Organization of MISO States

ORGANIZATION OF MISO STATES, INC.
Board of Directors Meeting
Conference Call Minutes
April 18, 2013

Approved May 16, 2013 with corrections

Eric Callisto, Vice-President of the Organization of MISO States, Inc. (OMS), called the April 18, 2013 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
Beth Roads, proxy for Kari Bennett, Indiana
Libby Jacobs, Iowa
Linda Breathitt, Kentucky
Eric Skrmetta, Louisiana
Regis Gosselin, Manitoba
Orjiakor Isiogu, Michigan
Burl Haar, proxy for David Boyd, Minnesota
Chad Allen, proxy for Brandon Presley, Mississippi
Josh Harden, proxy for Robert Kenney, Missouri
Kim Moran, proxy for Kirk Bushman, Montana
Phil Movish, proxy for Cynthia Hedge-Morrell, City of New Orleans
Brian Kalk, North Dakota
Greg Rislov, proxy for Gary Hanson, South Dakota
Richard Greffe, proxy for Ken Anderson, Texas
Eric Callisto, Wisconsin

Absent
None

Agency members participating
Colette Honorable - Arkansas
Melissa Watson, Paul Zimmering – Louisiana
Bill Bokram, Angie Butcher, Jessica Govindan – Michigan
Lera Shemwell - Missouri
Brian DeKiep – Montana
Jerry Lein – North Dakota
Phil Montgomery, Julie Urban – Wisconsin

Others on the call
Julie Mitchell, Bill Smith – OMS Staff
Valerie Lemmie – EISPC
Richard Doying – MISO

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

Approval of Minutes from the March 14 Special Board Meeting

The minutes of March 14, 2013 were accepted as submitted.

Treasurer's Report of March 2013

There were no questions regarding the March 2013 Treasurer's report. It was accepted as distributed.

Review of the April 4, 2013 Executive Committee Meeting

Bill Smith reported on the following from the April 4th Executive Committee meeting:

- Approved renewal of the subscription services from Cruthirds and CES;
- Considered an offer from Electric Policy;
- Approved a personnel consulting contract with Avancos.

Administrative Report

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

- US Court of Appeals oral argument is available online at the 7th Circuit website. Contact Bill Smith for the exact link.

BUSINESS

1. MISO Briefing on revised System Support Resource (SSR) Procedures

- Eric Callisto provided some background on this issue and introduced Richard Doying from MISO, who then gave his presentation and took questions.

2. MISO Advisory Committee

- The AC agenda voting items were discussed. Bill Bokram presented the Hot Topic Response. After discussion and editing, the Hot Topic Response was approved by acclamation, with Manitoba and Louisiana abstaining.

3. Planning Advisory Committee

- Orjiakor Isiogu highlighted two items: 1) out of cycle process and 2) system support resources. Jessica Govindan and Julie Urban then provided additional information on the meeting.

4. Possible Action Item: FERC Briefings on Capacity Deliverability

- Chairman Phil Montgomery provided an update on the FERC technical conference notice. Eric Callisto noted that this seemed to be within the original delegation the OMS Board gave to Chairman Montgomery. He proposed that Chairman Montgomery represent OMS at the technical conference. The Board approved that proposal, with Manitoba and Louisiana abstaining, and with the caveat that if Commissioner Bennett has any recommendations concerning additional OMS attendance at the FERC meeting, those will be discussed and addressed

5. ERSC/Entergy Update

- Bill Smith indicated that there is an ERSC meeting on May 29 and the Arkansas Public Service Commission will be submitting a request to join OMS.

6. Update: Eastern Interconnection Planning Process

- Valerie Lemmie provided an update on EISPC's current activity, which included an introduction to the Energy Zone Mapping Tool and the upcoming EISPC annual meeting, May 30 in Philadelphia.

7. Action Item: Clarification/Rehearing of Order 1000 Compliance

- This was discussed in closed session, pursuant to Article XIII of the OMS Bylaws.

The document was approved with the following members supporting: Indiana, Iowa, Louisiana, Michigan, Minnesota, ~~Mississippi*~~, Missouri, Montana, North Dakota, South Dakota, and Wisconsin. Mississippi, Manitoba, the City of New Orleans and Texas abstained.
***Corrected 6/4/2013**
(The final vote is indicated on the document filed at FERC.)

Updates and Work Group Status Reports

Demand Response WG
- No report;

Transmission Cost Allocation WG
- Written report;

Markets and Tariffs WG
- Written report;

Resources WG
- Written report;

Regional Planning WG
- No report;

Governance and Budget
- No report;

Modeling WG
- No report;

Seams WG
- Written report;

ADJOURNMENT

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

The closed session was called to order at approximately 2:10pm CDT and adjourned at 3:30pm 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 March 2013

CASH ON HAND

The beginning balance for the Wells Fargo Business Performance Savings Account on March 1 was $25,169.89. Interest earned for this month totaled $1.07 and there was no other account activity. The March 31, 2013 ending balance was $25,170.96.

The beginning book balance for the Chase Bank One Checking account on March 1 was $51,725.99. The total disbursements from the checking account for March 2013 amounted to $70,305.92. Deposits, interest and adjustments were $60,707.41. As of March 29, 2013, the checking account bank balance was $53,823.45 (with 17 check payments outstanding) and the book balance was $42,127.48.

The total savings and checking account (book) balances as of March 31, 2013 is $67,298.44.

TREASURER'S REPORT
Organization of MISO States
March 31, 2013

Wells Fargo Business Performance Savings Account

Book Balance as of 2/28/13				$	25,169.89
3/29/2013	DEP	Interest on Savings		$	1.07
Business Performance Savings Account Balance at 3/31/2013					$ 25,170.96

Chase Bank One Commercial Checking with Interest

Book Balance as of 2/28/13					$ 51,725.99
3/11/13	ACH	Midwest ISO	$	60,000.00	
3/29/13	DEP	W. Smith (MT personal)	$	706.80	
3/29/13	DEP	Interest on checking	$	0.61	
		Total Deposits			$ 60,707.41

Checks and Charges

Date	Check #	Descriptions		
3/7/13	E-Pay	Chase Bank Card	$	3,894.36
3/11/13	EFT	Paychex Invoice (Feb. P/R)	$	103.12
3/7/13	4282	100 Court Investors - Office Rent & Pkg, Op. exp chrg (Apr.)	$	1,763.07
3/7/13	4283	B. Roads - Travel Exp. - 2/19-2/21	$	1,100.26
3/7/13	4284	B. Ballinger - Travel Exp. - 2/19-2/21	$	1,096.98
3/7/13	4285	Combined Systems Technology - toner; backups	$	189.74
3/7/13	4286	Courtyard Marriott - Grid school hotel 3/2-3/8	$	15,618.42
3/7/13	4287	D. Johnston - Travel Exp. 2/19-2/21`	$	1,195.99
3/7/13	4288	Diversified Management Services -web updates	$	48.75
3/7/13	4289	Indiana Insurance Co. - WC policy change	$	25.00
3/7/13	4290	K. Bennett - Travel Exp. 2/19-2/21	$	934.25
3/7/13	4291	O. Isiogu - Travel Exp. 2/19-2/21	$	1,188.13
3/7/13	4292	R. Kind - Travel Exp. 2/19-2/21	$	1,020.38
3/7/13	4293	IUB - L. Jacobs - Travel Exp. 2/19-2/21	$	1,024.86
3/7/13	4294	WI PSC - D. Neumeyer Travel Exp. 2/19-2/21	$	1,061.95
3/7/13	4295	WI PSC - L. Sakk Travel Exp. 1/28-1/29	$	732.84
3/7/13	4296	WI PSC - P. Montgomery Travel Exp. 1/28-1/29	$	641.34
3/13/13	4297	B. Smith - Travel Exp. 3/3-3/6	$	150.21
3/13/13	4298	B. Ballinger - Travel Exp. - 3/3-3/7	$	621.91
3/13/13	4299	C. Devon - Travel Exp. - 3/4-3/5	$	314.13
3/13/13	4300	C. Nelson- Travel Exp. 3/3-3/8	$	1,034.30
3/13/13	4301	C. Shutrump - Travel Exp. 3/4-3/7	$	254.00
3/13/13	4302	IURC - C. Shutrump - Travel Exp. 3/4-3/7	$	485.60
3/13/13	4303	J. Heintz - Travel Exp. 3/3-3/8	$	919.41
3/13/13	4304	J. Ray - Travel Exp. 3/3-3/8	$	933.34
3/13/13	4305	MN PUC - D. Boyd Travel Exp. 2/20-2/22	$	1,195.27
3/13/13	4306	O. Isiogu - Travel Exp. 3/3-3/7	$	640.01
3/13/13	4307	IUB - C. Bittner Travel Exp. (2012) 11/29-11/30	$	575.72
3/13/13	4308	IUB - L. Jacobs - Travel Exp. 6/19-6/21	$	1,380.08
3/19/13	4309	Customized Energy Solutions - Feb. subscription	$	3,500.00
3/19/13	4310	D. Lofftus - Travel Exp. 3/3-3/7	$	302.00
3/19/13	4311	D. Rearden - Travel Exp. 3/3-3/7	$	860.60
3/19/13	4312	Indiana Insurance Co. - WC policy adjustment	$	38.00
3/19/13	4313	J. Rice - Travel Exp. 3/3-3/7	$	635.00
3/19/13	4314	K. Bushman - Travel Exp. 3/3-3/7	$	324.50
3/19/13	4315	K. Simonsen - Travel Exp. 3/3-3/7	$	307.00
3/19/13	4316	Minister of Finance (K. Simonsen - Travel airfare 3/3-3/7)	$	714.24
3/19/13	4317	CenturyLink - office phone, fax, DSL, LD calls	$	258.93
3/19/13	4318	IUB - B. Mauch - Travel Exp. 3/3-3/7	$	741.71

3/19/13	4319	IUB - C. Bittner Travel Exp. 3/3-3/7	$	790.52
3/19/13	4320	Triplett Office Essentials - desk moving for outlet access	$	40.00
3/19/13	4321	WI PSC - G. Maly Travel Exp. 3/3-3/7	$	858.95
3/19/13	4322	WI PSC - L. Sakk Travel Exp. 3/3-3/4	$	426.42
3/19/13	4323	VOIDED	$	-
3/27/13	4324	B. Smith - WiFi Reimbursement	$	67.99
3/27/13	4325	Conference Suite - conf. calls - Board, Exec. Comm.	$	819.61
3/27/13	4326	J. Scheier - MT training lunch exp.	$	73.75
3/27/13	4327	M. Watson - Travel Exp. 3/3-3/7	$	777.54
3/28/13	EFT	Paychex Payroll net pay (ck.nos. 510-512)	$	10,004.70
3/29/13	EFT	Paychex Payroll Taxes	$	5,213.71
3/29/13	513	MG Trust (401(k))	$	2,339.83
3/29/13	514	MG Trust (401(k))	$	82.05
3/29/13	515	MG Trust (401(k))	$	985.45

