



**ORGANIZATION OF MISO STATES, INC.
Board of Directors Meeting
Conference Call Minutes
February 9, 2012**

Approved March 8, 2012

Robert Kenney, President of the Organization of MISO States, Inc. (OMS), called the February 9, 2012 meeting of the OMS Board of Directors to order via conference call at approximately 1:00 p.m. (CST). The following board members or their proxies participated in the meeting:

Sherman Elliott, Illinois
Kari Bennett, Indiana
Libby Jacobs, Iowa
Talina Mathews, proxy for David Armstrong, Kentucky
Orjiakor Isiogu, Michigan
Burl Haar, proxy for David Boyd, Minnesota
Robert Kenney, Missouri
Jerry Lein, proxy for Tony Clark, North Dakota
Greg Rislov, proxy for Gary Hanson, South Dakota
Eric Callisto, Wisconsin

Absent

Manitoba
Montana

Agency members participating

Randy Rismiller – Illinois
Tia Elliott, David Johnston – Indiana
Stan Wolf – Iowa
Bill Bokram, Jessica Van Deusen – Michigan
Brian DeKiep, Kim Moran – Montana

Others on the call

Bill Smith, Julie Mitchell – OMS Staff

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

Approval of Minutes from the January 12, 2012 Board Meeting

Keri Bennett moved approval of the minutes. Sherman Elliott seconded. The minutes were approved by unanimous voice vote.

Treasurer's Reports of January 2012

Burl Haar presented the January 2012 treasurer's report. Robert Kenney moved acceptance of the report. Kari Bennett seconded. The report was accepted by unanimous voice vote.

Administrative Report and Review of the January 2012 Executive Committee Meeting

The Executive Director's written report was distributed prior to the meeting. Bill Smith highlighted the following items that were not included in the report:

- EL12-24 – a complaint by Pioneer LLC (a partnership between Duke Energy & AEP) against MISO regarding right to build. Bill recommended intervention without position.

Robert Kenney moved to file an intervention without comment. Sherman Elliott seconded. Indiana recused itself. The motion passed by voice vote with Indiana abstaining.

- Bill Smith had a conversation with Claire Moeller regarding the plant retirement issue. MISO is requesting OMS assistance in gathering and verifying information so they can more accurately plan and predict outage coordination in anticipation of EPA regulations.
- The Board is being asked to consider whether they are interested in reinstating MWDR1 activities.

BUSINESS

1. MISO Advisory Committee

- Hot topic: EPA rules impact on the MISO market. Dave Johnston, Bill Bokram, Don Neumeyer prepared a memo outlining the proposed OMS response. Eric Callisto offered the several changes to the memo. Those changes were discussed by the Board and staff. Sherman Elliott requested the last two sentences of the first paragraph and the first sentence of the second paragraph under #7 be stricken.

Robert Kenney moved to accept Eric Callisto's proposed amendments. Sherman Elliott seconded. The motion passed by unanimous voice vote.

Sherman Elliott moved to accept his amendment. There was no second. Illinois requested a footnote instead.

Robert Kenney moved to accept the comments as amended and footnoted. Eric Callisto seconded. The motion passed by unanimous voice vote.

- There are two voting items on the MISO AC agenda. One is acceptance of nominees for the Finance subcommittee and the other is a charter/work plan of the advisory committee. Both votes are pro forma and have been previously discussed.

2. Planning Advisory Committee

- A written report was distributed.

3. Update on Order 741 Compliance Filing on Credit Reforms – Docket RM10-13

- Tia Elliott reported on behalf of the OMS ad hoc group. It was agreed to accept MISO's offer to speak at the March meeting on the credit issue.

4. Comment to MISO Regional Expansion Criteria Benefits Task Force (RECB)

- Randy Rismiller explained the draft comments on the compliance proposal. They are due on February 10th.
- Iowa, North Dakota, South Dakota and Minnesota requested inclusion on the proposed footnote.
- Due to the deadline, the comments will come from the committee instead of the Board.

5. Update – Eastern Interconnection Planning Process

- A written report was submitted.

6. Update – Entergy

- Robert Kenney provided an update on the Entergy meeting in New Orleans.
- There will be call-in availability. It will be listen-only. The number can be obtained through registration.

Updates and Work Group Status Reports

Demand Response WG

- No Report;

Transmission Cost Allocation WG

- Information was covered in agenda item #4;

Markets and Tariffs WG

- Bill Bokram pointed out that the capacity market seams issue is being shared by multiple work groups. Written Report;

Resources WG

- Written Report;

Regional Planning WG

- Written Report;

Governance and Budget

- No Report;

Modeling WG

- No report;

ADJOURNMENT

The OMS Board of Directors meeting adjourned at 2:10 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 January 2012**

CASH ON HAND

The beginning balance as of January 1 for the Wells Fargo Business Performance Savings Account was \$33,722.62. Interest earned for this month was \$1.43. The January 31, 2012 ending balance was \$33,724.05.

The beginning balance as of January 1 for the Chase Bank One Checking account was \$95,111.08. The total disbursements from the checking account for January 2012 were \$31,352.51. Deposits and interest were \$50,001.11. As of January 31, 2012, the checking account bank balance was \$119,520.13 and the book balance was \$113,759.68 (with 10 checks and 1 adjustment outstanding).

The total savings and checking account balances as of January 31, 2012 is \$147,483.73.



OMS Treasurer Report for Month of January 2012

Wells Fargo Business Performance Savings Account

Beginning Book Balance	33,722.62	
Deposits and Interest Earned this Month	1.43	
Withdrawals	<u>0.00</u>	
Ending Balance		<u><u>33,724.05</u></u>

Chase Bank One Checking Account

Beginning Book Balance	95,111.08	
Total Disbursements	(31,352.51)	
Deposits/Interest/Adjustments	<u>50,001.11</u>	
Ending Book Balance		<u><u>113,759.68</u></u>
Bank Balance	119,520.13	
Outstanding Checks & Adjustments	<u>(5,760.45)</u>	
Book Balance	<u>113,759.68</u>	

Total Savings & Checking Balances as of January 31, 2012 147,483.73

10 Checks and 1 adjustment outstanding at 01/31/12



Organization of MISO States

100 Court Avenue, Suite 315
Des Moines, Iowa 50309

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

OMS Executive Director Report February 1, 2012

FERC and DOE Activity

1. On January 12, the OMS asked FERC to clarify language in its orders on demand response compensation to avoid disparaging the integrity of retail rates process and state commissions' role in setting them. FERC Docket No. ER09-1049 and ER11-4337.
2. On January 13, the OMS commented on the MISO's ELMP filing in FERC Docket No. ER12-668.
3. The OMS intervened in three dockets, taking no position:
 - Accounting form Entergy integration costs, FERC Docket No. AC12-27
 - MVP charges for departed members, FERC Docket No. ER12-715
 - MVP charges for grandfathered agreements, FERC Docket No. ER12-739
4. On January 31, the 7th Circuit granted OMS's intervention to appear as a non-aligned intervener.

OMS-MISO Activity

1. On January 27, the MISO filed its Look Ahead Commitment tool, a near-term Resource commitment process in MISO's real-time markets, Docket No. ER12-923.
2. The next activity of the Black Sea Regional Regulatory Initiative is being scheduled for early April, to approve the regulatory principles on integration of renewable resources. The regulatory group will also meet with Transmission System Operators from the region.

