed by the planning authorities in the Eastern Interconnection and applied a number of criteria to the list to develop “include” and “exclude” buckets of facilities. EISPC members were able to file challenges through a defined process to move projects from either of these buckets.

EISPC held an extensive webinar on January 11<sup>th</sup> to consider the challenges that were submitted. The webinar provided EISPC members to discuss and address the many challenges and comments that were submitted. Many of the MVP projects identified by the Midwest ISO were the subject of challenges. Votes on the challenges will be tabulated on January 12<sup>th</sup> and EISPC’s “baseline infrastructure” will be identified.

### **FUTURES TO BE MODELED**

EISPC has also been working to develop the futures that will be modeled. At its November meeting, EISPC finalized its preferred 8 futures, where were:

1. Business As Usual (BAU)
2. Carbon Constraint – National
3. Carbon Constraint – Regional
4. RPS – National
5. RPS – Regional
6. EE/DR/Smart Grid/DG
7. Nuclear Resurgence
8. Environmental Moderation

At the SSC meeting in early December, the full SSC debated the futures and had some differences with the EISPC preferences. In an effort to build consensus, the SSC members discussed different ways to get the information that all participants wanted. The following futures list was developed and given provisional acceptance by the SSC:

1. BAU (note: 3 additional sensitivities will be reserved to model the concept of “environmental moderation” and 2 will be reserved to model “free market” principles to obtain data desired by the end user sector)
2. Carbon Constraint – National
3. Carbon Constraint – Regional
4. RPS – National
5. RPS – Regional
6. EE/DR/Smart Grid/DG
7. Nuclear Resurgence
8. Multiple Federal Policies

The only major difference is the 8<sup>th</sup> future. EISPC had preferred an “Environmental Moderation” future where environmental policies were assumed to be less stringent (and perhaps even scaled back from existing requirements) to see the impacts on future resources. At the SSC meeting in December, it was identified that this information may be gained through sensitivities run off the Business as Usual future. Therefore, the SSC decided to replace future 8, but reserve sensitivities in the BAU case.

With these futures relatively settled, the focus turns to sensitivities. EISPC has generally adopted sensitivities for its preferred futures (9 each). However, given the fact that there are a number of viewpoints on the sensitivities needed, there will be continued development.

The modelers (Charles River Associates) has identified a desire to begin its work on the Business as Usual future and sensitivities. At the upcoming SSC meeting, the attributes and most of the sensitivities for the BAU will be finalized. Additional work will be done on the sensitivities for the remaining futures, which will be discussed further at the January EISPC meeting and finalized at the SSC meeting in February.

### **WORK GROUP MEETINGS**

There are a number of workgroups under both EISPC and the SSC to review and make recommendations on various issues including modeling inputs, scenario development and sensitivities. These work groups meet regularly to identify issues and seek solutions. A number of OMS state staff have been involved in the work groups and are wearing many hats to ensure that the states have effective representation and input in the eastern interconnection modeling efforts.

**UPCOMING MEETINGS**

EISPC will be meeting in Washington, D.C. on January 26, 27 and 28<sup>th</sup>. The discussion will include a review of the sensitivities being considered by the SSC as well as the inputs and assumptions that will be used in the modeling exercises.

EISPC is also scheduled to meet at the end of February/early March.

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

After MISO provided responses to questions on ELMP on 11/29, we held a WG meeting on 12/20 to discuss ELMP with Mike Proctor and MISO's Paul Gribik. The next ELMP TT meeting was on 1/7/11, where Paul Gribik continued explaining ways to calculate ELMP for RT markets and units whose commitment costs will be included in calculating ELMPs. Mike Proctor presented ways of allocating start-up costs to ELMP periods. The next ELMP TT meeting will likely be on 2/4/11.

**Status:** Continue to monitor.

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

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

We requested feedback from the work group and will set up a conference call if necessary to prepare OMS comments if we identify any issues or concerns for OMS to comment on. The due date for comments is 3/2/11, so comments would have to be prepared by early next month for the 2/10 OMS Board meeting (or a later special meeting).

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

**Status:** Out for work group review and feedback.

**3. MISO Jan 4 MSC Meeting**

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

The MSC passed a motion (23 yes, 3 no) to create a new Indiana Hub to replace the Cinergy Hub and publish prices as soon as possible, all as a way to reduce the impact of FE and Duke leaving MISO.

Steve Kozey reported on Dodd-Frank Bill impacts. He said that the RTOs are planning to collectively file a blanket exemption request to the U.S. Commodity Futures Trading Commission (CFTC) soon to request exemption from the Dodd-Frank legislation related CFTC regulations on financial instruments, swaps, etc., which they believe would otherwise be applicable to FTRs and virtual trades in MISO's energy markets. MISO's asserted rationale for requesting the exemption is that the CFTC is short on resources and that therefore they should let FERC handle all the energy related market matters. If filed, this may be a significant concern to OMS

because FERC has jurisdiction over physical trades, but not financial trades, so an exemption would leave a regulatory gap. Lack of oversight of these instruments may hinder confidence in the markets, especially where there is not much transparency, so it may be reasonable to instead ensure that the agency with the expertise oversees those markets as appropriate.

**4. Potential items coming up**

No changes since last report.