Total Disbursements - Checks and Charges	**$ 70,305.92**	
CHECKING ACCOUNT BALANCE at 3/31/13		**$ 42,127.48**
TOTAL Certificates of Deposit, Savings and Checking Account Balances as of: 3/31/13		**$ 67,298.44**

CHASE CHECKING ACCOUNT RECONCILIATION

Bank Balance 3/29/13			**$**	**53,823.45**
Less Checks Outstanding				
	Check #			
3/7/13	**4294**	**WI PSC**	**$**	**1,061.95**
3/7/13	**4295**	**WI PSC**	**$**	**732.84**
3/7/13	**4296**	**WI PSC**	**$**	**641.34**
3/13/13	**4298**	**B. Ballinger**	**$**	**621.91**
3/19/13	**4311**	**D. Rearden**	**$**	**860.60**
3/19/13	**4314**	**K. Bushman**	**$**	**324.50**
3/19/13	**4315**	**K. Simonsen**	**$**	**307.00**
3/19/13	**4316**	**Minister of Finance**	**$**	**714.24**
3/19/13	**4321**	**WI PSC**	**$**	**858.95**
3/19/13	**4322**	**WI PSC**	**$**	**426.42**
3/27/13	**4324**	**B. Smith**	**$**	**67.99**
3/27/13	**4325**	**Conference Suite**	**$**	**819.61**
3/27/13	**4326**	**J. Scheier**	**$**	**73.75**
3/27/13	**4327**	**M. Watson**	**$**	**777.54**
3/29/13	**513**	**MG Trust (401(k))**	**$**	**2,339.83**
3/29/13	**514**	**MG Trust (401(k))**	**$**	**82.05**
3/29/13	**515**	**MG Trust (401(k))**	**$**	**985.45**
Total Outstanding Checks			**$**	**11,695.97**
Book Balance 3/31/13			**$**	**42,127.48**

OMS Treasurer Report for Month of March 2013

Wells Fargo Business Performance Savings Account

Beginning Balance	25,169.89	
Interest Earned this Month	1.07	
Ending Balance		25,170.96

Chase Bank One Checking Account

Beginning Balance	51,725.99	
Total Disbursements	(70,305.92)	
Deposits/Interest/Adjustments	60,707.41	
Ending Book Balance		42,127.48
Bank Balance	53,823.45	
Outstanding Deposits	0.00	
Outstanding Checks	(11,695.97)	
Book Balance	42,127.48	

Total Savings & Checking Balances as of March 31, 2013 **67,298.44**

17 checks outstanding at 3/31/13

Organization of MISO States

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OMS Executive Director Report
April 3, 2013

FERC Actions

1. On April 2, the FERC directed MISO and PJM to meet with the Commission to discuss the status of capacity deliverability issues. OMS, OPSI and the respective market monitors were also invited to the meeting, for which a date has not yet been set. 143 FERC 61,008, Docket No. AD12-16.
2. On March 28, FERC accepted MISO's tariff revisions related to the allocation of Long-Term Transmission Rights and Auction Revenue Rights for the integration of the Entergy Companies and other load-serving entities. 142 FERC 61,236, Docket ER13-665.
3. On March 22, the FERC conditionally accepted MISO's Order 1000 compliance filing. 142 FERC 61,215, Docket ER13-187 and ER13-186.
4. Hearings are being held before FERC ALJ Peter Young relating to the level of exit charges for Duke and FirstEnergy's departure from MISO. Docket ER12-715.
5. Oral arguments on cost allocation of Multi-Value Projects will be held on April 10 at the US Court of Appeals, 7th Circuit, in Chicago.

MISO Filings

1. On April 2, MISO made a partial Order 1000 compliance filing to bring Entergy and Cleco into the 2014 planning process, which begins in June 2013. Docket No. ER13-1227.
2. MISO submitted to FERC for approval a System Support Resources ("SSR") Agreement by and between DTE Electric Company ("DTE") and MISO in Docket No. ER13-1226 and a proposed allocation of SSR costs in Docket ER13-1225. MISO will brief the next OMS Board meeting on the revised procedures for handling SSR matters.

OMS / MISO Activity

1. The Public Staff of the Mississippi PSC was accepted as an associate OMS member on March 14.
2. OMS submitted proposed weightings of future scenarios to the Planning Advisory Committee on April 1. The OMS weightings will be blended with weightings of other sectors.
3. MISO successfully completed a $100 million long-term financing for 10 years at 3.96%.
4. The Commodities and Futures Trading Commission has finally acted to exempt Regional Transmission Organizations, electricity futures contracts, and traders, from its regulations.

Public Relations

1. Presentations:
   - On March 22, Bill Smith and Bill Bokram met with the Montana PSC to discuss OMS and MISO activities and participation.
   - Beth Roads gave an OMS update to the OPSI Spring Meeting on April 2-4.
2. Pending speaking/meeting invitations:
   - Bill Smith is scheduled to speak to a US Energy Association conference on May 15 and 16.
   - A Black Sea Regulatory Initiative workshop will be held June 3-5 in Istanbul.
   - Commissioner Boyd and Bill Smith have been asked to meet with a study tour of the Southeast Europe Cooperation Initiative Transmission System Planning Project Working Group on June 25 in Carmel.

Upcoming dates:

- Next OMS Board of Directors meeting: April 18, 2013, at 1:00 pm CT
- Next OMS Executive Committee meeting: May 2, 2013, at 1:00 pm CT
- Future OMS Board meetings: May 16, June 12 (in person), June 13 (if necessary), July 18
- OMS Executive Committee meetings: May 30, July 2, August 1

MISO System Support Resources

OMS Board Meeting

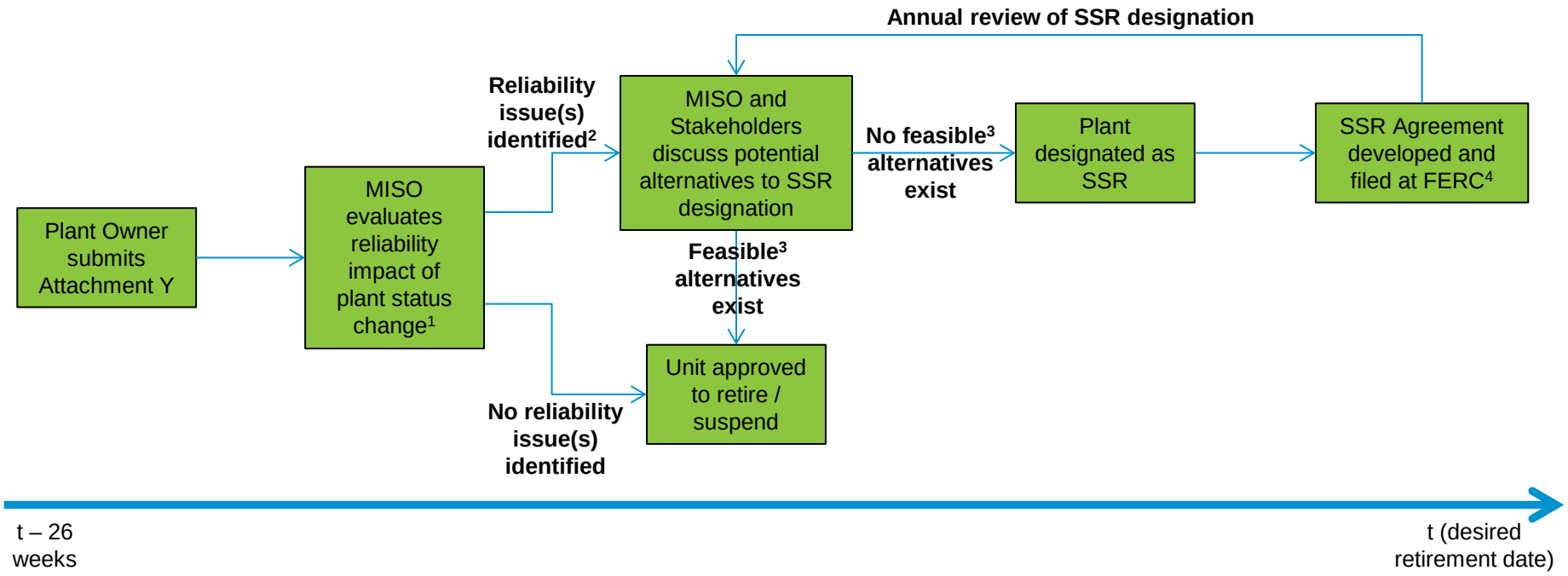
April 18, 2013

Background

- MISO expects EPA regulations to drive an increase in coal-fired generation retirements in the near-term.
- Long-term or permanent loss of a plant can negatively affect MISO's ability to operate the system reliably; therefore, MISO's tariff requires plant owners desiring to suspend or retire a generating unit to obtain approval before taking such action.
- The power plant owner's submission of an application - called Attachment Y - triggers MISO's review and analysis to determine if a System Support Resource (SSR) designation may be necessary.
- An SSR unit is one whose continued availability is required for MISO to operate the system within applicable reliability standards.
- Though tariff provisions have been in place since 2005, the first SSR Agreement wasn't put in place until June 2012, which was primarily precipitated by EPA rule compliance requirements.

SSR Process

A high-level view of the overall process is illustrated by the diagram below.



1 – At the conclusion of the analysis, the plant owner is given a 5 day period to decide if they want the results or if they will withdraw the request
2 – If the request remains active, and reliability issue(s) are found, MISO posts the existence of the reliability need on its OASIS.
3 – Feasible alternatives are those that mitigate the reliability issue AND can be implemented prior to the unit's change of status date.
4 – If agreement on terms cannot be reached, the SSR Agreement is filed unexecuted.