Public Relations

1. Presentations:
 - N/A
2. Pending speaking/meeting invitations:
 - N/A

Upcoming dates:

- Next regular OMS Board of Directors meeting: February 9, 2012, at 1:00 pm CST
- Next OMS Executive Committee meeting: February 23, 2012, at 1:00 pm CST
- Regular OMS Board meetings: March 8, April 12
- OMS Executive Committee meetings: March 22, April 26
- Next phone conference with IMM: February 22 at 2:30 CST

Upcoming Midwest ISO FERC Filings

Filing Date	Docket No.	Description	Pursuant to Commission Action	Working Group or Committee where issue/change will be reviewed
04/18/2012	ER10-1791-000, et al	MISO to submit a compliance filing to amend tariff language to provide reviews of the MVP methodology.	137 FERC ¶ 61,074 (2011)	N/A
04/30/2012	RM10-13-001	MISO to submit a compliance filing on netting issues pursuant to Order No. 741-A (Credit Reforms in Organized Wholesale Electric Markets).	Extension of Time granted January 24	CPWG

MISO Advisory Committee

February 15, 2012

Hot Topic: The EPA Rules Impact on the MISO Markets

Organization of MISO States (OMS) response for the State Regulatory Authorities Sector

Introduction: The OMS appreciates this opportunity to comment on EPA Rules Impacts on the MISO Markets. Reflected in some of the questions is the interaction between markets and reliability, and we appreciate the chance to comment on resource adequacy issues as well as market issues.

Markets: The OMS is concerned about two overall effects of the EPA rules that affect MISO markets and could distort market prices. First, during the transition to full implementation, there is the potential for significant uplifts due to a reliability-based need to keep uneconomical generation units running. While such uplifts may be temporary, the effect may be to distort markets and frustrate MISO's significant efforts to minimize uplifts and improve market prices in projects such as enhanced locational marginal pricing ("ELMP") and look-ahead dispatch ("LAD").

Second, in the area of emission allowances, the IMM should already have conduct and impact criteria for the evaluation of market power regarding emission allowances to the extent that they directly affect offers into MISO's markets. OMS urges MISO to work with the IMM on added responsibilities in this area as well as determining, through the MISO stakeholder process, how to best determine offer mitigation thresholds and methods.

Reliability: The OMS is concerned about the potential for generation retirements and simultaneous outages without adequate notification of compliance actions to relevant entities by generators and transmission owners. The OMS understands the need for MISO to perform this large optimization, and believes it will be very important to share potential problems with the generation owners and their regulatory authorities, so that amended outage schedules can be put in place to assure continued reliability. We also understand that there could be a need for the current retirement process to change to allow for more timely requests, and different levels of studies as generation owners make their decisions on retrofit vs. retirement. The challenge is for all parties to work together quickly while not being discriminatory, and yet balance considerations of reliability and the ultimate costs. OMS is not sure who should be responsible in this process for assessing the supply chain adequacy (engineering design firms, material fabrication, construction management, craft labor, etc.), but that discussion should begin immediately to determine the feasibility of retrofitting MISO units and those relevant units in

adjacent regions by 2015. The OMS is willing to work closely with MISO to ensure an effective and fair process is developed for analyzing retirements and outage scheduling.

On the state level, several states are investigating these issues in their jurisdictions. Some have opened formal investigations while others are using data requests or gathering information in existing docketed cases.

Responses to Questions:

1. What is your sector's overall reaction to MISO's EPA Impact Study? In answering this question, please consider the study scope, assumptions, methodology and results. Also, consider whether potential market and reliability impacts were completely and sufficiently addressed.

In its original assessment, MISO appropriately managed a great deal of uncertainty to the final rules and prepared some of the likely boundary conditions and outcomes. Simple diagrams communicate, but sometimes the complexity of the multiple, related issues is missed. OMS recommends that in the next iteration of the MISO Study, the diagrams displaying potential impacts (i.e. reserves) should contain as reference descriptions of the conditions assumed for the purpose of risk analysis. OMS also recommends that a clearer explanation of the CO₂ price assumptions be included, such as why the level is being assumed, and what is the MISO belief about the potential or probability of future CO₂ prices.

MISO's first survey of generation owners has proven valuable. OMS understands that MISO is conducting a new survey soon and OMS supports this effort to better address potential market and reliability impacts. While some details may need to be protected among market participants for market sensitivity and CEII issues, OMS believes that the pertinent information can and should be shared widely. The OMS recalls that MISO suggested a quarterly update, and that seems reasonable. As mentioned in the January Planning Advisory Committee, allowing generation owners to update changes on a monthly basis would be a helpful option. To the extent a specific state regulatory body has authority to receive, and confidentiality provisions to protect, generation owner submissions from its regulated entities, it should receive that information from MISO. Finally, to improve communications it will be helpful if MISO seeks stakeholder input via its stakeholder process prior to moving up any reports to the Advisory Committee and MISO Board of Directors.

2. Compliance with the EPA Cross-State Air Pollution Rule is dependent upon allowance market liquidity. Should MISO track and report allowance usage? Why or why not? What challenges does your sector see?

The OMS does not see a need for MISO to track allowance usage, but does see an important role for the MISO Independent Market Monitor (IMM).

As OMS understands, emission allowance usage and compliance is reported by a generation owner to the EPA. The EPA publishes information on the use and disposition of the allowances on its website. However, the generation owner typically does not have to surrender allowances to cover emissions until the end of a reporting period, such as a season or year. A generation owner may be operating a unit without owning allowances at the time, planning to buy allowances later to cover its operation. Thus, the OMS does not see a value to having MISO spend its resources tracking the use of allowances; nor do we see value in creating a secondary requirement for generation owners in MISO to report on allowance usage to MISO. This does raise the issue, however, of exactly how a generation Market Participant will determine values for Day Ahead and Real Time offers into MISO's Energy and Operating Reserves markets.

Since emission allowances have existed for many years, the IMM should already have some expertise in monitoring those values and how they are entered into a market offer. Therefore, the IMM should already have conduct and impact criteria for the evaluation of market power regarding emission allowances to the extent that they directly affect offers into MISO's markets. OMS urges MISO to work with the IMM on added responsibilities in this area as well as determining, through the MISO stakeholder process, how to best determine offer mitigation thresholds and methods. OMS is concerned that the exercise of market power will be one of the new opportunities provided by emissions markets that market participants could take advantage of at the expense of ratepayers, and therefore urges MISO and the IMM to get out in front of this issue. If we wait for this to happen before we act, it will be too late.

3. Attachment Y of the MISO tariff was designed to manage the study of an occasional potential generation unit outage or retirement. How should Attachment Y and its implementing business rules be changed to address the current situation brought about by the EPA regulations that would require a dramatic, time critical modification of the generation fleet in the region?

The EPA rules implementation creates the likelihood of simultaneous and overlapping outage and retirement requests that would be beyond what the existing Attachment Y construct was designed to address. What is needed is a more comprehensive Attachment Y that addresses this transitional EPA compliance period for long-term outages and retirements. This is in addition to the need, in the next question, to manage short-term outages via an outage scheduler. The challenge here is for all stakeholders to step up and work together to allow the generation owners, MISO, other market participants, and the state regulatory authorities to assess and process decisions in a more timely, simultaneous, cost effective manner to balance reliability risks and ratepayer costs. For example, there could be a sliding scale of notification requirement time periods, size/type of unit, area/plant collection of MW, outage intentions, and other factors. Instead of an individual review of individual proposed retirements with study following study, allow batch processing and studies of groups of retirement requests. A generation owner could,

and likely will seek an exploratory level of information such as simple thermal and voltage screenings. A plant could seek temporary mothballing by season or months for managing emissions in the interim years.

Where MISO coordinates the generator outages, MISO should investigate paying a generator to take its outage at a time other than that which the generator requested. Because a change in outage timing may result in increased costs to the generator, MISO should also consider allowing the generator to recover some or all of the extra cost in the same way out-of-market costs are recovered for plants that are committed and dispatched for reliability reasons. If MISO considers developing tariff language to allow payment to reimburse a generator's extra costs that it incurs to reschedule a planned outage if that is directed by MISO to preserve reliability, it should do so through the stakeholder process, including OMS input.

