



**ORGANIZATION OF MISO STATES, INC.  
Board of Directors Meeting  
Conference Call Minutes  
October 11, 2012**

**Approved November 8, 2012**

Robert Kenney, President of the Organization of MISO States, Inc. (OMS), called the October 11, 2012 meeting of the OMS Board of Directors to order via conference call at approximately 1:00 p.m. (CDT). The following board members or their proxies participated in the meeting:

Randy Rismiller, proxy for John Colgan, Illinois  
Dave Johnston, proxy for Kari Bennett, Indiana  
Janet McGurk, proxy for Libby Jacobs, Iowa  
Linda Breathitt, Kentucky  
Regis Gosselin, Manitoba  
Bill Bokram, proxy for Orjiakor Isiogu, Michigan  
Burl Haar, proxy for David Boyd, Minnesota  
Robert Kenney, Missouri  
Brian Dekiep, proxy for Brad Molnar, Montana  
Brian Kalk, North Dakota  
Eric Callisto, Wisconsin

Absent

South Dakota

Agency members participating

Jessica Govindan – Michigan  
John Feit, Don Neumeyer – Wisconsin

Others on the call

Julie Mitchell, Bill Smith – OMS Staff

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

**Approval of Minutes from the September 13 Board Meeting**

There were no corrections to the September 13 Board Minutes. They were approved as distributed.

**Treasurer's Report of August 2012**

There were no questions regarding the September 2012 Treasurer's report. It was accepted as distributed.

## **Review of the September 27, 2012 Executive Committee Meeting**

Robert Kenney highlighted the following items:

- Agenda for the planning meeting;
- PAC items that will be discussed further at this meeting;

### **Administrative Report**

The Executive Director's written report was distributed prior to the meeting. Bill Smith highlighted the following:

- The upcoming OMS Annual Meeting.

## **BUSINESS**

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

- Dave Johnston gave an overview of the hot topic comment document. The Board and staff then discussed the document.

**Robert Kenney moved that the Advisory Committee Hot Topic response of the Organization of MISO States for state regulatory sector be presented as drafted. Eric Callisto seconded. The motion passed by voice vote with Manitoba abstaining and South Dakota absent.**

- Eric Callisto also highlighted the upcoming vote to approve the LOLE working group's charter.

### **2. Planning Advisory Committee**

- A written report was submitted. Eric Callisto highlighted the following from that report:
- The first motion, a thumb's up or down on MISO's Order 1000 compliance filing, failed. It had 0.833 votes in favor, 1 against, and 6.166 abstentions. There is no indication of who voted which way because no request was made.;
- The OMS motion passed with 2 votes in favor, 1.5 votes against and 4.5 abstentions. The votes in favor were: 1 vote from the environmental sector, .5 vote from the public consumer sector, and .5 vote from the TDU sector. The votes against were: 1 from the IPP sector and .5 from the Power Marketers. The TO sector abstained.
- There was additional discussion about why the majority of sectors abstained and about the two-week extension request.

### **3. Entergy Update**

- Robert Kenney gave a brief update, highlighting the recommendation by the Texas panel of ALJs to approve a settlement and the continued wait for an Arkansas order.
- Linda Breathitt requested an update on the 205 language which Robert Kenney provided.

### **4. Update: Eastern Interconnection Planning Process**

- A report will be provided at the OMS Annual Meeting

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

### Demand Response WG

- John Feit indicated a report would be provided at the Annual Meeting;

### Transmission Cost Allocation WG

- Dave Johnston gave a brief overview of the on-going litigation between MISO and the departing Ohio energy companies.

#### Markets and Tariffs WG

- Written report; Bill Bokram highlighted the proposed changes to ARRs and FTRs so that Entergy can join;

#### Resources WG

- Written report; Don Neumeyer highlighted the happenings with SAWG and the LOLE working group.

#### Regional Planning WG

- Written report; Jessica Govindan introduced new co-chair Julie Urban.
- 

#### Governance and Budget

- No report;

#### Modeling WG

- No report;

#### Seams WG

- Brian Rybarik indicated the group's first meeting is scheduled for October 12.

### **ADJOURNMENT**

The OMS Board of Directors meeting adjourned at 1:35 pm CDT.

# *OMS*

**Organization of MISO States  
Report of the Treasurer  
Dr. David C. Boyd, Minnesota Public Utilities Commission  
to the  
Board of Directors  
Report for September 2012**

## CASH ON HAND

The beginning balance as of September 1 for the Wells Fargo Business Performance Savings Account was \$18,683.26. Deposits and interest for this month were \$15,000.91. Withdrawals and disbursements for this month were \$20.00. The September 30, 2012 ending balance was \$33,664.17.

The beginning book balance as of September 1 for the Chase Bank One Checking account was \$92,670.34. The total disbursements from the checking account for September 2012 were \$50,984.06. Deposits, interest and adjustments were \$0.62. As of September 30, 2012, the checking account bank balance was \$47,710.16 and the book balance was \$41,686.90 (with 10 checks outstanding).

The total savings and checking account balances as of September 30, 2012 is \$75,351.07.



## OMS Treasurer Report for Month of September 2012

### Wells Fargo Business Performance Savings Account

Beginning Balance	18,683.26	
Deposits this Month (Transfer)	15,000.00	
Interest Earned this Month	0.91	
Withdrawals/Disbursements	<u>(20.00)</u>	
Ending Balance		<u><u>33,664.17</u></u>

### Chase Bank One Checking Account

Beginning Balance	92,670.34	
Total Disbursements	(50,984.06)	
Deposits/Interest/Adjustments	<u>0.62</u>	
Ending Book Balance		<u><u>41,686.90</u></u>
Bank Balance	47,710.16	
Outstanding Deposits	0.00	
Outstanding Checks	<u>(6,023.26)</u>	
Book Balance	<u>41,686.90</u>	

**Total Savings & Checking Balances as of September 30, 2012** 75,351.07

10 checks outstanding at 9/30/12



## Organization of MISO States

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## **OMS Executive Director Report October 11, 2012**

### **FERC Activity**

No filings during this period.