Questions

MISO Advisory Committee
Carmel, IN
April 24, 2013
10:00 am – 3:00 pm EPT
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: Market Enhancements		10:15
	Opening Remarks: Todd Ramey		
	5 Minute presentations per Sector, including any Minority Opinions as determined by the Sector following with debate- style exchange		
	a. Power Marketers		
	b. Munis/Coop/TDU		
	c. Eligible End Users		
	d. IPP		
	e. Public Consumer Advocates		
	f. Transmission Owners		
	g. OMS		
	h. Environmental		
	i. Coordinating Members		
3.	State Regulatory and OMS Update	Eric Callisto	11:50
4.	Capacity Auction Results	Kevin Larson	12:00
LUNCH			12:10
5.	Advisory Committee Items	Gary Mathis	1:10
	a. BOD Nominating Committee Representatives√		
	b. Review of AC Management Plan		
	c. August Hot Topic Discussion		
	d. May Meeting Discussion		
6.	Standing Committee/Other Stakeholder Committee Reports		
	a. Steering Committee√	Dennis Kramer	1:30
	b. RECB Task Force	Dan Kline	1:40
	c. Reliability Subcommittee Update	Tony Jankowski	1:50
	d. Planning Advisory Committee Update	Bob McKee	2:00
	e. Market Subcommittee Update	Bill SeDoris	2:10
	f. Stakeholder Governance Working Group Update	Bill SeDoris	2:20
	g. Transmission Owners Update*	Dennis Kramer	2:40

√ Denotes Potential Voting Item

* Denotes Report is Oral

7.	New Business	All	2:50
8.	Recap – Issues/Assignments	Alison Lane	3:00

Rotating Agenda Team May: Kavita Mani
Nancy Campbell
Eric Callisto

√ Denotes Potential Voting Item

* Denotes Report is Oral

MISO Advisory Committee
April 24, 2013
Hot Topic: Market Enhancement Priorities
Organization of MISO States (OMS) Response
for the State Regulatory Authorities Sector

The Organization of MISO States (OMS) appreciates this opportunity to comment on Market Enhancement Priorities. The OMS supports MISO's initiative to seek input from stakeholders to establish market enhancement priorities and bring additional value to its participants, serve the public interest and deliver reliable, efficient and reasonably priced electricity services to ratepayers.

1. **Given MISO's current market design what are the primary areas that affect the business objectives in your sector and where should MISO place the most attention and focus?**

   The members of OMS regulate various aspects of many of the members of MISO. Therefore, the OMS business objectives are regulatory in nature with the ultimate focus on safe and reliable electric service at just and reasonable rates. The OMS notes that if MISO gives more attention to Market Participants' business objectives, it should be to consider them, and not just defer to them, as part of the stakeholder process towards market improvement.

   The primary market design areas that are important to OMS are those areas that have the most impact on electricity consumers and the utilities regulated by OMS members. OMS wants MISO to continue to focus its market enhancement improvements on and give priority to: (1) Seams issues, which span across many market, planning and operations areas; plus, (2) the Entergy Integration.

   OMS believes that seams issues between MISO and neighboring entities such as PJM, SPP, and other transmission providers in both market and non-market areas are very important. OMS recognizes the continued work effort that MISO has made to address seams issues, which we believe to be important given the number of seams that MISO has and the impact these issues have on the stakeholder body and ultimately, consumers. Some of the seams issues that are a priority to OMS, and that OMS would like to see continued work on, include: (1) Interchange Optimization, (2) improved Flowgate modeling to improve Market-to-Market (M2M) coordination and (3) outage scheduling coordination. Eventually OMS would like to see coordinated interregional RTO dispatch (joint dispatch) become a much higher priority for all RTOs, including MISO.

   First, OMS is asking MISO to increase efforts to implement Interchange Optimization between MISO and PJM. Interchange Optimization is a means to ensure that energy flows across seams will make the most sense economically. OMS notes that Coordinated Transaction Scheduling (CTS), a similar initiative with the same goal was approved for

implementation by PJM and NYISO in 2012 and is scheduled for live operation in 2014. One of the most significant benefits expected from Interchange Optimization is the improved efficiency of the overall dispatch of generation across the combined MISO and PJM footprint. Additionally, optimizing interchanges between MISO and PJM in the near term could establish a road map for similar coordination with others in the future, such as between MISO and SPP.

Second, OMS wants to see effort to further improve the modeling of Flowgates on and near the seams. Improved flowgate modeling will enhance the ability of the RTOs to utilize the M2M process to manage congestion more efficiently. Managing congestion is one of the most important values provided by RTOs because of the added cost effects of congestion on energy customers.

Additionally, more accurate Flowgate modeling should contribute to improving Financial Transmission Rights (FTRs) by minimizing underfunding on both sides of the MISO and PJM seam, since Real Time (RT) constraints on M2M Flowgates have a negative impact on FTR funding.

OMS would also like to recognize MISO's review of the Firm Flow Entitlements (FFE) Allocation Methodology in 2012. However, OMS encourages MISO to initiate additional review through stakeholder discussions on the current rules governing the provisions for the use and sharing of allocations under various circumstances, for example, when the asset owner is not utilizing the maximum capacity of their allocation. OMS believes that discussion is merited because it is possible that these longstanding practices could be improved upon.

Third, improved transmission and generation outage scheduling coordination between all entities along MISO's seams is necessary. This is because generation outages affect congestion, commitment, and dispatch on both sides of the seam. Therefore, improved coordination can minimize the compounding effects of multiple outages on congestion, commitments, and the corresponding reliability and economic effects on markets. This effort is made even more important due to the timeline for compliance with EPA regulations. In order to comply with the established compliance timeline, an increased number of generation unit retirements are expected in the near term future, as well as an increase in scheduled generation outages as units are retrofitted to be brought up to compliance. These factors are in addition to outages for regularly scheduled maintenance and nonscheduled forced outages. Therefore, a lack of coordination could increase costs to ratepayers and result in significant temporary local reliability issues over the next few years.

While this topic is being addressed in the Joint and Common Market (JCM) initiative between MISO and PJM, it is yet to be completed and implemented. Additionally, similar coordination is needed along all of MISO's seams, such as between MISO and SPP and other transmission providers in both market and non-market areas that neighbor MISO.

With the recent addition of new MISO members, OMS has also added new membership. The new member commissions have regulatory oversight of Entergy, which makes the integration a business objective for the State Regulatory Authorities Sector. Additionally, an

integration of this magnitude will alter the mix of the MISO generation portfolio and will undoubtedly have an impact on current processes.

For example: in anticipation of the Entergy integration, MISO has proposed supplemental rules for Auction Revenue Rights (ARRs) in the FTR process, and procurement of capacity for resource adequacy. While these are interim changes to accommodate the time line of the "live" date for Entergy and other new members in December 2013, there will likely be other processes that need attention, such as MISO's transmission planning process and the implementation of financial trading in the newly added southern region. OMS supports MISO's initiative to continue identifying process changes and business practices that may need attention and alteration for the successful integration of Entergy. We also encourage as much coordination and education with the new members and their respective governing regulatory authorities to promote as seamless of a transition as possible.

2. **Prioritize MISO market enhancements MISO into 2014 and beyond? Consider the following categories:**

- **Market Participation such as further enabling of Demand Response Resource, Combined Cycle Generation and Energy Storage Resources**
- **MISO Process Efficiency Improvements (i.e. Asset registration, MECT tool, other manual processes)**
- **Generation Commitment and Dispatch**
- **Seams Management**
- **Pricing Signals and Cost Allocation**
- **Financial Instruments such as Virtual Bids and Offers, Financial Transmission Rights and Auction Revenue Rights**
- **Resource Adequacy Construct**
- **Other areas not listed**

OMS interprets this question to ask which categories are most in need of attention versus those that are less urgent, though still important. OMS is not a market participant, and the process complexity of many of the enhancements makes it difficult to make an economic comparison, so our priorities are grouped into these areas:

Needs most attention

OMS puts **Seams Management** at the top of the list both because of its complexity and because it is arguably the most difficult to accomplish. Revisions to Joint Operating Agreements (JOA), Market-to-Market processes, market to non-market processes, energy transfers and capacity transfers all operate under the provisions of differing rules and in some cases different state and international jurisdictions sharing the seam. With the stated goal of greater operational efficiency, it is reasonable to strive for the same market principles across borders as within them. Existing inefficiencies that raise rates to

electricity consumers without corresponding benefit should be addressed first to maximize benefits to ratepayers. A reasonable goal is that the borders between MISO and other RTOs and non-RTO areas should be virtually invisible to best allow for beneficial transactions across seams.

The OMS commented on seams issues for the August 16, 2012, Hot Topic.[1] What OMS noted then is still important and urgent.

> While a minority of utilities and market participants within the MISO Region are physically situated on or near a seam with another RTO, these issues and their impacts are not necessarily limited to these entities. Operational issues, interregional planning and market issues can have an impact to all stakeholders, including concerns about unit dispatch, transmission rights and reservations, cost allocation of transmission upgrades, the potential for changes to capacity prices and the potential for changes to Locational Marginal Prices.

In addition, in its comments on the August 17, 2011, Hot Topic on the IMM role regarding seams issues, OMS stated that taking action in these areas should facilitate transactions across RTO areas, resulting in a lower overall cost of dispatch and enhance efficiency in MISO. These actions would serve to make the markets more coordinated. The OMS realizes that MISO cannot make these changes alone, and that other RTOs would need to be actively and willingly involved.

Regarding **Generation Commitment and Dispatch**, and **Price Signals and Cost Allocation** MISO should continue consider work on Extended Locational Marginal Price (ELMP), Ramp Capability Enhancement and Look Ahead Dispatch as high priorities to make the commitment and dispatch more economically efficient to the extent that it provides quantifiable benefits of reliability and cost to ratepayers.

Also important are improvements in market design that minimize separate out-of-market charges, or uplifts, by including them in the market price. This should continue to be high priority when the uplifts are significant, such as high RSG charges. Such uplifts distort the market price, and therefore distort the market signal that the prices are designed to provide, making the market less efficient.[2] This is similar to other markets that charge additional fees after the buyer agrees to pay a market price. OMS would rather see MISO explore ways in which the uplifted costs could instead be incorporated into the market price of the product or service provided by MISO. MISO's development of ELMP is a good example of such an improvement. OMS encourages MISO to follow though in ELMP testing and parallel settlements for a smooth implementation in 2014.

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[1] OMS Hot Topic comments responses to MISO at http://www.misostates.org/index.php/filings-a-comments-2/oms-hot-topic-responses-to-miso

[2] The uplift charge also negatively impacts parties that are forced to pay a pro-rata share of the uplift, as they are effectively paying a subsidy for a service that they may not be using. Such an outcome is not consistent with basic cost allocation principals, where the beneficiaries of a service or product should pay for that service or product.

OMS would also encourage MISO to continue to assist market participants' efforts to establish a Trading Hub or Hubs, in the southern region. The most accurate identification of a liquid trading location is significant because it will provide transparency, efficiency, less volatility and a better convergence of prices.