4. Provided MISO can determine the quantity of MWs for each month that can be on outage for each of the 7 resource zones using a methodology consistent with the LOLE analysis, what criteria should be used to allocate those MWs to requests for outages to comply with EPA rules?

When considering the significant amount of retrofits in the near future, OMS recommends that MISO use many factors when considering requests for outages. For example, the use of a first-come, first-served basis is still a fair means to reward those who plan ahead and to incent adequate lead time for information to ensure reliability and resource adequacy, especially when considering that those who wait may be subject to less risk as they learn from those who go first. Also important is the size, location, and reliability impact of an outage where the more significant outage should be given more weight. Because the process is likely to be complicated, it should be thoroughly vetted through MISO's stakeholder process and should be clearly specified in the Tariff and Business Practice Manual. The Load Serving Entities under the jurisdiction of state regulatory authorities will be looking for clear requirements and guidance where they seek approval of including the cost impacts in retail rates.

There is a need for the generation owners to, as a whole, provide their outage information to MISO well in advance. Once that is done, MISO can then perform the necessary batch studies to determine if the requested outages are locally and regionally feasible for each outage season. If there are potential problems then MISO can work with the owners, and the owners can work with their regulatory authorities, to reschedule the outages as necessary. The outages could be approved in a non-discriminatory manner similar to how MISO handled a large number of simultaneous requests for generation interconnections. Perhaps there would be a deadline a certain number of months before each year or outage season for units to submit outage requests. If MISO can determine the number of MWs for each month that can be on outage in each resource zone, that is valuable, and the information should be provided to MISO stakeholders as the analysis is completed.

If MISO can develop assessments that determine not only how many MWs can be on outage, but also determine how many outages have been requested by zone by month, then, subject to confidentiality provisions, it can inform the state regulatory authorities about potential reliability problems in their resource zones. While MISO has an important role in coordinating the scheduling of outages and sharing of information with the states, to the extent legally possible, it is important for each party to be able to ensure reliability and resource adequacy.

The supply chain for the new control systems needed to achieve compliance, i.e., design firms, component fabrication, project management construction, skilled crafts, state construction permit approval processes, etc., is expected to be challenged by rule implementation. The potential dates and shifting of locations may make it difficult for feasible solutions to meet both reliability criteria and the EPA deadline. Continued reports by the generator owners that assess the supply chain issues will be helpful to those who are responsible for system reliability at a reasonable cost.

5. With respect to EPA rule compliance, are there energy, ancillary services, ARR/FTR or capacity market rules that need to be modified to address the altered availability of the generation? How will such changes impact reliability and system operations?

The OMS understands this question to ask about what changes are needed over the next three to four years to implement the EPA rules. One change that may be needed to market rules is the determination of who pays for uplifts that may be required to keep uneconomic units running. These are units that may be required to continue to operate for a limited period of time before another solution can be put in place so that the unit can retire without causing a local reliability issue. Where based on allocations to cost causers and beneficiaries, such uplifts may be allocated to the local load, or, a broader allocation (perhaps using the planning resource zones) may be appropriate. This raises the question of whether a unit should be able to operate “normally” as it always has and be paid out-of-market costs even for times when it is not needed for reliability, or be dispatched only under certain peak or emergency conditions under which it is required. Each mode of operation could cause different amounts of uplift charges.

6. What role should the states play in coordination of outages and/ or to assure resource adequacy with regard to EPA rules?

As discussed in the response to Question #4, the states and MISO both have responsibility to ensure that resource adequacy is maintained. While MISO should coordinate the scheduling of transmission and generation outages and retirements, the states have the resource adequacy and cost impact responsibility over the outcome of outages and retirements. As the OMS consistently pointed out during last year’s Module E discussions, the states ultimately have

authority over the construction and acquisition of new resources that are necessary to maintain resource adequacy.¹ Many states have integrated resource planning requirements that help all parties to plan for the future. Environmental retrofits, unit retirements and the addition of new resources therefore fall under most states commissions' jurisdiction. Also, most states have the retail ratemaking authority to approve or deny recovery of the cost impact of actions taken, so a state denial of retail rate recovery of increased costs of a rescheduled or poorly planned outage can be thought of as indirect authority over when outages occur.

MISO has an important outage and retirement coordination role. States are very appreciative of the information that MISO can provide to them. The OMS urges MISO to share with each interested state the status of their survey and details regarding expected retirements and outages regarding the EPA rules. This, of course, should be managed under the appropriate protective orders and/or non-disclosure agreements.

Many states are gathering information regarding their jurisdictional utilities and the EPA rules. Some are obtaining information within the context of existing dockets before the commissions, while others have a separate process.

The Missouri Public Service Commission initiated an investigation on August 30, 2011 (EW-2012-0065), and held one of two technical workshops on October 26, 2011. The Commission directed its staff to file a final report by May 2012.

The Iowa Utilities Board issued an order opening a notice of inquiry (NOI) on utility coal plant planning and the EPA rules on September 2, 2011. This inquiry requests regulated utilities to prepare several scenarios describing how they could comply with the new regulations (such as upgrade all coal, convert some to natural gas, etc.), what the rate and other impacts are of each scenario, and "sensitivity" studies exploring the impact on these projections if the price of natural gas or the interest rate, demand, cost of construction, etc. is lower or higher than anticipated.

Several Minnesota state agencies (i.e., led by the Pollution Control Agency, with participation by the Department of Commerce and the Public Utilities Commission) are collaborating with the EPA and a cross-section of industry and public interest stakeholders to gather necessary tools and information to help the State develop and plan strategies to achieve compliance with EPA proposed electric utility sector rules in a coordinated and cost-effective way. Outcomes expected from the project include: (a) recommendations for a process or plan that will lead covered sources to a responsible compliance strategy that meets all regulations,

¹ See OMS comments on Resource Adequacy to MISO at AC meetings December 2009, December 2010, February, 2011 at OMS Hot Topics web page at <http://www.misostates.org/>

ensures reliability, mitigates costs and incorporates energy efficiency, renewable energy, and combined heat and power; and (b) estimates of how compliance strategies will affect air quality, greenhouse gas emissions, and economic conditions in Minnesota.

The Michigan Public Service Commission is an ongoing participant in an ad-hoc group organized by the Michigan Department of Environmental Quality along with the affected utilities in the state with the objective of sharing information and developing a path to compliance while maintaining reliability.

The Indiana Utility Regulatory Commission expects to issue a data request to its utilities in February 2012.

The Illinois Commerce Commission held a Joint Electricity/Gas Policy meeting on November 8, 2011 at which testimony from experts was taken.

7. Looking forward, what other actions should MISO take, if any, to help maintain local, regional and inter-regional reliability during the implementation period for the MATS, CSAPR and other EPA rules?

OMS urges MISO to continue to work towards resolving inefficient seams issues, including transfer capacity movements across the market seams between MISO and non-MISO markets (particularly with PJM). Such resolution is even more important and urgent during and after the implementation of the EPA rules. OMS would like MISO to investigate the possibility of some type of limited, temporary, reserve pool, emergency capacity exchange that could help MISO and its RTO neighbors. Instead of the traditional firm permanent transmission service requirement, a limited “slice of system” pool from each system could be allowed to be called on in reserve the Day-Ahead and then dispatched in Real-Time as the NERC Energy Emergency Alert events progress.