### **OMS / MISO Activity**

1. The OMS continued to be engaged in MISO's work on the Order 1000 compliance filing, due in October. The open issues now involve Rights of First Refusal: what role the states may play in selection among competing developers and satisfying FERC's rule by eliminating cost allocation for reliability projects.
2. OMS has formalized a new States' Seams Work Group to coordinate participation in regular monthly Joint and Common Market meetings with MISO and PJM. The Work Group is also coordinating discussions between MISO and PJM to clarify deliverability matters.
3. The OMS hosted a meeting of the Black Sea Regional Partnership in St. Paul, Minnesota September 24-28. The time included discussion on energy efficiency and furthered earlier talks on integration of renewable generation. The group toured a combined heat and power plant, a rooftop solar installation, and the MISO control center, and were briefed on the energy efficiency programs of three facilities.

### **Public Relations**

1. Presentations:
  - N/A
2. Pending speaking/meeting invitations:
  - Commissioner Isiogu and Bill Smith are invited to attend the IPP/PM sectors' planning meeting October 23-24.

**Upcoming dates:**

- Next regular OMS Board of Directors meeting: November 8, 2012, at 1:00 pm CDT
- Next OMS Executive Committee meeting: October 25, 2012, at 1:00 pm CDT
- Future OMS Board meetings: December 6, January 10
- OMS Executive Committee meetings: November 20 (Tuesday), December 20
- Next OMS meetings with IMM: October 16 (as part of the OMS Annual Meeting) at 1:30 EST
- **OMS Annual Meeting: October 16, Carmel.**

**Upcoming Midwest ISO FERC Filings**

<b>Filing Date</b>	<b>Docket No.</b>	<b>Description</b>	<b>Pursuant to Commission Action</b>	<b>Working Group or Committee where issue/change will be reviewed</b>
10/25/2012	RM10-23-000	MISO to submit a compliance filing pursuant to the Commissions July 21, 2012 Order 1000 regarding Transmission Planning and Cost Allocation.	Order 1000 136 FERC ¶61,051 (2012)	PAC RECBTF
11/14/2012	ER12-1020-000 AC12-27-000	Report due to FERC for actual project costs as compared to the forecasted project cost related to Entergy's integration.	139 FERC ¶ 61,018 (2012)	N/A
11/19/2012	E12-668-000	MISO to submit its Extended LMP compliance filing that will include a status report and date when MISO proposes to implement the Extended LMP Tariff provisions.	140 FERC ¶ 61,067 (2012)	N/A



## MISO Advisory Committee

Carmel, IN

October 17, 2012

10:00 am – 3:15 pm EPT

Dial-in and WebEx information available at [www.misoenergy.org](http://www.misoenergy.org)

### Agenda

- |  |                  |       |
|--|------------------|-------|
| 1. Administrative Items  | Gary Mathis      | 10:00 |
| a. Welcome/ Roll Call  |                  |       |
| b. Review of Agenda  |                  |       |
| c. Review of Meeting Minutes   |                  |       |
| d. Review Action Items   |                  |       |
| 2. Hot Topic: MISO Membership  |                  | 10:15 |
| Opening Remarks: Wayne Schug*  |                  |       |
| 5 Minute presentations per Sector, including any Minority Opinions as determined by the Sector following with debate- style exchange |                  |       |
| a. IPP   |                  |       |
| b. Public Consumer Advocates   |                  |       |
| c. Transmission Owners   |                  |       |
| d. Munis/Coop/TDU  |                  |       |
| e. Power Marketers   |                  |       |
| f. OMS   |                  |       |
| g. Environmental   |                  |       |
| h. Eligible End Users  |                  |       |
| i. Coordinating Members  |                  |       |
| 3. Review 2013 Preliminary Capital Budget*   | Jo Biggers       | 11:40 |
| 4. Finance Subcommittee Update   | Marty Blake      | 11:50 |
| 5. Board Election and Materials Update*  | Steve Kozey      | 12:00 |
| LUNCH  |                  | 12:05 |
| 6. State Regulatory Update on State Representation*  | Kari Bennett     | 1:00  |
| 7. PAC Report on MTEP*   | Bob McKee        | 1:10  |
| 8. Advisory Committee Items  | Gary Mathis      | 1:20  |
| a. Establish AC Leadership Nominating Committee*   |                  |       |
| b. Nominating Committee of BOD Update*   | Thompson/Bennett |       |
| c. Solicit ADR Nominations   |                  |       |
| d. Review of AC Management Plan  |                  |       |
| e. December Hot Topic Discussion   |                  |       |
| f. 2013 Hot Topic Recommendations  |                  |       |
| g. 2013 AC meeting schedule  |                  |       |
| h. Solicit 2013 AC Members*  |                  |       |
| i. November Meeting Discussion*  |                  |       |

√ Denotes Potential Voting Item

\* Denotes Report is Oral





9. Standing Committee/Other Stakeholder Committee Reports		
a. Steering Committee <sup>√</sup>	Dennis Kramer	1:50
b. RECB Task Force	Dan Kline	2:00
c. Reliability Subcommittee Update	Tony Jankowski	2:10
d. Planning Advisory Committee Update	Bob McKee	2:20
e. Market Subcommittee Update	Bill SeDoris	2:30
f. Stakeholder Governance Working Group	Bill SeDoris	2:40
g. Common Issues Meeting*	Bill SeDoris	2:45
h. OMS Update	Bill Smith	2:50
i. Transmission Owners Update*	Dennis Kramer	2:55
10. New Business	All	3:05
11. Recap – Issues/Assignments	Alison Lane	3:15

Rotating Agenda Team November: Mike Shields  
Steve Gaarde  
Kevin Murray

<sup>√</sup> Denotes Potential Voting Item

\* Denotes Report is Oral

# ADVISORY COMMITTEE

## Action Items

Updated October 2012

Item	Action Item	Owner	Date	Status
1	MSC will discuss the creation of a task team to monitor the process and readiness of the Extended ELMP implementation.	MSC	December 7, 2012	Open
2	An email will be sent soliciting a draft team for a Hot Topic Discussion for October	Alison Lane	August 22, 2012	Closed
3	An email will be sent soliciting ideas for a December Hot Topic	Alison Lane	August 22, 2012	Closed
4	An email will be sent soliciting Hot Topic recommendations for 2013	Alison Lane	August 22, 2012	Closed

## **MISO October 2012 Advisory Committee Hot Topic**

### **"MISO Membership"**

#### **Response of the Organization of MISO States for the State Regulatory Authorities Sector**

The OMS submits the following response to the October MISO Advisory Committee Hot Topic Questions regarding MISO Membership.