Needs some attention, less urgent

Market Participation is a lower priority for OMS. Increased market participation should be judged by prices paid by energy consumers.

Regarding **Financial Instruments**, MISO should continue to strive toward fully funding FTRs, but not by uplifting any FTR revenue shortfall to customers. As explained in the response to question 6, OMS does see merit in a financial instrument to hedge real-time congestion.

The changing resource mix in MISO and **Resource Adequacy** continues to need further refinements with resource qualification that defines what resources qualify and how many MWs qualify for those resources under MISO's planning reserves rules (Module E of the tariff) to meet resource adequacy requirements. This is important to states where MISO's qualification criteria change how resources economically compare to each other, and therefore affects state resource planning responsibilities. MISO's continuing assessment of future resource availability and adequacy with stakeholders continues to be important to OMS to help provide assistance to the states to ensure resource adequacy over the next five years.

Not applicable

OMS has no opinion on **MISO Process Efficiency Improvements** because OMS members are not market participants and do not use the processes. OMS understands the question to refer to MISO processes that market participants use and not the MISO stakeholder process. The OMS has commented on MISO's stakeholder process in prior Hot Topic discussions.

3. Why are your sector's priorities the right ones for MISO? What types of industry, environmental, regulatory policy or other drivers does you sector consider the most important in the near and long term?

OMS interprets the first half of this question to be asking what weight should be given to what each sector has to say.

MISO should take into consideration the priorities of all sectors in its decision-making process with an emphasis on priorities where competition and efficiency work best for

ratepayers and market participants. In the MISO stakeholder process, OMS is the State Regulatory Authorities Sector. This sector is unique in that this group of stakeholders is one of few that do not have a profit motive or special interest objective. Instead, the members of OMS are responsible for protecting consumers from unjust and unreasonable rates, while assuring safe and adequate service. Reliability is also important in this balance of responsibilities. In addition, as stated above, the members of OMS regulate many of the members of MISO in its other sectors.

The regulators in OMS must balance many national, regional, and state factors, drivers, and policies, taking into account the priorities of multiple sectors. As OMS recently explained:

> As reflected in Order 1000, and unlike any of the other stakeholder groups, the objective function for OMS and the state commissions is safeguarding the public interest. State commissions have responsibility under state and federal law for issues such as resource adequacy, infrastructure planning and siting, and retail ratemaking, among many others. To accomplish these goals, state commissions balance many interests, including those of utilities operating within their states and their customers, consumer advocates, environmental protection groups, industrial groups, generation owners, and other interested parties.[3]

OMS interprets the second half of this question to ask which drivers should be the most important to MISO. From the OMS perspective, the drivers that should be the most important to MISO (and also to OMS) in the near and long term are those provided by state statutes and rules:

- Ensuring safe, adequate, and reliable electric service at just and reasonable rates to all customers through the combination of the competitive power markets and regulatory actions
- Promoting fairness through information transparency with all participants, including utilities, ratepayers, and the public
- Setting quality standards for utility services and ensuring that the standards are met
- Ensuring utility services are provided in an efficient and environmentally responsible manner
- Protecting the near term and long term interests of ratepayers and utility investors

[3] "Comments and Motion for Leave to Answer and Answer of the Organization of MISO States", filed on March 20, 2013 in FERC Dockets ER13-708 and ER13-708-001
http://elibrary.ferc.gov/idmws/common/opennat.asp?fileID=13210121 at page 3

4. Where does your sector place market enhancements priorities in comparison to other MISO efforts? (i.e. Transmission Planning, Power Restoration, etc.)

The members of OMS are responsible for acting in the public interest, both in their jurisdictional authority and in the MISO stakeholder process. As a non-profit public utility with broad regional scope, MISO's ultimate priority should also be to act in the public interest. From a public interest perspective, priorities must be balanced and based on objective analysis. It is important to educate stakeholders and provide them with the necessary data and analysis to allow them to rank priorities for MISO efforts accordingly. Along those lines, OMS has some suggestions for improving the prioritization process. Please see the OMS response to question #5.

OMS has been on record in support of the following guiding principles: operational excellence, demonstrable benefits, cost control, commitment to resource adequacy, coordination with neighbors, openness, and support for the regional state committee concept.[4] Therefore, OMS believes that there are many efforts and issues that are valuable and important to prioritize. Market enhancements are just one group among many of these important efforts. In regards to market enhancements, OMS would like to see MISO focus on efforts that would utilize market mechanisms to improve service and lower costs for consumers.

When prioritizing efforts, OMS urges MISO to consider the fundamental principles that OMS supports. In addition to the OMS principles, MISO should also make reliability, efficiency, and enabling market participation the cornerstones for its prioritizing efforts.

As far as other OMS priorities, both transmission planning and cost allocation are perennially important efforts that receive great attention from OMS because they directly relate to the cost paid by consumers for delivered energy.

An effort that OMS believes is high priority is the Order 1000 regional and interregional compliance efforts. Part of the Order 1000 requirements includes working out the details of the OMS governance and authority enhancement issue. OMS believes that this enhanced authority is absolutely vital to allow regulators to help guide and implement the MISO resource adequacy, transmission planning and cost allocation processes. This needed enhanced authority should be implemented in an efficient manner with OMS and MISO working together to finalize the details.

An additional aspect of the Order 1000 requirements that OMS believes is very important is interregional coordination. OMS believes that it is vital for MISO to work with its seams partners to develop efficient coordination agreements (JOA's or CMP's where appropriate) and also to develop interregional planning processes that will allow for the identification,

[4] OMS comments in October 2012 AC Hot Topic, MISO Membership. See OMS Hot Topics to MISO at http://www.misostates.org/index.php/filings-a-comments-2/oms-hot-topic-responses-to-miso

approval, and construction of transmission between regions that is both needed and cost effective.

MISO's continued assessment of future resource adequacy continues to be important and a high priority to OMS to help us to ensure that there are adequate resources to meet load needs and reserve requirements in the coming years. OMS commented on this for the February 20, 2013, Hot Topic:

> Line siting, retail rate recovery of costs, reliability, just and reasonable retail rates, the stock of resources that make up the capacity of the MISO footprint, and generation and transmission siting are typically in the legal purview of the states. So an RTO's objectives will always be subject to the resource mix that exists due to state utility and regulatory decisions.

The OMS therefore urges MISO to put a high priority on assessing the projected changing resource mix, the associated required transmission, coordination of natural gas and electric industry scheduling, and the ability of MISO's maintenance margins to accommodate resource retrofits due to the latest EPA environmental standards and other factors.

Finally, OMS deems MISOs effort in protection of critical assets a high priority. We recognize the necessity of cybersecurity and compliance with NERC Critical Infrastructure Protection (CIP) Standards for the Bulk Electric System (BES). Regulatory authorities have the ability to inquire into their jurisdictional utilities' efforts in cybersecurity preparedness, mitigation, and resiliency. OMS encourages all entities responsible for CIP compliance to move forward with their own plans to protect critical infrastructure and to collaborate with one another. This would include the efforts of the RTOs in their planning and progress to secure critical assets.

5. What methodology should be used to prioritize market improvements? What is your assessment of MISO's current market enhancement prioritization process?

With about six years of market experience, the current prioritization process has been adequate. For items that have not been initiated and prioritized by FERC or NERC, the prioritization has been conducted by explaining a list of items, and ranking the list via averaged stakeholder votes. This is an open, democratic process, but the volume and complexity of items can limit the total value of the outcome. It also puts some stakeholders at a disadvantage because they are not equal in the ability to know the content of the choices and evaluate the possible value of the outcome. Individual stakeholders will compete for ranking the improvements based on the outcomes that best fit their specific business model.

One suggestion is to use a more forum-like style for the purpose of collecting and resolving the issues and priorities. The first step could be a group prioritization in which projects

would be clustered in order of importance, such as a straw poll. Then more metrics could be added, such as: necessity requirements (FERC, NERC, etc.), internal resources (existing labor pool), external resources (contractors, vendors, new equipment), costs and potential benefits (efficiencies, annual cash flows), time frame of commitment, and risk of outcome on target. This would expand the ranking process to include the very real business boundary conditions such as budgets, rates, performance, and other standards of performance.

Another suggestion is for MISO to give priority to market improvements based on market design guiding principles. OMS understands that MISO intends to develop the principles with consultant and stakeholder input later in 2013, and welcomes the opportunity for further input. The principles can then be used to identify enhancements that are cost effective and best move towards those principles. Perhaps MISO should consider establishing the guiding principles sooner.

Another suggestion is to prioritize based on enhancements that most improve MISO's Value Proposition. MISO can prioritize market improvements based on those that provide the most improvement in benefits for the least cost.

As new enhancements are identified, existing work should be reviewed for modifications as the work continues. The new work may be incorporated into the existing process with appropriate analysis of value of reconfiguration at that point in time. In addition, there should be sufficient flexibility to change priorities in the future as conditions change.

Regardless of the methodology used, it is critically important that it be stakeholder inclusive and transparent.

6. How would you define a "complete" market? What elements are missing in the current MISO market?

MISO's major market improvement projects are already well underway, such as ELMP, Ramp Capability Enhancement, and Look Ahead Dispatch. Those initiatives will go a long way towards making MISO's markets more complete. Based on experience so far, however, MISO's markets will continue to require constant attention and further changes as new problems and opportunities for improvement are discovered. Perhaps, MISO's markets will never in a literal sense be complete.

From the viewpoint of OMS, however, one does not have to make a market product out of every service for a market to be complete. Market mechanisms should be pursued where they best meet the needs of electricity consumers and regulatory measures should be pursued where they best meet the needs of electricity consumers.

OMS interprets this question to be asking where MISO should draw the line on the diminishing returns of market improvements given the cost to implement them. Here are

some examples. MISO's Schedule 2, Reactive Supply and Voltage Control, for example, is not a market-based service, and for the time being, likely does not need to be because of the complexity of determining what the need for it is under changing conditions (especially when most needed) to construct a "demand curve" and co-optimizing the bids and offers with MISO's other energy and operating reserves markets.

OMS does see merit in a financial instrument to hedge real time congestion. The creation of a Real-Time (RT) market product, similar to an FTR in the Day-Ahead (DA), could help improve the ability to hedge congestion of RT Locational Marginal Prices (LMPs), provide better convergence of pricing and congestion between DA and RT, and therefor provide a more complete means to hedge total congestion.