The OMS agrees that there is definitely a need for sub-seasonal assessments and possibly monthly model checks by MISO that are coordinated in development with the neighboring RTOs. The OMS also suggests that it is worthwhile to investigate interregional coordination of outages during this EPA compliance period. Interregional coordination includes looking at outage schedules of MISO and its RTO and non-RTO neighbors, so that reliability is better ensured along and across the seams.²

² The ICC cannot sign on to the recommendations in this section because it is not clear what the recommendations are or how they could be implemented.



**MISO Advisory Committee
New Orleans, LA
February 15, 2012
10:00 am – 3:15 pm CPT**

Dial-in and WebEx information available at www.misoenergy.org

Agenda

- | | | |
|--|----------------|-------|
| 1. Administrative Items | Gary Mathis | 10:00 |
| a. Welcome/ Roll Call | | |
| b. Review of Agenda | | |
| c. Review of Meeting Minutes | | |
| d. Review Action Items | | |
| 2. Hot Topic: EPA Rules Impact on MISO Market | | 10:15 |
| Opening Remarks: Clair Moeller, Kari Bennett | | |
| 5 Minute presentations per Sector, including any Minority Opinions as determined by the Sector following with debate- style exchange | | |
| a. Eligible End Users | | |
| b. IPP | | |
| c. Munis/Coop/TDU | | |
| d. Power Marketers | | |
| e. OMS | | |
| f. Transmission Owners | | |
| g. Public Consumer Advocates | | |
| h. Environmental | | |
| i. Coordinating Members | | |
| 3. Value Proposition Discussion | Wayne Schug | 11:50 |
| 4. State Regulatory Update on State Representation | Kari Bennett | 12:00 |
| LUNCH | | 12:10 |
| 5. MISO Customer Service Survey Results | Sidney Jackson | 1:10 |
| 6. Advisory Committee Items | Gary Mathis | 1:20 |
| a. Solicit volunteers for April Hot Topic | | |
| b. Finance Subcommittee Elections√ | | |
| c. Advisory Committee Charter√ | | |
| d. Review of AC Management Plan | | |
| e. March 2012 Meeting Discussion | | |
| 7. Standing Committee/Other Stakeholder Committee Reports | | |
| a. Steering Committee | Dennis Kramer | 1:45 |
| b. RECB Task Force | Dan Kline | 1:55 |
| c. Stakeholder Governance Working Group | Bill SeDoris | 2:05 |
| d. Reliability Subcommittee Update | Tony Jankowski | 2:15 |
| e. Planning Advisory Committee Update | Bob McKee | 2:25 |
| f. Market Subcommittee Update | Bill SeDoris | 2:35 |
| g. OMS Update | Bill Smith | 2:45 |

√ Denotes Potential Voting Item

* Denotes Report is Oral



h. Transmission Owners Update*	Dennis Kramer	2:55
8. New Business	All	3:05
9. Recap – Issues/Assignments	Alison Lane	3:10

Rotating Agenda Team March: Robb Mork
Melissa Seymour
Beth Soholt

April Hot Topic: FERC Order 1000

1/25/12 PAC Summary

- **EPA Survey Results:**
 - In November 2011 MISO sent generators a survey asking how the CSAPR and MATS rules (as known in 2011) would likely impact their companies and what if any plans generators had in response to the upcoming rules. Of the coal respondents 122 said they don't see any reliability issues with the CSAPR rule, but under the MATS rule 74 say they will likely retrofit (~31,024 MW), while 33 say they'd likely retire (~2,894 MW). MISO asked other questions related to CSAPR and MATS, which can be viewed in this month's meeting materials.
 - Most of the non-respondents seem to be muni related generators, which will likely be at-risk because of age and size. So, MISO would like to collect data from them as well going forward.
 - A major objective of this survey is to figure out outage estimates for the future.
 - Next Steps:
 - JT Smith and Ryan Westphal will send out an updated survey to generation owners in the next week to reflect new questions related to the finalized MATS rule. Hopefully to present to the April PAC.
 - MISO also announced the scope of a new larger study that will look at varying aspects of EPA impacts, including among other things supply chain issues. This will be a 3 – 4 year effort and will be presented to PAC in February or March.
- **MISO/SPP Joint Future Update:**
 - MISO provided an update to the SPP/MISO Joint Future. Please see the meeting materials for details. The assumptions will be finalized in February.
- **Schedule 26/26-A Methodology:**
 - MISO provided a nice overview of the Schedule 26 & 26-A methodology for recovery of the costs of transmission projects. (Schedule 26 is for BRP, GIP, and MEP, while Schedule 26-A is for MVP.) They ran through the inputs into the Schedules, as well as the calculations and how the two schedules differ (two primary differences are under 26-A, unlike 26, Transmission O & M expenses are separated out from the total O & M expenses and under 26-A charges are calculated using the MUR).
 - Please see meeting materials for more details and examples of the two different calculation methodologies.
 - ****Side note: Transmission incentive update for MVPs → 14 of the 17 MVPs have been granted CWIP, while some have also been granted a hypothetical capital structure.**
- **How MISO modeled RPS:**
 - MISO provided a good 5-step overview of how they calculate and model various State RPS.
- **Order 1000 Update on Regional Planning requirements:**
 - Matt Tackett provided an overview of stakeholder responses and MISO's corresponding answers to their proposed Order 1000 compliance items for local and regional planning requirements. In general, MISO feels they are compliant in many ways (including public policy related requirements).
 - They did clarify their proposal regarding when the Final Rule should take effect. *"The Final Rule will apply to projects approved in the first full planning cycle to commence after the effective date of the Commission's Order on compliance filing."* So, projects approved prior to the MTEP 14 planning cycle will not be subject to evaluation under Order 1000.
 - Rationale: typical planning cycle begins June 1 and ends December of the following year, so assuming the compliance filing is made the end of 2012 and FERC approves the filing during the spring of 2013, then starting in June 2012 the 2013 planning cycle will already

be underway. Therefore the 2014 planning cycle will likely be the first full planning cycle to begin after FERC has made its ruling.

- ***Big things for PAC in 2012:***
 - How to choose MVP projects going forward
 - Merchant transmission HVDC requests beginning to come in, so a big question of how to let them interconnect
 - Order 1000
 - MTEP demand and energy growth rate and the MECT tool. Detailed discussions of the MECT tool improvements are currently underway in the Supply Adequacy Working Group.
- ***Related Committee updates:***
 - Planning Subcommittee – the PSC has been tasked with looking at the issue of how to model low load with high voltage conditions. The issue is a result of having high wind flowing on 345 kV lines with low load on the receiving end, resulting in high voltage issues.

Next PAC meeting: February 22, 2012

Comments and Concerns on MISO Becoming a Central Counterparty:

- 1) What is the potential financial impact on MISO for becoming a Central Counterparty?
 - a. How much liquidity would need to be obtained?
 - i. How will this be calculated?
- 2) What will be the basis and determining factors or methodology for cost allocation?
- 3) Has MISO considered establishing a separate subsidiary for “housing” a Central Counterparty, similar to that of PJM Settlements, Inc.?
 - a. Unlike MISO, PJM is for-profit and this was a primary driver for developing a separate entity under PJM.
 - b. Would creation of a subsidiary offer a mechanism that could provide potential protections and minimize exposures to risk?
- 4) We agree with MISO in that no additional action should be necessary regarding changes to insurance, however, would encourage re-exploration of this if the above (#3) were established.
- 5) We approached MISO with the question about filing a request with the IRS to confirm Tax Exemption Status and asked if it would also be done with each state.
 - a. MISO has not made these requests, however, plans to do so with state requests following confirmation from the Federal Government.
- 6) The transcripts from the May 2010 conference imply that short-pay would need to be discontinued and according to the Counterparty Issues List from the February 7th CPWG Meeting, “MISO believes it is not necessary to remove the short pay provision from the Tariff, but is further investigating the issue.”
 - a. If the short pay provision remains in place, what is the reason for liquidity?
 - b. Will inclusion of the short pay provision create risk?
 - c. What is the basis for MISO’s change in position regarding discontinuance of short-pay?
- 7) While it varies by ISO, the FERC proceedings indicated that the difference between gross and net obligations could be substantial.
 - a. Would MISO discontinue all security interests or treat them as a second line of defense if parties are willing and able to provide them?
- 8) Some entities will benefit more by the Central Counterparty option, presumably because they cannot provide a security interest and letter of credit on gross exposure would be expensive.
 - a. Will becoming a Central Counterparty create barriers to entrance/participation in the market for smaller entities such as coops and muni’s?
- 9) Will MISO allow a Market Participant to elect to utilize a security interest agreement in order to net across service categories?
 - a. Will netting be permitted across service categories for Category “A” Tariff Customers?