#### **QUESTIONS:**

1. What are the benefits that members and market participants value? On what specific items or areas should MISO focus to increase that value? What information does MISO need from members and market participants to achieve that result?

The Organization of MISO States (OMS) is not a MISO member as a transmission owner or market participant. Our state commission members have varying degrees of regulatory authority over certain MISO members.

OMS has emphasized the importance of certain strategic goals for MISO. These goals are as follows:

- operational excellence;
- demonstrable benefits;
- cost control;
- sound emphasis on regional planning;
- commitment to resource adequacy;
- coordination with neighbors;
- openness; and
- support for the regional state committee concept.

Overall, OMS believes that MISO should focus on maximizing the savings to the members and end-use electricity customers in its footprint. States have different levels of authority to ensure that savings to state-regulated MISO members are passed along to end-use customers, but in those areas where we are not able to ensure this, it is critical that MISO's operations provide those savings. If expansion of membership helps to advance realization of these strategic goals, it should be evaluated in the MISO stakeholder process. However, expansion of membership, in and of itself, does not automatically equate to benefits of value from the OMS perspective.

The fact that transmission owners have committed to be, and continue to be, members of MISO suggests they receive value from MISO membership; i.e., what

economists call “willingness to pay.” In addition, some states do examine the benefits and costs of MISO membership for their jurisdictional utilities. For example, the Missouri Public Service Commission requires a periodic cost/benefit study of utilities under their jurisdiction who are MISO members.

In terms of information needed to achieve desired benefits, the OMS does not necessarily see a need for new metrics in this area--there are already sufficient metrics available. However, MISO would benefit from prioritization of its goals (e.g., along the lines of the OMS goals noted above) and establishment of understandable metrics to align with those priorities. It is more an issue of organizing the information we already have rather than needing new information we haven't thought of yet.

2. From a current member's perspective, as MISO considers expansion, what expansion criteria should MISO consider? Seams elimination? Cost / Benefit ratios? Regulatory state compatibility of new entrants? Matching reliability and market footprints? Lowering costs? Need for tariff changes?

MISO employs the Value Proposition which OMS agrees is a useful tool to consider the benefits and costs resulting from the RTO's operations. However, the OMS is concerned that the Value Proposition is structured so that a larger RTO always seems to result in greater value to MISO members. For example, the Value Proposition suggests that as the MISO footprint becomes larger, then reliability will improve as measured by transmission system availability. This is a testable hypothesis. The OMS suggests that MISO investigate whether this is the case, or if there is an "optimum" size of an RTO in terms of reliability. If reliability does indeed decrease due to diseconomies of scale, is MISO at or near the bottom of a U-shaped curve (with Loss of Load Expectation on the vertical axis and RTO size on the horizontal axis), or is it (or could it become?) too large, moving on to the upward sloping portion of the curve?

For example, MISO could calculate the marginal improvement with LOLE or the energy loss vs. the cost (both initial and ongoing) to bring in additional footprint. Another test could reference the seams. This test would include formally calculating the values of Capacity Benefit Margin and Transmission Reserve Margin, and creating new ancillary services to exchange those new products between adjacent RTOs.

Another potential test could be how much marginal reliability improves with the addition of more generation and load in a footprint. This could be weighed against the administrative costs of managing the larger footprint. Also as MISO tests the capacity deliverability of MISO's interfaces with its RTO neighbors there may be other capacity reserve planning products and transmission services that could bring benefits without necessarily increasing RTO size.

Spreading fixed costs, such as administrative costs, through expansion of membership could be beneficial to MISO members and their end-use customers. However, as MISO becomes larger, any potential new member's effect on decreasing administrative costs is necessarily smaller. A countervailing factor is that the addition of more and more members may make the stakeholder process lengthier, more complex and perhaps even unwieldy.

The OMS recommends that MISO expansion should occur when end-use customers see quantifiable reliability or economic net benefits, and should not occur if existing end-use customers are worse off. In a simplistic way – the costs to add software, computers, communication, and marginal employees plus any shared transmission requirements are weighed against member revenues, market savings for energy and ancillary services, and capacity savings.

3. How should MISO's efforts in sustaining and growing membership and market participants be measured and evaluated? What metrics should be used?

Measuring and evaluating this area is difficult as entities are either in or out of MISO. There are many characteristics for a company to analyze as it considers its membership. Operating within or outside of an RTO is a major strategic business decision. Factors considered in such a decision make it difficult to develop metrics to assess performance of the RTO. Thus, it may be problematic for the MISO to measure and evaluate this goal, or have any employee incentive for sustaining and growing membership.

The MISO *2012 Annual Incentive Goals and Metrics* report includes a metric to “Add a New Transmission Owner and Increase Net Load to the Market.” This metric allows the MISO Board of Directors to “use its discretion to base performance on the net impact of load served if one or more Transmission Owners take substantive action to add or withdraw transmission assets from the functional control of the Company”. The Required Performance for this metric is a “Net commitment to join from a new Transmission Owning member”, and it is evaluated on a pass/fail basis.

OMS is troubled that this metric is not tied to end-user benefits. MISO management should not be pursuing growth for growth's sake, and should not be financially rewarded for load additions that have not been shown to benefit current stakeholders and end-use customers in particular. Although this metric allows the Board to “use its discretion”, OMS recommends that evaluation should be based on a more objective set of criteria.

MISO should consider whether pursuing a larger membership creates value greater than the costs incurred in attempting to attract new membership, especially because any new member may not ultimately join MISO. It is one thing to passively recruit new members simply by being the type of RTO potential members would wish to join; it is another thing entirely to spend time and money to actively participate in multiple state and federal dockets and essentially lobby potential members to join MISO. In addition, almost all states do not allow ratepayer recovery of utility marketing expenses. Such costs, if incurred, are borne by the shareholders. MISO is a nonprofit entity, without shareholders, so any marketing costs would ultimately be paid for by end-use customers in the footprint.