The purpose of an FTR is to fully protect a participant against paying congestion charges between locations and therefore the FTR acts as a hedge against the charges, but only for DA, and does not protect participants from congestion charges in the RT Markets. Thus, one cannot fully hedge congestion costs with the current MISO market products. OMS has observed that in MISOs Market Fundamentals training (Foundational Overview of MISO and MISO Markets), MISO highlights that LMP is a component of FTRs and, as such, may be interpreted that FTRs as a response to LMP, can fully hedge congestion charges associated with the differences in LMP between the generation and load. The addition of a RT product will would help improve the ability to hedge congestion and therefore come closer to meeting that ideal.

MISO's Resource Adequacy construct does not need to be market-based for procurement because of the problems inherent with using it for long-term procurement, the problem of changing to a variable planning reserve margin and the companion issue of whether or not to continue using the Loss of Load Expectation of one day in ten years as a resource adequacy requirement.

OMS anticipates that other sectors will urge MISO to further revise its resource adequacy construct to use a sloped demand curve in the annual capacity auction to set prices. The MISO Independent Market Monitor has urged MISO to make such a change. OMS does not see merit in changing MISO's resource adequacy construct to include a sloped demand curve to set prices without first thoroughly examining the implications and the consequences. The use of a sloped demand curve in a capacity auction would require MISO to change from its current fixed Planning Reserve Requirement (PRM) to a variable planning reserve requirement. The sloped demand curve causes both the capacity price and capacity requirement to be dependent on where the demand curve (an administratively created curve) and supply curve cross, as typical design uses the intersection to determine both the price and the reserve requirement as an outcome of the auction. This means that some of the time the requirement will be less than the LOLE-based Planning Reserve Margin (PRM) requirement, and MISO will fail to meet the one-in-ten LOLE criteria. In other RTOs this is addressed by adding an over procurement bias into the curves so that the auction clears the market at or above the LOLE target almost all of the time. The

uncertainty of a variable requirement and the over procurement bias is a significant problem for the LSE utilities in MISO that have procured in advance adequate reserves to meet the fixed LOLE target, because after an auction clears, the resulting price and requirement would likely result in the LSE having to purchase additional reserves, increasing cost to ratepayers above that deemed adequate by MISO's LOLE Study. This uncertainty applies to nearly all of the LSEs in MISO. To talk about resource adequacy changes that include a sloped demand curve, MISO must therefore also address with stakeholders to what extent it should continue to rely on the requirements of its detailed LOLE Study and if the strict one-in-ten criteria threshold for planning reserves should continue to be followed in MISO and the rules of the NERC Reliability Entities that govern MISO's footprint.[5]

[5] ReliablityFirst requires the use of LOLE criteria. See http://www.nerc.com/files/BAL-502-RFC-02.pdf

3/20/13 PAC Summary

- **Upcoming feedback deadlines:**
  - Project Status Update (4/3)
  - System Support Resource (4/3)
  - Top Down Regional Planning Proposal (4/3)
  - MTEP 13 Futures Survey for weights (4/1)
- **What to expect at upcoming Planning meetings:**
  - April 17th PAC:
    - Possible final discussion/vote on BPM language for: OOC, Project Status Update, and SSR
    - MTEP 13 progress update
    - Results for sector weights of MTEP 13 futures

- **Motion on Market Participant Funded upgrade BPM language:**
  - Per a discussion from the February PAC about the inclusion of last minutes edits to the BPM language by Exelon and whether it was ok to include in the BPM or needs Tariff edits, MISO legal presented their view. MISO legal stated that BPM language is intended to provide additional information already set forth in the Tariff and Exelon's comments are not included in the Tariff yet. So, it was decided that further discussion of Exelon's comments could be pursued (which was supported by many sectors) at future meetings, if Exelon were to bring the topic up at future meetings. However, the BPM language as it stands to date should move forward, realizing there could be amendments later. The motion to approve this BPM language was moved (by the TOs), seconded (Environmental Sector), and passed with 5 (yes) and 3 (abstain). Given the discussion at the meeting and the issue at hand, OMS abstained.[1]

- **MTEP 13 Update:**
  - MISO gave an MTEP 13 EGEAS update, describing the resulting calculations for RPS and retirements for MTEP 13. In particular, MISO identified that under the BAU future 13% - 14% of the energy comes from renewable sources for 2025, while only ~15% is from renewables for the Environmental future. For the Generation Shift future, MISO identified an additional 800 MW of retirement (gas and oil), bringing that value up to 20.9 GW from 20.1 GW that would retire. Please refer to the slides for more information.
    - MTEP 13 Futures Survey Due: 4/1

- **Top Down Regional Planning:**
  - MISO provided an overview of their Top Down Regional Planning process. They walked through the generic 7-Step process, saying that this process will be customized for each planning activity (i.e., portfolio, economic, and reliability planning). They also presented an overview of intended timelines for each of the planning activities. In short, MVPs will occur on 3-year cycles, while reliability and economic planning will occur annually. There was a lot of discussion and red flags were raised about market efficiency projects (MEP) and if they can be approved as a portfolio or only as individual projects (MISO states they can if their portfolio planning process results in a portfolio of MEPs, however there is confusion over whether or not Attachment FF currently states this). So, MISO has homework to come back to the next PAC and discuss this further with stakeholders. Please see the meeting materials for more details about this proposed planning process.

[1] Note that MISO said there are currently 5 – 6 market participants currently waiting for this process to be approved so they can move forward on their projects.

Prepared by J Govindan

3/26/2013

- Feedback Due: 4/3

- **Out of Cycle Review BPM language:**
  - Please refer to the January and February PAC summaries for details about the proposal. MISO rearranged the sections within the BPM language and added more specifics since the last PAC meeting. They included more specific criteria for what can make a project eligible for OOC review (only BRP, address a need identified after project submittal cutoff date of prior MTEP cycle, address one of three listed needs, AND required need date of three years with in-service date within four years). MISO also provided more information on key steps within the stakeholder review process. MISO hopes to have a final draft OOC BPM ready for PAC approval at the April PAC meeting.

- **Project Status Update BPM language:**
  - MISO discussed the updated project status proposal, which would incorporate a milestone approach to requiring certain eligible transmission projects to provide more detailed information at certain times of a project's pre-in-service life cycle. Note that this milestone approach would establish a mandatory requirement for certain projects to provide detailed information, but does not require updated information at each normal quarterly update. MISO's current quarterly update process for all projects is voluntary and will continue as such. MISO incorporated a lot of stakeholder comments (including OMS RPWG edits) in this 2nd round of discussion on the proposed BPM language, which helped to further clarify their intended process. MISO is however asking for a short turnaround for completion of this BPM language and hopes to have final BPM language available for the April PSC and PAC meetings.
    - Feedback Due: 4/3

- **System Support Resource Discussion:**
  - MISO continues to tweak their cost allocation proposal method for SSR agreements. The latest changes include changing the region affected from the pricing zone to the local balancing authority (LBA). They also changed how an Load Service Entity's share of the costs are calculated from a 12 CP load ratio share basis to the actual energy withdrawn on a monthly basis at specific commercial pricing nodes within an LBA. This would be more in line with the market settlement process. One stakeholder asked about what happens when two neighboring RTO LBAs are impacted, how would costs be shared? MISO responded saying that this approach only applies to MISO because interregional SSR agreements haven't been discussed yet. So, even if a MISO unit retires, which impacts a PJM LBA, PJM is on their own and the unit can retire with no SSR, unless it shows reliability impact to the MISO system. MISO hopes to finalize this BPM language and present at the April PAC meeting for possible sector support.
    - Feedback Due: 4/3

- **Order 1000 Interregional Planning Update:**
    - **3/21/13: FERC ruling on regional compliance filing. MISO's compliance filing partially complies. MISO has 120 days from the date of the Order to make the requested changes.**
  - *MISO – MAPP* → reached an agreement on model and data exchange; following close to what MISO has done with SPP and PJM, with difference being issues review will occur biennially rather than annually. Expecting to file earlier than July 2013.
  - *MISO – SPP* → There might not be agreement on everything, however they will file at least what has been agreed to (interregional planning processes and cost sharing for 345kV and above MEPs). Still reviewing the drafted JOA language. Expecting to file mid-May 2013.

- *MISO – PJM* → MISO and PJM TOs agree to justify existing cross-border cost allocation methods as Order 1000 compliant. They continue to discuss the redline edits within the JOA for other compliance issues (i.e., defining role of IPSAC). Expecting to file end of April 2013.
- *MISO – SERTP* → MISO and SERTP have begun discussing the preliminary proposal to meet interregional compliance requirements. This proposal may be similar to the MISO-MAPP agreement. First joint workshop scheduled for April 18th.

- **Additional Topics –** please refer to the PAC meeting materials for more information on the following:
  - Other Transmission Planning BPM motions were discussed for four topics all of which were previously discussed at the February Planning Subcommittee and voted without dissent by stakeholders at the PSC. The PAC sectors voted 7 (yes) – 1 (abstain) to approve all of the motions. OMS voted yes.
  - EPA Survey Update: 2013 Q1 survey results: 9.9 GW determined they need a 1-year extension from their state to comply with the Mercury and Air Toxins Standard.

For meeting materials, click here. **Next PAC meeting 4/17**

Prepared by J Govindan

3/26/2013

Topics Covered by April 17th PAC Motions

1. SSR Cost Allocation BPM Language

- **Overview:** MISO has presented the PAC with proposed BPM language outlining their cost allocation approach for approved System Support Resources (SSR). In short, generators within MISO can request Attachment Y status, which basically tells MISO they need to shut down or suspend their generating units. MISO will run a reliability study to determine if the unit needs to remain online due to resulting reliability issues that cannot be mitigated by other alternatives at the time. If the unit is required to remain online, then MISO will negotiate an SSR agreement, and after FERC approval, the resulting SSR will be paid by MISO to operate until mitigations can be implemented. Resulting costs of keeping the unit online can be allocated to each Load Serving Entity (LSE) (e.g., DTE, retail choice, munis) in affected Local Balancing Authorities (LBA) (e.g., MECS) which requires the operation of the SSR unit to maintain reliability. MISO proposes to identify these LSE's using an optimal load shed methodology to determine the reliability impact to each MISO LBA. MISO will determine load shed amounts for each LBA and then further identify the impacted LSE's contributions to the reliability impact, using actual monthly energy withdrawal shares of LSEs within the LBA. This assigns costs of SSR to those who are requiring the unit to remain online for reliability.

- **WG comments/State Concerns**:
  - No WG comments. Initial state concerns (only one state) on an older proposed methodology of using 12 CP load ratio share, in place of actual energy withdrawals, which had some concerned about using historical peaks (12 CP), especially for retail choice areas (IL, MI). Also, initial concern over older method which allocated by TO pricing zone (e.g., ATC, ITC), instead of LBA. Staff has not heard of new/any additional concerns amongst the states.