- b. Is there a liability in a case of bankruptcy, if netting has occurred across service categories?
- 10) MISO does not believe that there should be any changes required to the way Market Participants transact through MISO.
- a. Rather than a blanket confirmation, we would request MISO indicate they have reviewed each service category and identify why no changes are needed or identify where changes could be applied.
- 11) Under the Central Counterparty Option, will Virtuals or FTRs increase the likelihood of MISO needing to access its liquidity or create additional risk to MISO?
- a. Is there a potential impact to MISO if the Market Participant does not provide additional collateral and defaults?
 - b. Should Market Participants using Virtuals and FTRs pay more for the costs of the Central Counterparty option or could they enter into a security interest agreement?
 - c. Will netting be used for Non-FTR services only, for both Non-FTR and FTR but netting done separately, or for both Non-FTR and FTR with aggregate netting?
- 12) Will becoming a Central Counterparty expose MISO to additional risks that could ultimately lead to declaration of bankruptcy?
- a. Identify the risks.
 - b. Quantify the magnitude of risks.
 - c. Identify the risk protection to be used.

There is some concern that it could be interpreted as anticompetitive for MISO to take over the function of a Central Counterparty, when there is a market which could provide the service through a 3rd party clearinghouse. While most ISO's have chosen to be the Central Counterparty, the willingness of NASDAQ OMX to be the Central Counterparty in MISO and their apparent willingness to argue in favor of NASDAQ OMX at the December 21, 2011 teleconference, indicates that there could be a market for being a Central Counterparty. While the strong majority of stakeholders voted for MISO to become the Central Counterparty, the concern does exist that after implementation, could there be an anti-trust issue raised?

- 13) Is MISO creating an anti-competitive environment by becoming a Central Counterparty, after introducing an independent third party option who has the same capability of transacting as a Central Counterparty?
- a. MISO introduced NASDAQ OMX Commodities as "A Central Counter Party Solution".
 - b. NASDAQ OMX proposed its Central Counter Party solution to mirror the PJM Settlements shared tariff structure.
 - c. By using MISO instead of another brokerage firm, the TOs and MPs may be engaging in collusive, monopsony behavior "not to buy."

*[In economics, a **monopsony** is a market form in which only one buyer faces many sellers. It is an example of imperfect competition, similar to a monopoly, in which only one seller faces many buyers. As the only or majority purchaser of a good or service, the "monopsonist" may dictate terms to its suppliers in the same manner that a monopolist controls the market for its buyers.]*

Making MISO a counterparty to provide temporary liquidity may be anticompetitive and also inconsistent with FERC's promotion of competitive markets. Order 741 does not specify a method for an RTO to go about ensuring adequate collateral to back up the transactions of market participants.

Having left the method of compliance open, FERC's decision arguably places the conduct of MISO and its TOs in an area where their conduct is unregulated and subject to antitrust laws enforced by the FTC and DOJ.

MISO should be certain the conduct in question either does not violate the antitrust laws or is otherwise immunized by exceptions (perhaps government compelled action) to the antitrust laws.

- d. Apart from any conclusion as to antitrust law application, the policy question remains.

Even if the conduct of making MISO the counterparty is immunized under antitrust law, the choice of MISO could be interpreted as collusion and an anticompetitive result. Where FERC has left procurement of the needed functionality open to market-oriented purchasing decisions, forcing MISO to self-provision counterparty services represents the market participants' (TOs and Virtuals) resort to a regulated solution for a particular task when a market solution is possible.

Maximized competition by procurement of counterparty functions from third-parties (similar to Potomac Research for the IMM role) is more consistent with the FERC use of markets to enhance the "just and reasonable" character of the rates charged.

OMS Transmission Cost Allocation Work Group Comments to the MISO on MISO's Proposed MVP Review

FERC's MVP Rehearing Order (ER10-1791) requires MISO to submit a compliance filing by April 18, 2012. Paragraphs 190 - 191 require MISO to "revise its Tariff to include periodic reviews of the costs and benefits associated with MVPs." At the January 26 RECBTF meeting, MISO presented how it intends to comply with these requirements.

While the MVP Rehearing Order required review only every three years, in the stakeholder process MISO is proposing to file that a limited review be performed annually. The OMS Transmission Cost Allocation Work Group (TCAWG) appreciates that MISO will perform yearly reviews to update MVP costs, in-service dates, and production cost analyses for interim years between the required three-year reviews. Nonetheless, the OMS TCAWG is concerned that MISO has proposed the MVP review would be forward-looking only, and based only on updating the MTEP future scenarios to capture changes in load forecasts, fuel prices, environmental costs, and public policies.¹

In paragraph 191 of the MVP Rehearing Order FERC states they "expect that these reviews will provide an additional safeguard that ensures that the MVP methodology is working as expected, informs stakeholder decisions regarding future transmission plans, and provides a basis for any potential adjustments to the allocation of the costs associated with those MVPs." The OMS TCAWG does not believe that MISO's proposal to perform only forward-looking cost/benefit reviews provides the additional safeguard FERC intended.

By continuing to use a forward-looking analysis that relies on updated underlying assumptions to model projected benefits of MVP's MISO does not address any errors that may have been present in previous MVP portfolio cost/benefit analyses or how the beneficiaries of transmission system upgrades change over time. Most every business that performs forecasts or projections as part of their organizational processes also performs an evaluation of previous activity to account for any errors in their forecast and projections and new circumstances. This historical review is then used as guidance and input for the next forecast or projection to closer align them with actual verifiable information. The OMS TCAWG believes that a similar review that utilizes actual historical data is most responsive to the intent of the FERC order.

Data reporting and informational updates endure as significant tools for evaluation and will prove especially valuable as MVPs are needed in the future. The OMS TCAWG recognizes that a level of certainty in transmission planning and cost allocation is necessary to allow

¹ Representatives of the states of Iowa, Minnesota, North Dakota and South Dakota support a forward-looking analysis that recognizes that decisions made regarding transmission should be based on the best information based on the time the decision was made and recognizes the importance for cost certainty. This forward-looking approach would not change cost containment processes and provide clear support for cost increases as discussed later in this document.

upgrades to the system to be completed. Therefore MISO needs to further clarify how it would utilize the MVP review data and information in its stakeholder processes. The OMS TCAWG would like MISO to better identify how the MVP review proposal will ensure the MVP methodology is working as expected, how it will be used in future transmission planning, and how, or if, it will potentially be used to provide adjustments to future MVP cost allocation. The OMS TCAWG thinks that this issue needs more policy discussion between the various interests, including FERC, MISO, OMS, and other MISO stakeholders.

The OMS TCAWG believes that one of the vital areas that MISO should consider in its review proposal is project cost containment. MISO's proposal should incorporate transparent reporting features for any MVP changes and update individual project costs. To the extent that any project's costs increase, MISO should require the project's developer to provide stakeholders with verifiable justification for such cost overruns. While the States in which the project will be sited and physically located will have a specific role in project cost containment,² the costs of MVPs will be spread to electricity consumers in all States in the MISO region and those States also will have an important interest in cost containment and need a process to express that interest.