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

**MISO Market Subcommittee** - monthly meetings (2/1 next mtg)

**MISO RSG Task Force** – monthly meetings (2/2 next mtg)

**MISO RSG Stakeholder Training** 2/8

**MISO FTR Working Group** – monthly meetings (2/2 next mtg)

**MISO ELMP Task Team** – as needed meetings (2/4 next mtg)

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

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

## Resources Work Group Report to OMS Board of Directors January 13, 2011

### SAWG and the Midwest ISO RA Construct Enhancements

The Resources WG staff provided public comments and questions as suggested by the Midwest ISO on its Resource Adequacy proposal from the December 9<sup>th</sup> SAWG meeting. The comments were filed as requested by December 23<sup>rd</sup>. The comments opened with summarization of the OMS Board's previous position statement. The comment areas included: resource qualifications, forecasting, import and export constraints, auction design, transitional period, incremental auctions, and capacity portability.

The January 6<sup>th</sup> SAWG meeting started with some opening statements by Todd Hillman and Richard Doying. In their comments, they suggested the stakeholders did not provide enough detail about the objections they had to elements of the proposal or specific solutions to specific issues. Most of the stakeholders did not share that view. There was discussion of alternative proposals, but the discussion moved to specific issues and discussion in the open and transparent forum of SAWG and not a formal off the side group(s) with alternative constructs. Ten comments sets were filed for the meeting. Most focused on the uncertainty of 100% for three years, true up, capacity portability/delivery guarantee, and the exact meaning or implications of self-supply.

The Jan 6<sup>th</sup> presentations by the Midwest ISO staff did have some additional details. The Midwest ISO does want to recognize state's with Integrated Resource Plans as one method of qualifying supply and demand side resources. Of course some states do not have formal process with orders on approval of details. Don Neumeyer offered to help clarify with a survey of some coverage of components to be considered in resource adequacy. The generation queue and associated transmission service request will capture most of the supply side.

Mike Robinson presented a more detailed descending clock example of how a final price could be achieved at the planning reserve target. Suggestions on how to practically approach the vertical demand curve were suggested. It was pointed out that there is an incomplete solution if the voluntary, residual portion clears above the target planning reserve.

Previously, many stated a concern around the 100% compliance at 3 years with no LSE true up opportunity. Several people stated the load forecast uncertainty would have to increase. The LOLE staff was to calculate that number. Although not final, the preliminary increase could be 4 to 7%. That is if the target system installed would be 14% the outward year could be 18% to 22% planning reserve requirement. This is a consistent outcome with the previous work done under the NERC regional entity MAIN and its Guide 6 LOLE and planning reserve calculations. The more accurate calculation is planned at the next LOLE WG meeting Jan 12<sup>th</sup>.

A RA Enhancement Project Issues List was created last month and will be updated continually. The list is now at 16 items. Most items are for SAWG. The others include: LOLEWG, FTEWG and DRWG.

The next meeting, January 20, will have a discussion on what "mandatory" means and what part of the price part is "voluntary" in the auction.

## **Planning Year 2011 LOLE Report**

The following notes are from the December Planning Advisory Committee:

The LOLE Working Group met December 6, and the next meeting is scheduled for Wednesday, January 12. The group is currently working on the draft LOLE Report for the Module E requirement. The draft report is available on the Midwest ISO website on the LOLE WG Committee page or via the following link:  
[2011 LOLE Report - Draft](#).

Wind Capacity Credit was a topic of discussion at the last meeting and is discussed in Appendix D of the LOLE Draft Report. Any questions on the Wind Capacity Credit should be directed to Chuck Tyson.

The Wind Capacity Credit for each wind CPnode will be sent out through the Module E Capacity Tracking tool. The final LOLE Report should be presented to the PAC at the January 26 meeting. LOLE WG has also been working with SAWG on the Resource Adequacy Construct.

## **ReliabilityFirst Corp Planning Resource Adequacy Analysis, Assessment and Documentation**

FERC issued a Notice of Proposed Rulemaking October 21, 2010 on the RFC submittal of Reliability Standard, BAL-502-RFC-02 to NERC. The proposed standard can be summarized requires planning coordinators within the RFC to annually “analyze, assess and document resource adequacy for load, to utilize a “one day in ten year” loss of load criterion, and to document and post load and resource capability in each transmission-constrained sub-area identified. Comments were due in 60 days (approximately Dec 27<sup>th</sup>). The RFC has been internally developing the Reliability Standard since at least 2008

NERC submitted their comments December 14, 2010 and requested approval by FERC. Their document supplied a review and history of development. The document was 131 pages.

Ohio Commissioner Centolella asked OPSI to join his comments that reject the standard on three major points and many sub-points. They did not join as a group.

On December 27<sup>th</sup> the Ohio Commission filed its comments on the NERC petition and the RFC submittal, and urged FERC to find the standard outside its Section 215 authority, not just and reasonable, and should not be adopted. Any standard should not include the use of a “one in ten year” LOLE objective or any specific resource adequacy planning criterion. The Ohio Commission suggested a Technical Conference to determine the proper role resource adequacy assessments with regulatory commissions, economists and stakeholders who do not typically participate with the development of engineering standards for reliable operations of the bulk power system. That document was 24 pages.

NARUC filed the same comments on December 27<sup>th</sup> and that document was 13 pages. They included the NARUC resolution relating to Federal/State jurisdictional boundaries in resource planning sponsored by the Committee on Electricity and adopted by the NARUC Board of Directors February 16, 2005.

The Midwest Reliability Organization (MRO) Board approved 1 in 10 LOLE in 2007. The status as posted is has not yet been approved by NERC or FERC. The MRO covers the western half of the Midwest ISO.

The Midwest ISO resource adequacy assessment analysis precisely matches both the MRO and RFC reliability standards.

The Southeast Reliability Corporation (SERC) covers the states of Missouri, Illinois and Kentucky in the Midwest ISO footprint. They have standards covering contingency reserves, capacity benefit margin, and reliability assessments over the short and long term.

Submitted by Don Neumeyer, Chair Resources Work Group