- **Motion:**

"The Planning Advisory Committee (PAC) recommends that MISO adopt proposed updates to the Transmission Planning Business Practices Manual (BPM) reflecting language for System Support Resource Agreement Cost Allocation Methodology, as discussed in the April 17, 2013 PAC meeting."

2. Updated Out of Cycle Process BPM Language

- **Overview:** MISO's updated BPM language spells out the proposed update Out of Cycle process. In short, a project can be eligible for OOC review if it is a BRP/Other project type, addresses a need that falls after project submittal cutoff date, addresses a listed need (i.e., new load addition, regulatory mandate, etc.), and has required need date within 3 years and expected in-service date within 4 years of requesting OOC review. MISO will go through a stakeholder review process, which includes notifying stakeholders of the OOC review; presenting the request at the next PAC meeting following the request; using the Subregional Planning Meetings and Technical Task Force meetings for review of analysis while updating the PAC; submitting final review results 2-weeks prior to final PAC where MISO seeking endorsement. At this PAC, if either, PAC sectors vote unanimously to endorse the OOC project, or if any abstentions, then the OOC is *implicitly* approved at that time and included in the next MTEP Appendix A for BOD approval. If a PAC sector votes negatively to endorsement, then the OOC project goes to MISO BOD for *explicit* approval at next schedule BOD meeting. The overall OOC review should complete as soon as possible, but no longer than 6 months from receipt a valid OOC request. The OMS RPWG has submitted comments (see below), which were partially considered by MISO.

- **WG comments/State Concerns:**
  - Key staff involved in submitting edits/generally supportive of the comments sent to MISO, have mostly included staff from: *Michigan, Wisconsin, Missouri, Iowa, and Indiana. Illinois* also provided edits/suggestions, however they have stated in earlier comments that they support elimination of the OOC tariff provision all together. One of the major points of contention for most of the States was the

applicability of OOC review for cost shared projects. With FERC's removal of BRP regional cost sharing, this concern is mostly void at this point.

- The RPWG submitted three rounds of comments on this proposed OOC BPM language. We reiterated similar concerns each time, focusing primarily on the following:
  - **Requesting clear need driver definitions** → MISO did agree to incorporate more specific language about specific need drivers.
  - There shouldn't be a **difference between the need date and the expected in-service date** to qualify for OOC review → MISO is keeping in this distinction. Some Staff are still concerned with this fact, because we question why would a TO need an extra year to place a project in-service, when it's needed for reliability purposes a year earlier? Note: this two separate date criteria was first proposed by ATC.
  - MISO should **set a minimum time frame for OOC analysis, not a maximum time frame**. Staff has suggested a minimum of 4 – 6 months, depending on project characteristics. Currently, the Tariff and TOA have a 30-day maximum timeframe for analysis, unless longer review is agreed to between MISO and TO. → Staff still has concern over MISO's proposal to set a maximum time frame with no statement of "what happens if review takes longer than 6 months".
  - **All OOC projects should be submitted for MISO BOD review** → Some staff are still concerned that circumstances could arise where an OOC would not be brought to MISO BOD for explicit approval. However, MISO has at least incorporated language to state that if there is any vote against an OOC by a PAC sector, then the project will be brought to the MISO BOD for *explicit* approval, else it's *implicitly* approved at that time and included in the next MTEP Appendix A for BOD approval.
  - Out of Cycle projects that meet proposed criteria also need **enhanced reporting required for updates** → MISO didn't include this in this BPM language, however our concerns were considered within the Project Status Update BPM language.

- **Motion:**

"*The Planning Advisory Committee (PAC) recommends that MISO adopt proposed MTEP Out-of-Cycle project review process BPM and Attachment FF language as discussed in the April 17, 2013 PAC meeting.*"

3. Project Status Update BPM Language

- **Overview:** MISO's project status proposal BPM language incorporates a milestone approach into the current voluntary quarterly update requested by MISO. So, while a TO can still voluntarily submit updates on a quarterly basis (and is encouraged to if they have significant cost and schedule variances), this milestone approach establishes points in time when project status updates are required. MISO goes farther and states that certain projects would also require additional detailed information. MISO's approach is intended to capture points in time when there would likely be significant changes in status/cost, which should be reported. Under this approach, MISO is creating a total of five fixed milestones; four occur at key times of a project's pre-in-service life cycle, and a fifth occurs after final construction. The milestones occur at the following times: at the 3rd SPM when final planning costs are known or when an Out of Cycle request is submitted; quarter before MISO BOD approval of project (this is applicable to projects excluded from removing ROFR), else 30 days following transmission developer selection if project subject to ROFR removal; quarter before TO places first order of long lead materials; quarter before physical construction begins; and once project is complete. MISO has established a set of information criteria for all projects, and goes farther to establish additional information required if projects are greater than $50, regionally cost shared, and/or interregionally cost shared.
  - Also, MISO has asked for stakeholder support at the Planning Subcommittee meeting on 4/16, which will not require an OMS Sector vote as the vote it open to any stakeholder.

- **<u>WG comments/State Concerns</u>**:
    - Key staff involved in submitting edits/generally supportive of the comments sent to MISO, have mostly included staff from: *Michigan, Wisconsin, Missouri, Indiana, Minnesota, and Illinois.*
    - The RPWG submitted two rounds of comments on this proposed BPM language. The WG provided several redline edits to MISO's initial draft, which MISO incorporated most of it into the latest proposal, including suggestions for project status updates for Out of Cycle projects. Remaining concerns some staff have, include:
        - How **FERC's Order on MISO's compliance filing may impact the latest language**. Hopefully to be discussed at 4/16 PSC.
        - Inclusion of **reactive power cost estimate** within the information requested by MISO. (MO provided information on this to MISO)
        - More **stringent requirement for cost and schedule variances is needed**. Under the current proposal MISO only encourages TO's to submit reports if the variances are significant. RPWG staff supported putting it in the actual criteria for the eligible projects. → MISO has not moved from that proposal.
        - Incorporating more requirements that would provide enforcement to make sure that developers submit updates when costs and schedules change. The WG has suggested a **"backstop" milestone** that would capture a point in time when no other milestone has been reached for a calendar year. This would require a status update at least once a year to capture times when developers aren't required, or voluntarily submit a report. → MISO does not agree that this is needed. Suggesting instead that they will include criteria within the "information requirements of a report" that would ask for comments describing current variances and/or potential risk factors for variances.

- **<u>Motion:</u>**

"The Planning Advisory Committee (PAC) recommends that MISO adopt proposed updates to the Transmission Planning Business Practices Manual (BPM) reflecting language for approved transmission project status updates, as discussed in the April 17, 2013 PAC meeting."

143 FERC ¶ 61,008
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Jon Wellinghoff, Chairman;
Philip D. Moeller, John R. Norris,
Cheryl A. LaFleur, and Tony Clark.

Capacity Deliverability Across the Midwest Independent Transmission System Operator, Inc./PJM Interconnection, L.L.C. Seam — Docket No. AD12-16-000

ORDER DIRECTING PRESENTATIONS

(Issued April 2, 2013)

1. On June 11, 2012, the Commission issued a Notice of Request for Comments in this proceeding regarding whether existing rules on transfer capability act as barriers to the delivery of generation capacity between the markets administered by Midwest Independent Transmission System Operator, Inc. (MISO) and PJM Interconnection, L.L.C. (PJM) and to the extent that such barriers exist, whether those rules should be modified to mitigate such barriers.[1]

2. The Commission has received numerous comments in response to the notice. In addition, since issuance of the notice, MISO and PJM commenced Joint and Common Market Initiative stakeholder discussions and have held monthly meetings to discuss issues under the Joint and Common Market framework over the past six months, with the most recent meeting held on March 21, 2013.

3. We appreciate the time and effort put forth by MISO, PJM, the market monitors for MISO and PJM, the Organization of MISO States (OMS), the Organization of PJM States, Inc. (OPSI) and stakeholders to address seams issues between the MISO and PJM regions. So that the Commission may be better informed regarding the regional efforts, we direct MISO and PJM to make presentations to the Commission during an upcoming Commission Meeting on: (1) the progress of their efforts to address whether existing market rules and operating protocols concerning the transfer of capacity between MISO and PJM act as barriers to the delivery of generation capacity between those markets; (2) the status of any remaining barriers to the transfer of capacity between those markets;

[1] *Capacity Deliverability Across the Midwest Independent Transmission System Operator, Inc./PJM Interconnection, L.L.C. Seam*, 139 FERC ¶ 61,200 (2012).

and (3) the measures that the Commission should take to address any such barriers that may exist. We also invite OMS, OPSI, and the market monitors for MISO and PJM to make presentations at the same time. Commission staff is directed to contact MISO and PJM to schedule their presentations. Once the schedule is established, the Secretary will issue a notice.

The Commission orders:

(A) MISO and PJM are hereby directed to make presentations to the Commission, as discussed in the body of this order.

(B) OMS, OPSI, and the market monitors for MISO and PJM are invited to make presentations, as discussed in the body of this order.

By the Commission.

(S E A L)

Kimberly D. Bose,
Secretary.

Draft outline for OMS Presentation to FERC (as discussed and modified at 4/15 SSWG Call)
Docket AD12-16-000

With respect to capacity deliverability issues, MISO and PJM have shown that they can prioritize JCM issues, and capacity deliverability has not been determined to be a priority issue at this time. MISO and PJM must work more cooperatively than previously to actually address issues and concerns rather than endlessly repeating rhetoric and relying on delay, hoping for the tide of events to turn in their favor. Forum shopping and exploitation of RTO differences has no place in the provision of vital economic energy services to end use customers.

However, rhetoric and high-level analysis still appears to be the basis for proposals on capacity deliverability. State regulators (indeed any decision-maker) need more than just high level estimates of conditions and possibilities that only scratch the surface of truly analyzing the impacts of this issue. OMS believes that for any regulatory authority to make an informed policy decision with respect to capacity deliverability, a more in-depth review and collaborative Joint and Common Market analysis must be performed. The only way to fully understand the issues and potential solutions is to perform a more granular analysis. We may not all like the facts that we learn – but at least we are working from facts.

1. The current status of capacity deliverability as presented by MISO appears to only be addressing the technical feasibility of using a new concept: MISO's Network Integrated Transmission Service proposal.
2. Additional modeling studies and analysis should be jointly performed with collaborative input from both RTO's to better quantify the economic impacts of possible solutions.
    i. **Education.** JCM stakeholders need to fully understand how that the needed modeling and analyses will be performed.
    ii. **Design.** JCM stakeholders need to be a part of designing the inputs and assumptions used in any economic or technical analysis effort.
    iii. **Analysis.** JCM stakeholders need to fully understand the outcomes of this modeling and analysis to identify the impacts of any proposals on energy markets, RTO's, generator owners, TO's, state regulation, other stakeholders, and energy consumers.