## 9/26/12 PAC Summary

- **Upcoming feedback deadlines:**
  - October 10th:
    - Merchant HVDC Interconnection procedures
    - Market Participant Funded Upgrades
    - System Support Resource (SSR) cost allocation method
  - October 12th:
    - Top Down Regional Planning process feedback
- **What to expect at upcoming Planning meetings:**
  - October 23<sup>rd</sup> PAC meeting:
    - Begin discussing how to define a process for when recommendation is needed from stakeholders at the IPSAC for interregional planning purposes.
    - BPM updates for Top Down Regional Planning process
    - BPM language for method to allocate SSR costs
  - October 9<sup>th</sup>: PJM – MISO planning study meeting
  - October 24<sup>th</sup>: PJM – MISO Order 1000 kickoff meeting
- **Order 1000 Update:**
  - MISO presented another overview of Order 1000 Regional compliance filing status. The Tariff language as presented at this PAC meeting will be, for the most part what MISO is filing at FERC (minus any grammatical edits) by the due date.\*\* During the PAC meeting two motions were put to email vote; the first one generally stated that the PAC supports the ROFR compliance filing as presented to PAC and the second one stated that the PAC supports the ROFR compliance filing as presented but does not support the proposed elimination of BRP cost sharing.<sup>1</sup>
    - \*\* MISO did recently request a 14-day extension to file their compliance language, based on the ongoing discussions and stakeholder comments. This would extend MISO's filing due date until October 25<sup>th</sup>.
  - Update with MISO neighboring regional planning areas for interregional compliance:
    - AECI/LGE/TVA/Southern → indication that request for extension will be filed for interregional requirements at later date.
    - MAPP → held joint meeting Aug 30<sup>th</sup>, next meeting planned for December
    - SPP → Last meeting Sept 20<sup>th</sup>; joint proposal presented; next meeting planned for December.
    - PJM → first meeting on October 24<sup>th</sup>
- **Top-Down Regional Planning process:**
  - MISO provided an update of their Top Down Regional Planning process discussion. They specifically presented the proposed structure for overlay and regional portfolio planning. Please see materials for specific details. Next steps involve drafting BPM updates and presenting for another update in October.
    - Feedback requested: October 12th
- **Market Participant Funded Upgrade Discussion:**
  - Update on proposed process to facilitate market participant funded upgrades within the context of the MTEP planning process. MISO presented its proposal and has asked for feedback and/or alternative proposals for future discussion at upcoming PAC meetings.
    - Feedback requested: October 10<sup>th</sup>

<sup>1</sup> Based on sector vote: the first motion failed, while the second motion passed. OMS abstained on both motions.

- **System Support Resource Cost Allocation Method:**
  - MISO gave an overview of the System Support Resource (SSR) background and proposed methodology for assessing the costs. In short, the first step in SSR cost allocation is to identify the reliability issues requiring the SSR unit to remain on, the second step is to identify which LSEs are associated with those issues. MISO presented four methods to tackle this second step, listing pros and cons of each. MISO will review feedback and select method to develop BPM language and present at October PAC meeting.<sup>2</sup>
  - Further discussion of System Support Resource (SSR) and Attachment Y issues will be housed under the PAC.
    - Feedback requested: October 10<sup>th</sup>
- **MTEP 12 Update:**
  - After discussing stakeholder substantive feedback the PAC voted in favor of recommending the MTEP 12 report be sent to the MISO BOD for approval in December.
    - MTEP 12: 236 new projects, ~1.5 B.
  - There were two OOC projects by MidAmerican also presented, both *requesting October BOD approval*. Please see PAC materials for more details on these two projects.
- **Merchant HVDC Interconnection Procedures Update:**
  - Continuing to develop HVDC interconnection procedures. Topics of discussion this month include application milestones and HVDC modeling, as well as a high level process overview. Draft Tariff language will be presented to stakeholders for review and feedback in the fourth quarter of 2012, followed by filing at FERC in first quarter 2013 and BPM language updates after that.
    - Feedback requested on study deposits and milestones: October 10<sup>th</sup>
- **EPA Survey Update:**
  - MISO presented their 3<sup>rd</sup> quarter survey results. Please see PAC materials for specific results of this survey. In general, responses remained the same, with some more clarity provided by some coal units. The next survey may be released around November, with results expected sometime in 2013. MISO expects responses to remain relatively unchanged.
- **Other Updates:**
  - MISO also provided updates on their MTEP Futures weighting methodology and the MECT DR-EE tool implementation update.
  - On September 19<sup>th</sup> MISO presented their Order 1000 regional compliance filing language to the PAC for Q & A. A major topic of discussion during this call (and subsequent PAC meeting) was the proposed elimination of the BRP cost sharing methodology to protect reliability projects from ROFR elimination.

For meeting materials, [click here](#).  
Next PAC meeting 10/23

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<sup>2</sup> On 10/5/12 MISO filed its first SSR agreement with the City of Escanaba, as well as the corresponding Schedule 43 for allocation of SSR costs for those units.



**1. OMS monthly call with IMM**

**Status:** The next meeting will be on October 16.

M&TWG members participate on the monthly calls that are for those interested from all work groups. During the September 26 call, MISO IMM David Patton responded to OMS questions on the confidentiality of reference prices, the optimum size of an RTO, IMM discussions with MISO on congestion management (under JOAs) at seams, which RTO markets are more difficult to monitor, and Potomac Economics proposed agreement with Entergy to monitor operations. Some participants provided a summary to OMS for those who did not attend. Consistent with recent practice, OMS will likely submit questions to the IMM prior to the meeting.

**2. MISO October 3 FTRWG Meeting**

**Status:** The OMS M&TWG is monitoring this working group.

MISO presented its proposals for changing Financial Transmission Rights (FTRs) / Auction Revenue Rights (ARR) rules and its Flowgate Financial Rights (FFR) conversion proposal (for changing FFRs held under the Entergy tariff) all towards giving new members in MISO South the ability to procure MISO ARR and FTR products in an equitable manner.