If MISO files only a forward-looking cost/benefit analysis, those parties paying for the MVPs must simply trust the accuracy of MISO's forward-looking projections with no ability for stakeholders to verify and for MISO to be accountable for their accuracy. While cost/benefit projections are simply estimates that rely on assumptions, the costs charged to parties for the MVP's are very real. The parties paying for the MVP's should have access to actual data regarding the costs and benefits of the MVP portfolios.

The OMS TCAWG believes that a historic MVP cost/benefit review can be conducted at the resource zone level consistent with the MVP cost allocation methodology. This approach does not undermine the MVP portfolio approach or cause proprietary information of any party to be inappropriately revealed. The OMS TCAWG acknowledges that adopting this procedure will require MISO to record and store historic data and will also likely require the development of a new system or systems to track and analyze the historic data. This procedure and system design shouldn't be beyond the scope of MISO's capabilities although it may require outside technical consultation. Implementing this procedure would be very valuable for MISO to determine the benefits of a given MVP portfolio, would put to rest many stakeholder concerns about fairness and accountability, and show how those who have paid for the MVP's benefit.

MISO's MVP cost allocation methodology and related cost benefit analysis are contentious issues, with some parties asserting that they will not receive benefits commensurate with the costs allocated to them. Simply updating estimates of costs and benefits will likely cause continued grievances and litigation on cost/benefit alignment. Therefore, MISO should take the opportunity presented by this triennial review requirement to perform transparent

² Due to the divestiture of most transmission assets in Michigan to an independent transmission company not under Michigan PSC jurisdiction, it is critical to the Michigan PSC that historic data on previous MVP cost/benefit analyses is collected to allow evaluation of the MVP cost allocation methodology in the MISO stakeholder process.

historic reviews with actual data so that parties can determine how MVP portfolios provide benefits commensurate with the allocated costs.

The OMS TCAWG appreciates the opportunity to provide MISO and the RECBTF with comments on the proposed MVP review and is hopeful that MISO will file a proposal that includes historic informational and data reporting features. The OMS TCAWG believes that further clarification on MISO's proposed MVP review would be appropriate to comply with FERC's requirements and allow stakeholders to better understand how the MVP review will be conducted and applied.

Separate Statement of the Illinois Commerce Commission Regarding MISO's MVP Review and Reporting Compliance Proposal

The ICC believes that MISO's January 26, 2012 compliance proposal concerning the MVP Review and Reporting requirement fails to meet the requirements detailed in FERC's October 21, 2011 MVP Rehearing Order.³

A. Forward Looking Only Does Not Satisfy FERC's Requirement.

It is clear that FERC's requirement is not merely a "forward looking only" obligation. It is clear that FERC's requirement envisions that the results of the cost and benefit review may be used to modify transmission cost allocation, and not just for MVP projects that may be approved in the future, but also for those already approved. On each of these points, MISO's proposal falls short.

No interpretation is needed to reach these conclusions—FERC's own words are clear. FERC says that the review is intended to "ensure[] that the MVP methodology is working as expected."⁴ FERC says that the reviews will "provide[] a basis for any potential adjustments to the allocation of the costs associated with those MVPs"⁵ Ensuring that the cost allocation methodology is "working as expected" requires that the methodology be adjusted if it is determined by the review to not be working as expected. Note that FERC specifically uses the words, "adjustments to the allocation." FERC doesn't use the words "adjustments to the future application of the cost allocation methodology", which is all MISO's forward looking evaluation would enable (if that). Furthermore, it is clear that FERC is not only speaking about hypothetical MVPs that may be approved in the future, but also MVPs that have already been approved. For example, FERC refers clearly to "the costs associated with those MVPs"⁶ and states that MISO will be required to conduct reviews at least every three years in order to monitor the costs and benefits of the cumulative effects of all approved MVPs.⁷

FERC is similarly clear about what MISO must analyze, namely "costs and benefits of the cumulative effects of all approved MVPs."⁸ FERC states that, "at a minimum", the MVP benefits review must" (1) include "analyses of relevant economic factors"; (2) "quantify the economic benefits"; and (3) "examine the qualitative impacts of MVPs".

So, MISO's intention to limit its analysis in a manner that "Benefits would be forward looking only" clearly falls short of FERC's directive. FERC states that MISO must analyze "the

³ *Midwest Independent Transmission System Operator, Inc.*, 137 FERC ¶ 61,074 (2011) ("MVP Rehearing Order")

⁴ MVP Rehearing Order at P 190

⁵ MVP Rehearing Order at P 190, underlining added.

⁶ MVP Rehearing Order at P 190

⁷ MVP Rehearing Order at P 191

⁸ MVP Rehearing Order at P 191

cumulative effects of all approved MVPs.” Similarly, MISO’s January 26, 2012 proposal that “Results will be used to drive refinements to the regional plan and further changes to the cost allocation methodology for projects to be approved in the future” clearly falls short regarding how FERC intends the results to be used. FERC says that the reviews must “provide[] a basis for any potential adjustments to the allocation of the costs associated with those MVPs.”⁹

B. Aggregating to the Local Resource Zone Level Will Not Reveal the Information that FERC Requires MISO to Provide to Stakeholders.

Contrary to the apparent position of the OMS, the ICC does not agree that providing the results of the MVP review aggregated up to the Local Resource Zone level, rather than at the utility level or the transmission owner zone level, would provide the information needed by stakeholders to “understand the costs and benefits resulting from MVPs” as required by FERC.¹⁰ The FERC requires that MISO provide stakeholders with the information they need to confirm (or disprove) that they are receiving benefits commensurate with the costs that they pay. FERC intends to enable “stakeholders” to “better understand the costs and benefits resulting from MVPs, including their distribution across the Midwest ISO region.”¹¹ The only way that stakeholders can make that confirmation is if MISO provides sufficiently disaggregated data and analyses for that purpose. Accordingly, MISO must provide the results of the MVP cost and benefit review at the utility level or the transmission owner zone level.

The ICC notes that MISO has provided benefit and cost data on a utility-specific and project-specific basis in other circumstances. See, for example, MISO’s February 3, 2012 Answer in Dkt. No. ER12-715 where MISO attached testimony of Jennifer Curran “explaining the estimated benefits to FirstEnergy Services Corp. and its affiliates (including American Transmission Systems, Incorporated or “ATSI”); and to Duke Energy Ohio, Inc. and Duke Energy Kentucky, Inc. (collectively, “DEOK”) from the Multi Value Projects.”¹² Therein, MISO’s “explanation” was provided at the project level and the transmission owner zone level. However, when providing or reporting such disaggregated data does not serve MISO’s purposes, MISO claims that reporting data more granular than on a portfolio basis and at the Local Resource Zone level would be “falsely precise.”¹³ MISO’s position on this point is, to say the least, inconsistent.

To achieve the objective that FERC says it wants to achieve with the MVP review and reporting compliance obligation, MISO must produce MVP benefit and cost data on a project basis and on a utility basis (or transmission owner zone basis) and make that information available to stakeholders.

C. The ICC Agrees with the OMS that MISO has an Important Role to Play in MVP Project Cost Containmentment.

⁹ MVP Rehearing Order at P 190, underlining added.