Unifying different RTO structures and practices efficiently and economically, while maintaining reliability is likely to be a significant and time consuming effort. However, state regulators have observed that any process that engages involvement of regulators and other stakeholders early in the educational and study phases of an issue is likely to have much broader support at the time of implementation. A process that provides all parties with the requisite information and analyses to take well informed positions is necessary to advance vital coordination on all seams issues. State regulator involvement in this process is critical.

An issue frequently raised by JCM stakeholders (including those in PJM) is that many stakeholders have ranked capacity deliverability as a relatively low priority issue. On this (and indeed on many JCM issues) there is a bit of a "chicken and egg" problem. It is difficult to rank and prioritize an issue when there is little analysis and data on which to decide what priority to give something. In this outline, OMS is seeking a way to develop additional (and critical) information on which to consider this issue. The outline may appear to be an intensive way to gather data to assess the true importance of this issue; however, this may be the only way to truly put an end to this issue. If developed properly, the data should clarify how important this issue is (or isn't) for stakeholders in both RTOs.

To: OMS Board of Directors
From: Jessica Govindan, co-chair RPWG
Subject: OMS Request for Commission Clarification and Rehearing
Date: 4/16/2013

Re: OMS Board of Directors meeting 4/18/13
Business Agenda Item 7: Action item: Clarification/Rehearing of Order 1000 compliance

The Regional Planning and Transmission Cost Allocation Work Groups worked together to draft an OMS Request for Clarification and Rehearing document of FERC's Order on MISO's Order 1000 compliance filing. The filing deadline for this document is Monday, April 22, 2013.

The draft document asks FERC for **both Clarification and Rehearing** on specific issues. Note that asking for Rehearing would preserve OMS's rights for future litigation, should OMS so desired. While there were varying staff viewpoints on the need for clarification versus rehearing, the final draft is a single compromise OMS document that allows particular OMS members to either support a request for Clarification, or Rehearing based their thinking on specific issues. **The document is drafted so that states can sign on or sign off on any issue by including the OMS member name in a footnote or in the language.** The OMS Board however has the discretion to make a decision on the final document.

The document is broken down by the primary issues for which OMS members could seek input from FERC:

I) FERC's removal of MISO's proposed state ROFR exemption from MISO's developer selection process could lead to inefficient use of resources (i.e., competitively bidding for the developer, knowing in the end that it is still the incumbent developer that would be chosen by a ROFR state) and potential delay in transmission development (i.e., the developer selection process alone already adds an additional year from project approval).
   a. Some staff would suggest only seeking FERC clarification that FERC in fact considered these impacts when it made its ruling. Those that seek clarification also suggest that OMS can work with MISO to re-draft language that would effectively address both State ROFRs and concern about delaying the process.
   b. Other staff would suggest rehearing on this particular issue, in case FERC doesn't provide sufficient clarification.

II) FERC's removal of MISO's proposed state ROFR exemption from MISO's developer selection process is arbitrary and capricious, in that such removal would violate one of the core stated principles of Order No. 1000.
   a. Some staff would suggest that by requiring this removal, FERC is has violated Order 1000 and created a situation that could be viewed as allowing MISO's process to override state statutes. This section seeks rehearing only, asking FERC to reinstate the removed language in question.
   b. Note that there is no alternate viewpoint expressed in the language, however some staff do not fully agree with the need for rehearing on this section, suggesting instead that FERC does adequately acknowledge state rights and incorporates this into the March 22 Order, by requiring MISO to establish, within their process, a date by which state approvals to construct must be achieved and that this element might be considered as a strength MISO could consider when evaluating an incumbent.

III) The acceptance by FERC of MISO's vague proposal of allowing transference of selected developer bids to successors needs further clarification, or in the alternative, rehearing. The primary concern is that if a selected developer transfers a winning bid to a successor, nothing in MISO's proposal that states that successor must have met the same qualifications as the selected developer. FERC does suggest however, that if a selected developer's characteristics or qualifications change there is a chance for reevaluation and that this might be the path for wish successor concerns would be addressed.
   a. Some staff either supports clarification from FERC that any obligations of the selected developer be required for any successor, or in the alternative, rehearing to require MISO to refile its proposed tariff saying that this is the case. Staff provides possible suggested language for such a tariff change, if rehearing were granted.

b. Note that there is no alternate viewpoint expressed in the language, however there are some who would suggest that the language and ‘reevaluation backstop’ statement that FERC included are sufficient to address any concerns.

UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

Midwest Independent Transmission System Operator, Inc.	))	Docket Nos. ER13-187-000 ER13-187-001

REQUEST FOR CLARIFICATION AND REHEARING OF THE ORGANIZATION OF MISO STATES

Pursuant to Rule 713 of the Federal Energy Regulatory Commission's ("Commission") Rules of Practice and Procedure, 18 C.F.R. §385.713, the Organization of MISO States, Inc. ("OMS") hereby submits the following Request for Clarification and Rehearing of three issues arising from the Commission's Order on Compliance Filings and Tariff Revisions issued on March 22, 2013, in the above-captioned docket ("March 22 Order").[1] On December 10, 2012, the OMS filed an intervention and comments in this docket and therefore is a party to this case.

I. BACKGROUND

On October 25, 2012, the Midwest Independent Transmission System Operator, Inc. ("MISO") and a subset of the MISO transmission owners made a compliance filing pursuant to the directives contained in the Commission's Order Nos. 1000, 1000-A and 1000-B ("October 25 Filing").[2] Therein, MISO stated that, with the exception of a few aspects of transmission planning and the development of a competitive selection process due to the elimination of federal rights of first refusal for projects selected in the regional plan for the purposes of cost allocation, the current versions of MISO's tariff and the Transmission Owners Agreement were already

[1] *Midwest Independent Transmission Operator, Inc.* 142 FERC ¶ 61,215, (2013).
[2] *Transmission Planning and Cost Allocation by Transmission Owning and Operating Public Utilities*, Order No. 1000, 136 FERC ¶ 61,051 (2011), *order on reh'g*, Order No. 1000-A, 139 FERC ¶ 61,132, *order on reh'g and clarification*, Order No. 1000-B, 141 FERC ¶ 61,044 (2012).

largely compliant with the requirements of Order Nos. 1000, 1000-A, and 1000-B.[3] With respect to the process for projects subject to state right of first refusal statutes, MISO stated that it would respect all applicable state or local laws or regulations granting a right of first refusal ("ROFR") to an incumbent transmission owner. In such cases, MISO proposed to directly assign to the incumbent transmission owner any transmission project within the scope and in accordance with the terms of any applicable state or local laws or regulations granting such a right of first refusal, without conducting a competitive developer selection process.[4]

On December 10, 2012, the OMS filed a notice of intervention and comments in response to MISO's October 25 Filing. Herein, the OMS requests clarification and rehearing of the Commission's March 22 Order on three issues, as described below.

II. STATEMENT OF ISSUES FOR REHEARING

a. The removal of MISO's proposed state right of first refusal exemption from MISO's developer selection process would result in inefficient use of resources and potential delay in transmission development, contrary to FERC's stated goal in Order No. 1000 of more efficient regional transmission planning.

b. The Commission's requirement that MISO remove the proposed state right of first refusal exemption from its developer selection process is arbitrary and capricious, in that such removal would violate one of the core stated principles of Order No. 1000.

c. The terms and conditions for transference of selected developer bids to successors, including affiliates and subsidiaries, are unclear and require further definition.

III. DISCUSSION

a. The removal of MISO's proposed state right of first refusal exemption from MISO's developer selection process would result in inefficient use of resources and potential delay in transmission development, contrary to FERC's stated goal in Order No. 1000 of more efficient regional transmission planning.

[3] October 25 Filing, at 4-5.
[4] October 25 Filing, at 55.

In the October 25 Filing, MISO proposed adding a provision to Attachment FF of the MISO tariff that would recognize state or local right of first refusal statutes. MISO justified its proposal on the basis that it would be more efficient to recognize the impact of state or local right of first refusal statutes in the selection of a transmission developer through the MISO competitive developer selection process at the beginning of the process, rather than going through the selection process and have the selected developer not be eligible due to state or local statutes.[5]

The March 22 Order partially rejected MISO's proposal, based on the finding that MISO's inclusion of the state and local right of first refusal in the MISO tariff creates a federal right of first refusal.[6] The Commission directed MISO to remove MISO's proposed provision from its tariff stating that "Order 1000 does not permit a public utility transmission provider to add a federal right of first refusal for a new facility based on state law."[7]

However, the Commission also stated that it is "not necessarily impermissible [for MISO] to consider the effect of the state regulatory process at appropriate points in the regional transmission planning process."[8] The Commission stated that, in its competitive developer selection process, MISO may take into consideration "the particular strengths" of an incumbent transmission developer and that the incumbent transmission developer "is free to highlight such strengths" to support its bid.[9] The Commission also noted that Order No. 1000 requires MISO to "establish a date by which state approvals to construct must have been achieved that is tied to when construction must begin to timely meet the need that the project is selected to address" and

[5] October 25 Filing, at 50.
[6] March 22 Order, at P 205.
[7] March 22 Order, at P 205.
[8] March 22 Order, at P 206.
[9] March 22 Order, at P 206.

that this element might be a particular strength of the incumbent.[10] Finally, in Order No. 1000, the Commission acknowledged that, "there may be restrictions on the construction of transmission facilities by non-incumbent transmission providers" in states that have right of first refusal statutes, thus suggesting that the incumbent transmission owner may have "particular strengths" in such circumstances.[11]

Under MISO's developer selection proposal, the time involved to submit bids, evaluate all developers, and select the winning developer is roughly one year after the MISO Board of Directors has approved a transmission project. If, after that year, a developer were chosen and then rejected by the state, there could, in some cases, be potential delay in building the transmission project, as a second developer would have to be chosen. While the OMS acknowledges the Commission's attempt to consider state enacted right of first refusal laws within the developer selection process, as described in the cited passages above, the OMS is nonetheless concerned that by requiring MISO to remove the state right of first refusal language as MISO has filed it could ultimately lead to an inefficient use of MISO and non-incumbent developer resources and possibly delay needed transmission development if bids are submitted into the MISO process from developers that would ultimately be ineligible to develop the project due to state law. This possibility of unnecessary delay and possible inefficiency would conflict with a primary goal of Order No. 1000, which as discussed in Commissioner Clark's dissent to the March 22 Order, is "to speed along the development of needed electric transmission projects in an efficient manner."