Recall that ARRs (that are used to hedge the cost of purchasing FTRs) are allocated based on historical firm use of transmission. Part of the ARR entitlements (Stage 1a) is for Baseload Reserve Source Set (BRSS), meaning ARRs that source at baseload resources. MISO proposes to allow an opportunity for entities to request BRSS where the use of baseload resources is shorter term (5 to 1 years) and higher capacity factor. Recall that the Entergy companies rely on short term purchases much more than the typical MISO member today, due to prevalence of QFs and IPPs.

Some stakeholders would like to see separate rules for MISO South so that any effects (such as Long Term Transmission Rights infeasibility – LTTRs being the ARR entitlements from above) that occur on MISO South will not impact MISO North. They argue that FERC has already approved the concept for transmission cost allocation. MISO still opposes using separate transition rules for MISO South because it opposes fracturing its markets. MISO said that any LTTR infeasibilities will be due to modeling changes over time and not Entergy joining MISO, so that is not a reason for separation. Some stakeholders promised to present a motion at the November meeting that supports separate rules.

MISO considered that FFR's provide Entergy customers financial compensation for transmission upgrades that they fund, just as customers of MISO get LTTRs for upgrades that they fund, so MISO plans on providing FFR conversion to make holders eligible for LTTRs (based on historic Entergy upgrades) as part of new member integration. This in turn provides for ARRs and FTRs in MISO.

MISO has requested feedback on both proposals by October 17<sup>th</sup>, then the FTRWG will conduct a vote by current members and survey of MISO South at the November meeting. MISO plans to file with FERC by the end of the year.

**3. MISO October 2 MSC Meeting**

**Status:** The OMS M&TWG is monitoring this subcommittee.

Items covered include IMM State of the Market Report Recommendations priorities, Joint and Common Market update, Cross-State Air Pollution Rule Update, Real Time Congestion Hedge MISO Response, Modifications of Internal Point-to-Point transmission service, Ramp Capability Enhancement Update, Transmission Constraint Demand Curve Development, DIR Registration Deadline, and Schedule 2 (Reactive Power) Non-Performance Tracking.

**State of the Market Report Recommendations Survey**

The MSC distributed a survey to prioritize the 17 IMM recommendations (15 items including one that is 3 parts). The M&TWG circulated the survey and urged OMS states to consider responding. Three OMS states, IN, MI, and WI responded, with responses that ranked (when averaged) seams-related issues higher than the overall average. The issues are in the area of Energy Pricing and Transmission Congestion, RSG Cost Allocation, Market Operations, ASM Improvements, and Resource Adequacy.

From the 29 responses received (9/21/12) in order of importance:

<u>Item</u>	<u>Rank</u>	<u>IN/MI/WI Rank</u>
Develop look-ahead real-time dispatch capability	1	4
Improve use of load offset parameter	2.5	7
Improve day-ahead M2M coordination with PJM	2.5	2
RT RSG fix cost allocation sign error to virtuals.	4	13
Discontinue constraint relaxation for M2M constraints	5	3
RT RSG allow netting market-wide deviations	6	11.5
Implement a ramp capability product	7	9
Expand the JOA with PJM to optimize the interchange	8	1
Eliminate transmission constraint deadband	9	14
Allow non-dispatchable DR to set RT prices	10	8
Demand curve pricing for transmission constraints	11	11.5
Improve SSR designation and compensation	12	6
RT RSG use of GSFs to better allocate costs	13.5	10
Remove inefficient barriers to capacity trading	13.5	5
RA pricing introduce a sloped demand curve	15	17
Evaluate wind resources & LMR RA capacity credits	16	16
Eliminate guarantee payments to deployed spinning reserves	17	15

**Real Time Congestion Hedge**

MISO has started evaluating developing a Real-Time Congestion Hedge product (RTCH) as described in the June MSC meeting. The product is for those exposed to real-time congestion, which historically is a small fraction of total DA and RT congestion value. As MISO envisions it, the product would be equivalent to paired virtual sale and buy transactions purchased at DA market settlement prices and settled at RT settlement spot prices. MISO compared this to PJM’s Upto-Congestion product and ERCOT’s Point-to-Point Obligation product. MISO is seeking stakeholder feedback and expects to follow up at the November MSC meeting.

**Modifications of Point-to-Point transmission service**

MISO gave an update on its proposal to change internal Point-to-Point transmission service to Network Integration Service because “Internal PTP customers receive similar services as Network customers creating equity and reliability issues.” Because of strong objections by some stakeholders (MUNIs, large end users with significant generation) that use transmission service for only a small portion of their power supply needs, MISO extended the date for stakeholder feedback to October 15<sup>th</sup> and expects to further discuss this at the November MSC meeting.

**Ramp Capability Enhancement Update**

MISO updated its proposal to develop ramp capability products and co-optimize them into the DA/RT energy and operating reserves markets. MISO envisions separate up and down ramp products that will have market clearing prices in DA and RT markets. When used with

Look-Ahead Dispatch, MISO expects lower costs. MISO will develop more details in future MSC meetings.

**DIR Registration Deadline**

With the mandatory registration date of March 1, 2013, MISO explained that 37% (4,859 MW) of Dispatchable Intermittent Resources are not yet registered out of 13,261 MW of expected wind generation by then. MISO explained how it may enforce its tariff.

**Schedule 2 Monitoring**

MISO explained how it lacks provisions in Schedule 2 - Reactive Supply and Voltage Control to disqualify a generation resource when it fails to provide service. MISO will file tariff changes with FERC and ask TOs to notify MISO if any qualified resources fail to provide the service when requested three or more times in a month.

**4. MISO October 3 RSGTF meeting**

**Status:** The OMS M&TWG is monitoring this working group.

The task force summarized its list of a dozen issues to address. MISO presented an overview of Regulation Mileage Settlement and explained that there is a new Make Whole Payment for lost production cost associated with the cost to provide Regulating Reserve and Regulation Mileage. MISO presented its RSG Drivers Report that details daily make whole payments in the past month. MISO summarized its October 1 compliance filing on Voltage and Local Reliability Commitment (ER12-678). MISO presented an update on MISO-IMM proposals for two of the SOM recommendations: Allowing Market Wide Netting and the use of Generation Shift Factor to allocate RSG costs. The LSE Coalition presented its concerns that the IMM and MISO proposed changes allocate costs through the Revenue Neutrality Uplift only to load and exports, and therefore do not follow cost-causation or beneficiaries-pay principles.