¹⁰ MVP Rehearing Order at P 190

¹¹ MVP Rehearing Order at P 190

¹² Answer of the Midwest ISO in Dkt. No. ER12-715, Curran Testimony at 3 (February 3, 2012)

¹³ MTEP 11, Appendix F at 14

In its January 26, 2012 proposal, MISO states that its MVP review will use “estimated project cost or actual in-service cost at the time of the review.” The ICC supports that MISO commitment, as far as it goes. However, MISO has an important role to play in MVP cost containment and the ICC urges MISO to put in place project cost containment mechanisms. The ICC agrees with the OMS that MVP project cost containment is “one of the vital areas” that MISO should pursue in its MVP review and reporting process. While the States in which an MVP project will be sited and physically located will have a specific role in project cost containment, the costs of MVPs will be spread to electricity consumers in all States in the MISO region and those States also will have an important interest in cost containment and need a process to express that interest. MISO should use the MVP review and reporting process to put in place MVP cost containment mechanisms in which stakeholders and others, particularly State Commissions, can have an important role.

D. MISO’s Compliance Filing Should be Informed by SPP’s “Unintended Consequences” Provisions.

With respect to the MVP Review and Reporting process, FERC’s MVP Rehearing Order clearly states, “we will grant IPL’s rehearing request.”¹⁴ In its September 10, 2010 Comments in ER10-1791, IPL cited SPP’s “unintended consequences provisions” which IPL described as a “reasonable mechanism for adversely affected parties to raise their concerns through the stakeholder process and for unintended outcomes to be amended.”¹⁵ In its December 16, 2010 Order in ER10-1791, FERC denied IPL’s proposal in this regard stating, “[W]e find it unnecessary to require Midwest ISO to include an ‘unintended consequences’ provision similar to that which is included in the SPP tariff.”¹⁶ In its request for rehearing, IPL again urged the FERC to order MISO to adopt SPP-style protections against unintended consequences.¹⁷ In its MVP Rehearing Order FERC reversed itself on this matter, stating, “we will grant IPL’s rehearing request.”¹⁸ The reasonable conclusion to be reached from FERC’s statements is that FERC intends MISO’s MVP review and reporting process to (at least) be informed by SPP’s “unintended consequences” process, and perhaps, be modeled on that process.

In its January 26, 2012 proposal, MISO entirely ignores FERC’s statements and intentions in this regard. In IPL’s Request for Rehearing on this issue, which FERC granted, IPL asked FERC to “require the same protective measures that Southwest Power Pool (“SPP”) adopted in its transmission cost allocation tariff provisions to ensure that IPL and other transmission owners are protected from adverse or unintended consequences.”¹⁹ FERC granted that request for rehearing. Accordingly, MISO must look to SPP’s “unintended consequences” provisions and processes for guidance on developing a proper MVP review and reporting process.

¹⁴ MVP Rehearing Order at P 190

¹⁵ IPL’s September 10, 2010 Comments in ER10-1791, at 30

¹⁶ December 16 Order at P 244

¹⁷ IPL Request for Rehearing in Docket No. ER10-1791, at 38-39.

¹⁸ MVP Rehearing Order at P 190

¹⁹ IPL Request for Rehearing, at 36

EASTERN INTERCONNECTION STATES PLANNING COUNCIL

Briefing to the Organization of MISO States

February 9, 2012

RECENT MEETINGS

EISPC has not met in person since the beginning of 2012. The next EISPC webinar is planned for March 2, 2012 and the next in-person EISPC meeting is slated for April 10-11, 2012. Topics are expected to include reports on the Phase 2 Transmission "Build-out" Studies, EISPC's Energy Zone Study progress as well as its other Studies and Whitepapers.

PHASE 1 REPORTING

EISPC assisted EIPC in completing EIPC's Phase 1 report. It was filed on December 16, 2011 and may be found at eipconline.com.

PHASE 2 TRANSMISSION "BUILD-OUT" PLANNING

The Phase 2 Transmission Studies began in earnest in January 2012. Phase 2 will continue throughout 2012 with its final report due at the end of December 2012. The bulk of the study is being conducted by a smaller sub-group of the SSC comprised of six members from EISPC and two members from each of the other SSC Sectors. This group, the Transmission Options Taskforce (TOTF) works directly with the EIPC Planning Authorities, including MISO, on the specific aspects of the Phase 2 transmission analysis conducted on each of the three Scenarios. The TOTF held its first in-person meeting to begin the "on the ground" work on January 10-11, 2012 in Washington DC as well as a progress-report webinar on January 26, 2012. Another webinar will be held this week on Thursday, February 9th and the next in-person TOTF meeting will be on February 22-23, 2012. The TOTF work will constitute the bulk of the SSC's duties during 2012. EISPC will have the TOTF work as well as the Studies and Whitepapers projects (see below.)

As a reminder, the three Scenarios chosen by EISPC and the SSC upon which EIPC and the TOTF will be conducting transmission studies are:

- (1) The Business as Usual Future (Future no. 1) including the new EPA Regulations' impacts and with revisions to moderate the Carbon price after 2030,
- (2) A National Carbon Policy with high Energy Efficiency and Demand Response Future (Future no. 8) with revisions to moderate the Carbon price after 2030 plus other "tweaks", and
- (3) The National RPS Policy with a Regional Implementation Future (Future no. 6).

ENERGY ZONES WORKGROUP

As reported previously, the three National Labs (Argonne, Oak Ridge and NREL) have moved forward with providing EISPC a proposal to conduct the vast majority of the Energy Zone Study (the Labs received specific funding from DOE for this work.) However, there are certain databases and tasks that the Labs recommended be procured from outside sources. RFP's have been issued to procure the following: (1) licensing rights to use a commercial infrastructure database for the Energy Zone mapping tool, and (2) an inventory of laws, rules, and regulations that could impact the development of clean energy resource areas into Energy Zones. The Energy

Zones Workgroup is in the process of evaluating the bids received in response to the RFP's and decisions should be made soon.

OTHER STUDIES AND WHITEPAPERS

EISPC is currently negotiating contracts with successful bidders on RFPs to conduct Studies or Whitepapers on topic regarding Energy Market Structures and Energy Efficiency and Demand Response. RFP's are also in the works for other topics such as Clean Coal with Capture/Storage and Nuclear Technologies. Meanwhile, EISPC has received a draft of its first Whitepaper and is reviewing and commenting on the draft. The topic is Market Structures in the Eastern Interconnection. A link to the draft may be found on the EISPC website at www.eispc.org.

The Studies and Whitepapers Workgroup continues to assess the remaining topics to see if they remain important and relevant enough to issue RFPs on or if other topics would be more worthwhile for investigation. It is not surprising that more alternative topic ideas are being generated than EISPC has time or money to do.

UPCOMING MEETINGS

EISPC has scheduled five in-person meetings during 2012. The dates for these meetings are: April 10-11, May 31-June 1, September 6-7, October 18-19 and November 29-30. EISPC will also hold webinar meetings as needed, including a webinar slated for March 2nd at noon CT (1pm ET.) Information about all EISPC meetings will be posted as it becomes available at www.eispc.org.

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

1. MISO Extended Locational Marginal Pricing (ELMP) ER12-668-000

This concerns MISO's ELMP proposal filed with FERC on 12/22/11, docket no ER12-668-000, as summarized on last month's status report.

Status: OMS intervened on 1/13/12.

2. Capacity Portability

The M&TWG is monitoring capacity market seams issues with particular attention to capacity portability between MISO and PJM. Since our status report last month, the WG met with MISO on 1/20. During our teleconference, Todd Ramey provided MISO's reaction to PJM's response to The Brattle Group (BG) Report issued in December 2011, and generally assessed next steps. MISO spoke of the need to maintain the resource adequacy (RA) construct of Module E. MISO is looking at the efficiency of its processes and the need for a reliable allocation of resources. MISO asserts that this is not a new issue, that the EPA regulations increase the priority, and that there is a need to address both import and exports. MISO also clarified that it only asked BG to look at historic-based needs to export to PJM, which BG clarified on 1/31 with an addendum to its report on its web site. MISO also said that the capacity portability process is to determine what is eligible to participate in whatever construct either RTO has, and does not require that MISO adopt the same RA construct as PJM. Of note, MISO had not yet included Entergy companies in any of its assessments. They have committed to providing the M&TWG with that updated information as to how the integration would change or impact the BG Report findings on capacity, but have not yet done so. At the end of January, BG issued a clarification in response to PJM's comments. On February 3rd, MISO provided FERC with a response to PJM's comments. We provided both to the work group.

Status: Shared summary of 1/20 meeting with work group

3. MISO January 31 MSC Meeting

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

Regulating and Spinning Reserve Demand Curve

MISO's proposal is to use a two-step demand curve for regulating and spinning reserves, with one step at a lower price of \$65 for 90% to 100% of Regulating Reserves, then the other step at \$98 for less than 90%. By adding an extra step to the regulating and spinning demand curves, MISO expects to improve prices when the requirements via a better correlation between price and deficit, when the regulating and spinning reserve constraint is violated, than relaxation of the constraint. The MSC passed a motion that supported MISO's proposal.

Constraint Relaxation Update

On February 1, 2012, MISO will discontinue use of constraint relaxation on non-Market-to-Market transmission constraints. MISO is confident that it can start using the Look Ahead Commitment Tool by April. It asserts that any shortage in these products is a unit commitment problem that MISO expects the LAC Tool to address.

System Support Resources (SSR) Update

Under MISO's tariff Section 38.2.7 and Attachment Y, MISO performs study for units that desire to mothball or retire and will consider SSR status only where such units are needed for reliability – this is a last resort temporary option until transmission or other option becomes available. Without any SSRs since MISO market start, MISO now has 26 requests for a change in status. Behind the meter generation does not qualify. A partial unit can qualify for SSR status. Outages of more than two months can qualify. MISO said that it was never clear what

happens after SSR status ends. The idea was that the unit would retire, but what happens if the unit is not retired. MISO proposes a new Attachment Y-2 for mothballed status. Stakeholders requested that MISO hold a workshop to further discuss this.

FERC Order 755 Frequency Regulation

MISO presented its proposal for regulation pricing per FERC's Order 755 requirement for a two-part payment for frequency regulation where the second part is a market based payment for performance, or mileage rate. MISO proposes a rate design where the mileage costs will likely be allocated to zones like capacity is, but could be allocated load ratio share. MISO has not decided between the two yet. MISO intends to pay for mileage and in the right direction, with mileage in the wrong direction counting against mileage. A stakeholder raised a concern that MISO is proposing payment of mileage in a manner that is different than what FERC required as MISO is proposing to pay for instructed mileage instead of actual mileage. MISO also proposed that regulation offers be cleared based on total regulation and mileage costs as the preferred of 4 different approaches.

ITC PARS Update

Regarding the phase-angle regulators (PARs) on the Michigan-Ontario border, MISO requested an operational permit from the Department of Energy (DOE) which was submitted in October and is awaiting the order from the DOE. Once DOE grants the permit, MISO will give about 2 week's notice of the PARS going into operation. The related proceeding at FERC (regarding allocating the cost of the PARS to MISO, PJM, and New York) is in the hearing process.

Multi-Value Projects (MVP) Auction Revenue Rights Allocation Update

DTE, who opposed MISO's compromise proposal that the FTRWG approved on 1/19/12, presented a motion that MISO proceed with a filing to FERC using the MVP ARR Allocation mechanism outlined in the November 2, 2011 presentation made to the FTR WG that would best align the economic benefits resulting from the creation of ARRs resulting from MVP projects to those being allocated the costs for MVP projects. The motion failed, so MISO is proceeding with its compromise proposal. MISO is still accepting comments on the proposal with a planned compliance filing by 3/1/12.

For those interested, please note the following MISO meetings:

MISO Market Subcommittee - monthly meetings (2/28 next mtg)

MISO RSG Task Force – monthly meetings (2/29 next mtg)

MISO FTR Working Group – monthly meetings (2/29 next mtg)

MISO Seams Mgt Working Group – monthly meetings (2/27 next mtg)

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

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

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

OMS Resources WG Report to OMS Board – February 9, 2012

SAWG

Capacity Portability Status

MISO is working with PJM and will develop a plan to work on the capacity exchange topic and address the issues in the Brattle Group Report. There is no agreement yet. If PJM agrees to a work plan it will be brought to SAWG. This could be in the June/July timeframe. The IMM filed an answer to FERC on Jan. 25 that suggested changes to improve capacity trading with PJM. One suggestion included the elimination of Capacity Benefit Margin (CBM) in assessing transmission availability. This whole effort is more about how to assess transmission utilization at the seams and inside PJM.

MISO filed a 7 page memo on Feb. 3 to FERC explain its positions and pushing for a technical conference. The goal is assess transmission availability in the context of capacity deliverability for full physical capability of the electric grid. That could be somewhat more complex because it might open up how all the RTO's utilize transmission for operations and planning.

At the end of January S. Newell and K. Spees of Brattle Group issued a clarification of their preliminary analysis on the MISO-to-PJM Capacity Portability issue. They felt some of their findings were taken out of context. For instance the initial report did not take into account for PJM's CBM to help meet PJM's needs.

Annual BPM Review

MISO outlined changes to the Resource Adequacy BPM including updated the registration information for Demand Response, Behind the Meter Generation, and External Resources. Comments are due Feb. 13th.

Fixed Resource Adequacy Plan (FRAP)

MISO explained the FRAP process in anticipation of the new capacity rules which are still pending.

LMR for Transmission Emergencies

MISO was asked to analyze the appropriateness of changing to LMR (Load Modifying Resources) requirements for their use during Transmission Emergencies. MISO is proposing changing from 5 events with duration of 4 hours each to 10 events per year with duration to 6 hours. The effective date would be June 2013. LMR tariff review will be available at the March SAWG.

New Member Integration

The discussion included changes to the deadlines for “new LSE” to join in the March Commercial Model and integrates in before June 1. This will determine whether they will be included in the auction or only FRAP for the first year. Rick Drom reviewed the Module E-2 tariff language on New LSE Compliance with RAR Enhancements.

Forward Looking Metrics

A presentation by Jeff Beattie (Consumers) was posted and reviewed.

Retail Choice Workshop

A Retail Choice Workshop will be scheduled late February or early March. MISO needs EDC (Electric Distribution Company) information to track Retail Choice Load Switching and the Load CPNodes.

Submitted by Don Neumeyer, Chair Resources Work Group

OMS Regional Planning Work Group
Report to OMS Board of Directors – February 12, 2012
(Jessica VanDeusen and Parveen Baig – Co-chairs)

PAC Update: PAC meeting was held January 25, 2012. An update is included in a separate report to the BOD.

EPA Rules: An OMS ad hoc WG has prepared comments on AC February hot topic on EPA Rules.

MISO will send out an updated survey to generation owners in the next week to reflect new questions related to the finalized MATS rule. MISO also announced the scope of a new larger study that will focus on compliance around the Mercury and Air Toxics Standard (MATS) and the currently stayed Cross State Air Pollution Rule (CSAPR). This will be a 3 – 4 year effort.

FERC Order 1000 Compliance: MISO has requested additional comments on the compliance requirements, stakeholder proposals related to ROFR issue from stakeholders by February 15th.

OMS has surveyed the states to prepare an inventory of

- Public Policy Requirements for Multi-State Facilities and
- State Requirements on Eligibility to Construct

OMS executive director is compiling survey results.

Generation Interconnection Queue Process Filing: MISO submitted their response to FERC's deficiency letter in their Generator Interconnection Queue Reform filing Docket No. ER12-309-000. OMS TPWG is reviewing the filing.