**5. Waiting on FERC action**

OMS participated in these cases that are pending decision before FERC:

**Extended Locational Marginal Pricing (ELMP) ER12-668-000**

MISO filed its compliance filing on August 20<sup>th</sup>, and summarized the filing at the September 4<sup>th</sup> MSC meeting. MISO plans to execute parallel testing for 3 or more months before implementing ELMP, provide complete parallel settlements statements under SCED and ELMP pricing during parallel operations testing, test system integration during the 3<sup>rd</sup> and 4<sup>th</sup> quarters of 2013, and run parallel operations for the 1st and 2nd quarters of 2014. MISO must file another compliance filing on November 19<sup>th</sup> to provide a status report and the expected date of ELMP commencement, which will likely be in the second half of 2014.

**FERC Gas-Electric Interdependence and Coordination AD12-12-000**

FERC has held several technical conferences around the country. MISO has held regionally focused meetings in each of MISO's 7 resource zones to ensure that appropriately understands and represents region-specific issues. The M&TWG interest is with any market changes needed and the resulting market effects of the coordination.

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

The FERC rejected MISO's proposed tariff revisions that would revise the zonal allocation of the costs of Operating Reserves from the current Grouped Zonal method to the Market Load Ratio Share method, finding it unjust and unreasonable because it does not follow their cost causation principles. The OMS intervened in this case without taking a substantive position.

## **OMS Markets and Tariffs Work Group Status Report For 10/11/12 OMS Board Meeting**

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Rehearing is pending on 8/30/10 requests for rehearing (MISO) and clarification (ICC). At issue is the allocation of operating reserve costs between zones.

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

**MISO Market Subcommittee** - monthly meetings (10/30 next mtg)

**MISO RSG Task Force** – monthly meetings (11/1 next mtg)

**MISO FTR Working Group** – monthly meetings (11/1 next mtg)

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

[http://www.misostates.org/index.php?option=com\\_content&view=article&id=63:markets-a-tariffs-workscopereference&catid=60:workscopereference&Itemid=206](http://www.misostates.org/index.php?option=com_content&view=article&id=63:markets-a-tariffs-workscopereference&catid=60:workscopereference&Itemid=206)

Bill Bokram, Markets and Tariffs Work Group co-chair

**OMS Regional Planning Work Group**  
**Report to OMS Board of Directors – October 11, 2012**  
(Co-Chairs Jessica Govindan and Julie Urban)

The RPWG would like to welcome Julie Urban from the WI Commission as the group's co-chair.

**PAC Update**

MISO provided updates to various planning processes, such as the Top Down Regional Planning process, the Market Efficiency planning process, and the Out of Cycle planning process. There were several issues with feedback being requested throughout the next several weeks, including feedback on the Top Down planning process, improvements to Market Participant funded upgrades, and System Support Resource cost allocation methodology. The October 23<sup>rd</sup> PAC meeting will continue discussions of these various planning processes and studies.

**FERC Order 1000 Compliance – Regional planning requirements**

MISO has finalized stakeholder review sessions of their regional planning and Right of First Refusal compliance issues. They have presented draft Tariff language for stakeholder review. MISO also requested a 14-day extension to file their compliance filings with FERC to tie up loose ends. Via a 10/3 email vote, the PAC sector reps voted in favor of recommending that the ROFR compliance language be filed at FERC, with the exception of the proposed elimination of BRP cost sharing for ROFR compliance. As of now, to comply with Order 1000-A's clarification on what projects are applicable to the ROFR elimination, MISO is proposing to "turn off" the current cost sharing mechanism for Baseline reliability projects (i.e., currently 80%local & 20% regional) so that reliability projects will not be subject to MISO's newly proposed developer competitive selection process, which would delay the normal approval-construction process by an additional one year.

**FERC Order 1000 Compliance – Interregional Planning and Cost Allocation**

MISO has recently announced the first MISO-PJM interregional planning and cost allocation meeting scheduled for October 24 at MISO's Carmel facilities. MISO has ongoing planning meetings with its other neighbors (SPP, MAPP, TVA, etc).

## OMS Resources WG Report to OMS Board – Oct. 11, 2012

### SAWG

The Oct. 4<sup>th</sup> SAWG meeting's major topics included:

- Resource Adequacy Enhancement project update
- IMM withholding scenarios
- BPM update
- Retail Choice Gap filing update
- Demand Forecast Submittals
- GMA/ZDC registrations
- Must Offer Process
- DR and BTMG Qualification Review
- RAR Applicability to GFA's and settlement Agreements
- LMR Automation Project

Potomac Economics presented their withholding test thresholds and how they are reviewing physical or economic withholding and the associated various conditions and the status of the unit. In a related matter MISO showed how the must offer process would be conducted in the Local Resource Zone as related to the Capacity Resources to used correctly in the Day-Ahead Energy Market.

The procedures for submitting load forecasts for the traditionally regulated and the retail choice companies was shown and discussed. A draft summary paper of the documentation for load forecast was also reviewed.

The shift to an annual construct has the Demand Response and Behind The Meter Generation requirements for the upcoming annual auction required another review of their respective obligations throughout the year.

FERC rejected some of MISO's RAR as it applies to the transition of new LSEs coming into the footprint. Basically FERC wants the transition to look more like the annual. This includes the carved-Out Grandfather Agreements. MISO will have a draft response at the next SAWG meeting.

The Oct 1 BPM for Resource Adequacy was posted.

The SAWG Oct 4<sup>th</sup> materials are at: <https://www.midwestiso.org/Events/Pages/SAWG20121004.aspx>

The next SAWG meeting is scheduled for November 1, 2012 and will be at the Renaissance Hotel on Meridian and not at MISO.

Nominations for chair and vice-chair are needed before the next meeting.

**LOLE Working Group**

The Oct 10<sup>th</sup> LOLE Working Group major agenda items scheduled are:

- Local Resource Zone transfer Analysis
- 2013 LOLE Study & preliminary summary results
- 2013 LOLE Draft Report
- 2013 LOLE Study schedule

Zone 7 (Michigan) has an import limit identified in the first transfer analysis and identified at the Sept 12 meeting. ITC now has a solution to the particular import limit.

The preliminary MISO results are:

Planning-Year(PY) 2013 (June2013-May2014)	
MISO System - Planning Reserve Margin (PRM)	
Time of MISO System Peak: (7/31/2013 17:00-EST)	
MISO Peak Load	95,015 MW
<u>At the time of MISO System Peak Load:</u>	
Installed Generation Capacity	117,610 MW (ICAP)
Installed Unforced (XEFORd) Capacity	110,023 MW (UCAP)
MISO Coincident External Interface Limit	10,421 MW
Designated Firm External Support (contracts)	3,277 MW
Adjustment (LOLE = 1-day/10-year)	-12,390 MW
Planning Reserve Margin Requirement (PRMR)	108,497 MW (ICAP)
	100,909 MW (UCAP)
<b>MISO Planning Reserve Margin (PRM)</b>	<b>14.2% (ICAP)</b>
	<b>6.20% (UCAP)</b>

Note the UCAP number has shifted up due to methodology changes with how the coincident factor is applied.

The preliminary zonal local reliability requirements estimate follows:

Local Resource Zone (LRZ) Areas	LRZ-1 DPC, GRE, MDU, MP, NSP, OTP, SMMPA	LRZ-2 ALTE, MGE, UPPC, WEC, WPPI, WPS	LRZ-3 ALTW, MIDAM, MPW	LRZ-4 AMIL, CWLP, SIPC	LRZ-5 AMMO, CWLD	LRZ-6 DUK, HE, IPL, SIGE, NIPSCO, BREC	LRZ-7 CONS, DETED, WPSC
<b>1-day in 10-years LOLE Target Adjustment: UCAP (MW)</b>	<b>1,925</b>	<b>-1,001</b>	<b>736</b>	<b>770</b>	<b>1,470</b>	<b>-130</b>	<b>1,590</b>
<b>Time of LRZ Peak (day/hour)</b>	7/30/2013 17:00 EST	7/30/2013 17:00 EST	7/31/2013 17:00 EST	7/22/2013 17:00 EST	8/7/2013 16:00 EST	8/9/2013 16:00 EST	7/31/2013 18:00 EST
<b>PY2013 LRZ Peak Load (MW)</b>	<b>17,085</b>	<b>12,901</b>	<b>8,909</b>	<b>10,279</b>	<b>8,875</b>	<b>18,251</b>	<b>21,101</b>
<b>Time of MISO Coincident Peak (day/hour)</b>	7/31/2013 17:00 EST	7/31/2013 17:00 EST	7/31/2013 17:00 EST	7/31/2013 17:00 EST	7/31/2013 17:00 EST	7/31/2013 17:00 EST	7/31/2013 17:00 EST
<b>PY2013 Coincident Peak Load (MW)</b>	<b>16,661</b>	<b>12,662</b>	<b>8,909</b>	<b>9,631</b>	<b>8,552</b>	<b>17,615</b>	<b>20,985</b>
<b>At the time of LRZ Peak Load: Installed Unforced (XEFORd) Capacity (UCAP-MW)</b>	<b>18,371</b>	<b>15,842</b>	<b>9,911</b>	<b>11,272</b>	<b>9,554</b>	<b>21,326</b>	<b>23,715</b>
<b>Local Reliability Requirement (LRR): Non-Coincident LRR UCAP (MW)</b>	<b>20,296</b>	<b>14,841</b>	<b>10,647</b>	<b>12,042</b>	<b>11,024</b>	<b>21,196</b>	<b>25,305</b>
<b>LRR per-unit of Non-Coincident load UCAP (%)</b>	<b>118.8%</b>	<b>115.0%</b>	<b>119.5%</b>	<b>117.2%</b>	<b>124.2%</b>	<b>116.1%</b>	<b>119.9%</b>
<b>Example Values below of LCR, PRMR &amp; PRM (auction will determine actual values based on updated load forecast)</b>							
<b>Capacity Import Limit (CIL): CIL (MW)</b>	<b>4,085</b>	<b>4,144</b>	<b>3,717</b>	<b>6,614</b>	<b>5,035</b>	<b>6,838</b>	<b>4,576</b>
<b>Local Clearing Requirement (LCR): Non-Coincident LCR UCAP (MW)</b>	<b>16,211</b>	<b>10,697</b>	<b>6,930</b>	<b>5,428</b>	<b>5,989</b>	<b>14,358</b>	<b>20,729</b>
<b>Planning Reserve Margin Requirement (PRMR): Default Coincident PRMR UCAP (MW)</b>	<b>17,695</b>	<b>13,447</b>	<b>9,462</b>	<b>10,228</b>	<b>9,083</b>	<b>18,708</b>	<b>22,287</b>
<b>Planning Reserve Margin (PRM): Coincident Load Base PRM UCAP (%)</b>	<b>6.20%</b>	<b>6.20%</b>	<b>6.20%</b>	<b>6.20%</b>	<b>6.20%</b>	<b>6.20%</b>	<b>6.20%</b>

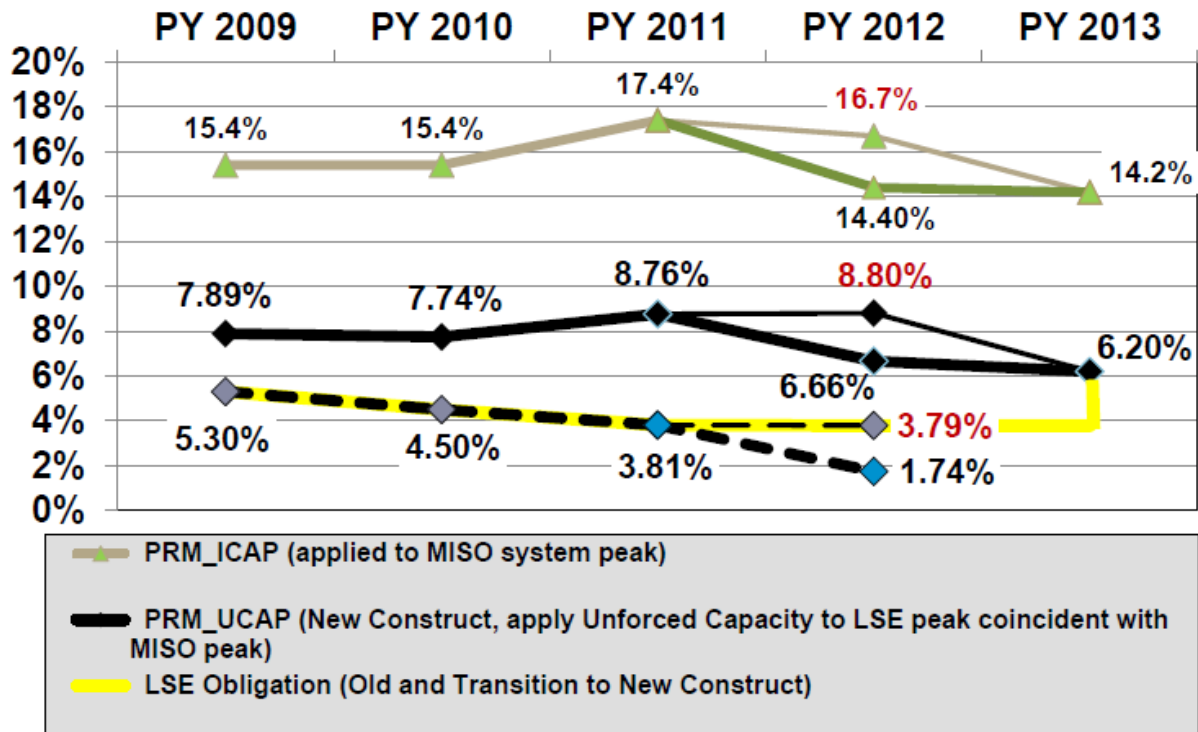
The MISO-System Future Years for 2017 and 2022 is below:



Future Year 2017			
MISO System - Planning Reserve Margin (PRM)			
Time of Peak (day-hour)	7/24/2017	16:00 EST	
Peak Load	99,193	MW	
MISO External Interface Limit	10,421	MW	
Firm External Support	3,277	MW	
Installed Generation Capacity	120,055	MW (ICAP)	
Installed Unforced (XEFORd) Capacity	112,312	MW (UCAP)	
Adjustment (LOLE = 1-day/10-year)	-10,409	MW	
Planning Reserve Margin Requirement (PRMR)	112,923	MW (ICAP)	
	105,180	MW (UCAP)	
Planning Reserve Margin (PRM)	13.8%	(ICAP)	
	6.04%	(UCAP)	

Future Year 2022			
MISO System - Planning Reserve Margin (PRM)			
Time of Peak (day-hour)	7/25/2022	16:00 EST	
Peak Load	103,495	MW	
MISO External Interface Limit	10,421	MW	
Firm External Support	3,277	MW	
Installed Generation Capacity	120,055	MW (ICAP)	
Installed Unforced (XEFORd) Capacity	112,312	MW (UCAP)	
Adjustment (LOLE = 1-day/10-year)	-5,989	MW	
Planning Reserve Margin Requirement (PRMR)	117,343	MW (ICAP)	
	109,600	MW (UCAP)	
Planning Reserve Margin (PRM)	13.4%	(ICAP)	
	5.90%	(UCAP)	

The following is a comparison of recent Module E Planning Reserve Margin Targets:



The LOLE Oct. 11 materials are

at: <https://www.midwestiso.org/Events/Pages/LOLEWG20121010.aspx>

Submitted by Don Neumeyer, Chair Resources Work Group

TO: OMS Board  
FROM: Chairman Phil Montgomery, Public Service Commission of Wisconsin  
RE: State Seams Work Group Update

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At the OMS Board Meeting of September 13, the OMS Board approved the reformation of a work group to address seams issues between MISO and adjoining regions. The new work group will be the State Seams Work Group (SSWG). The SSWG will operate in parallel with the Seams Management Workgroup that has been formed in the MISO Stakeholder process and will work with other stakeholder groups on these issues, like the “All Seams Considered” group.

The SSWG will work on issues that cross the seams with adjoining regions include seams operations, planning, cost allocation, capacity issues, and Order 1000 compliance.

I volunteered to provide the Commissioner leadership for the SSWG. The leadership of the group includes three staff co-chairs: Tia Elliott (IN), Chris Devon (MI) and Brian Rybarik (WI).<sup>1</sup> There has been great response from state staff members to be involved in the SSWG. The SSWG will have staff members from each of the OMS states as participants, and many states with more than one participant in the work group. We will continue to encourage participation in the work group to ensure that we have a variety of viewpoints on all seams issues.

The SSWG is set to meet for the first time by conference call on Friday, October 12. The agenda for the first meeting includes the formalization of our staff co-chairs. Additionally, there will be an update on the efforts moving forward through the Joint and Common Market (JCM) process between MISO and PJM (see more below). Finally, the work group members will discuss the responses to a recent survey sent out by the SMWG. The survey requested that stakeholders rank the importance of a variety of seams issues. Tia Elliott from Indiana took the lead on averaging the multiple responses to provide a baseline for discussion by the SSWG.

With respect to the JCM process, I have been following these issues closely and report that the JCM process is working on a number of issues, including outage reporting between MISO and PJM, modeling assumptions used by the two entities, as well as energy and capacity transfer issues. As part of the JCM process, I have been convening a small ad hoc group<sup>2</sup> to address some baseline issues to help facilitate discussion between key stakeholders (including states). Specifically, I have been working with this group to identify a modeling process and inputs and assumptions to identify a “Gross Energy Transfer Capability” between MISO and PJM. Modeling is currently underway. Importantly, we are also working to achieve consensus on how to characterize and discuss this modeling effort.

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<sup>1</sup> The three staff co-chairs are subject to confirmation from the work group members, which will be meeting for the first time on Friday, October 12.

<sup>2</sup> The ad hoc group includes participants from PJM, MISO, OMS, OPSI, Wisconsin, Michigan and Indiana.

Originally, I was focused on the JCM with respect to some capacity issues but have identified that many parties may need additional facilitation in broader areas in order to continue progress towards achieving common goals that will benefit ratepayers on both sides of the MISO-PJM seam. I look forward to continuing to work on these issues and will continue to report to the OMS Board as issues are raised and addressed.