In light of the discussion above, the OMS requests further clarification, specifically about whether the Commission has considered the resulting impact on resources and potential delay in

[10] March 22 Order, at P 207.
[11] Order No. 1000, at P 287.

transmission development of requiring the removal of MISO's proposed automatic state right of first refusal exemption from MISO's competitive developer selection process. Further clarification would provide needed information to MISO and the states to reach balance between MISO's planning process and state autonomy when moving into this new competitive bidding process for selecting the best transmission developer to meet identified transmission needs.

The OMS also asks the Commission to clarify the intent of the language in Order Paragraph 206: "…it is not necessarily impermissible [for MISO] to consider the effect of the state regulatory process at appropriate points in the regional transmission planning process."[12] Because of the opaqueness of this language, it is unclear when the "consideration" is to occur. The language could suggest that MISO is free to establish a process in which the effect of a state or local right of first refusal could be considered well before the MISO developer selection process even begins, i.e., after a transmission project is approved in MTEP, but before MISO submits the related request for proposal. Following this interpretation further, MISO could propose to handle state and local right of first refusal statutes as a possible exemption to Order 1000's right of first refusal elimination requirement, similar to MISO's proposed exemption for Baseline Reliability Projects or upgrades to the existing systems. If this is allowable under the Commission's rulings, the Commission should so clarify the language of Order Paragraph 206.

To the extent that the Commission fails to provide sufficient clarification, the OMS in the alternative requests rehearing. Specifically, the Commission should reconsider and rehear the impact of requiring the removal of the state right of first refusal section from MISO's proposal on (1) resources of all involved in the developer selection process (including MISO, state and local commissions and agencies, the developers themselves, and other interested stakeholders),

[12] March 22 Order, at P 206.

(2) delaying necessary transmission development, as it is contrary to the Commission's stated goal in Order No. 1000 of more efficient regional transmission planning.

b. The Commission's requirement that MISO remove the proposed state right of first refusal exemption from its developer selection process is arbitrary and capricious, in that such removal would violate one of the core stated principles of Order No. 1000.[13]

The OMS requests clarification and rehearing of the Commission's decision regarding removal of the state right of first refusal exemption from MISO's developer selection process. The Commission must recognize both the existence of state right of first refusal statutes and that the Commission cannot over-ride such state statutes. The OMS does not consider the recognition of states' jurisdiction in this area to be the establishment of a federal right of first refusal as FERC contends. The Commission's decisions regarding these proposals leave unclear how MISO will administer its regional transmission planning process while respecting state laws that limit eligibility to construct transmission facilities within the state. While the Commission's stated goal is to encourage more efficient and cost-effective transmission planning through development of a non-discriminatory, participatory transmission planning process for incumbent and non-incumbent providers, it remains unclear, given the Commission's rejection of these aspects of MISO's proposal, how the MISO Board's selection can be made in a manner that does not abridge state law or state autonomy as asserted in state-enacted right of first refusal laws.

The Commission's holding effectively places an RTO Board's selection of a developer for a regional transmission project potentially in direct conflict with a state's authority to autonomously regulate its public utilities, which will likely lead to increased litigation between developers selected by the RTO and incumbents asserting state-granted rights to construct projects. Such an outcome can hardly be squared with Order No. 1000's express and repeated

[13] The Michigan Public Service Commission does not join in this section.

focus on "more efficient and cost-effective" transmission development. Thus, the Commission's rejection of these proposals represents a substantial departure from the policy articulated in Order No. 1000, and is arbitrary and capricious.

By rejecting MISO's proposals, the Commission is requiring a process in which the RTO is allowed to trespass upon state regulatory authority to certify developers, a right preserved in § 201(a) of the FPA, by selecting a developer that is not eligible under state or local laws. Nowhere in the FPA, other than in limited situations involving the Commission's backstop siting authority in National Interest Electric Transmission Corridors, may the Commission grant certifications to any entity to construct a transmission facility.[14] By rejecting MISO's language respecting state and local authority and the right of states to determine the transmission developer, the Commission's order infringes on these rights, exceeding its authority under the FPA. Throughout Order Nos. 1000 and 1000-A, the Commission claims that its intent is not to preempt the exercise of state authority over matters directly within the state's jurisdiction.[15] In fact, in Order No. 1000, the Commission "acknowledge[d] that there may be restrictions on the construction of transmission facilities by nonincumbent transmission providers under rules or regulations enforced by other jurisdictions," and stated, "[n]othing in this Final Rule is intended to limit, preempt, or otherwise affect state or local laws or regulations with respect to construction of transmission facilities. . . ."[16]

[14] This is in distinct contrast to the authority given to the Commission in the Natural Gas Act.

[15] *See, e.g.*, Order No. 1000 at P 107 ("We acknowledge that there is longstanding state authority over certain matters that are relevant to transmission planning and expansion, such as matters relevant to siting, permitting, and construction. However, nothing in this Final Rule involves an exercise of siting, permitting, and construction authority. . . [W]e see no reason why this Final Rule should create conflicts between state and federal requirements."), P 227 ("[W]e note that nothing in this Final Rule is intended to limit, preempt, or otherwise affect state and local laws or regulations with respect to construction of transmission facilities, including but not limited to authority over siting or permitting of transmission facilities."), and P 253 n.231 ("This Final Rule does not require removal of references to such state or local laws or regulations from Commission-approved tariffs or agreements.").

[16] Order No. 1000 at P 287.

However, the Commission's holding in the March 22 Order turns these conclusions upside down; first, by ignoring that certain states within MISO have adopted right of first refusal statutes that limit eligibility to construct transmission facilities within the state, and then by mandating that MISO engage in a competitive process to select a transmission developer that may never be authorized to construct the facility under such state laws. Such a result ultimately leads state regulators acting under a state right of first refusal law to be forced to choose between complying with state law (and potentially risking litigation over cost-sharing) or violating the law by adopting MISO's choice of a non-incumbent developer.[17] Either way, the result is likely litigation, leading to *less* efficient and *more* costly transmission development. Such coercion, not contemplated by the FPA, amounts to an unconstitutional intrusion upon state police powers in violation of the Tenth Amendment.

The Commission's purported focus on encouraging more efficient and cost-effective transmission planning is beneficial. However, the Commission ultimately should be indifferent to whether the selected transmission developer is a merchant developer or an incumbent in a state or locality with right of first refusal laws, assuming all other relevant criteria (technical, managerial and financial resources) are equivalent.

Therefore, the OMS requests that, in order to ensure that the Commission-mandated MISO transmission planning process under Order No. 1000 complies with the dual goals of

[17] This issue may be ripe for rehearing or clarification. The OMS assumes the following hypothetical outcome under the March 22 Order. Assume that the MISO Board selects a developer for an open transmission project in a state that has a right of first refusal law. However, assume that the selected developer is *not* the incumbent Transmission Owner. The relevant state authority would be required to follow state law and deny the non-incumbent and award the project to the incumbent. Since the incumbent was not selected by the MISO Board, the practical outcome of this situation is that that litigation would ensue regarding the developer selection and whether the project would be subject to any cost-sharing arrangements in the MISO tariff. If this hypothetical is incorrect, this issue requires rehearing for stakeholders to better understand the impacts of the March 22 Order. Regardless, this issue warrants clarification by the Commission.

encouraging efficient and cost-effective transmission development without infringing on "longstanding state authority"[18] over developer certification, the Commission should grant rehearing of its order, allow MISO to reinstate provisions that reflect state right of first refusal laws, [19] permit a state to select the developer of facilities to be built within its state, [20] and clarify that MISO's transmission planning process must adhere to any state-imposed limitations on developer selection where such limitations exist.

c. The terms and conditions for transference of selected developer bids to successors, including affiliates and subsidiaries, are unclear and require further definition.

In its comments filed in response to MISO's October 25 Filing, the OMS raised many concerns about how successor transfers, including affiliate and subsidiary transfers of projects awarded through MISO's Developer Selection Process would occur, as well as how costs for all transmission projects would be tracked. The Transmission Owners Agreement (TOA) does impose on assignees the obligations that incumbent Transmission Owners ("TOs") bear under the TOA (TOA Article 9, Appendix B). Further the TOA (Article 6) states the TO has the responsibility to build any project that MISO assigns to that TO for construction, so all provisions would apply to a TO assignee. Additionally, Article 6 of Appendix B to the TOA says the Designated TO must carry out the duties to support the planning process. These provisions should adequately protect consumers in the event a TO assigns its construction obligations to an affiliate or other entity.

What is less clear is the situation in which a non-incumbent developer, who is not a TO, is awarded the right to build a project and seeks to assign that construction obligation to an

[18] Order No. 1000 at P 107.
[19] *See Midwest Indep. Transmission Sys. Operator, Inc. and the MISO Transmission Owners*, 142 FERC ¶ 61,215, at PP 205-207 (2013).
[20] *Id.* at PP 351-354.

affiliate or other entity. There is nothing in the TOA or tariff that requires an assignee of the non-incumbent Selected Transmission Developer to comply with MISO's tariff. To the extent that a non-incumbent Selected Transmission Developer assigns its construction obligations to an affiliate or other entity, the assignee is not bound by the reporting and other requirements placed on a TO during the construction period. During the time a non-incumbent is building a project, it is not obligated to sign the TOA and become a TO.

The Commission's Order on MISO's Order No. 1000 compliance filing does not adequately address the issue raised in the OMS's comments in this docket of whether ratepayers are held harmless when a Selected Transmission Developer transfers its obligation to construct a transmission project to an assignee. Further the Commission's response is unclear as to how consumers remain protected in the event of the award of a project to a non-incumbent Selected Transmission Developer that seeks to assign its construction obligations to an affiliate or other entity. While Article IX of the proposed Tariff would allow MISO to ensure that the assignee satisfies the qualifications to be a Qualified Transmission Provider, it does not ensure that the assignee will comply with the reporting and other obligations imposed on Selected Transmission Developers under Article I.C.11 and Article VIII of the Tariff. It is in the public interest for the Commission to require MISO to assure that all MISO Selected Transmission Developers shall comply with all reporting requirements.

In this regard, the proposed definition of "Selected Transmission Developer" does not include any successor entities or assignees:

> ***1.599a Selected Transmission Developer***
> The Qualified Transmission Developer *selected by the Transmission Provider or the applicable state(s)*[21] to construct, implement, own,

[21] Any Commission decision on whether states or MISO can choose the Selected Transmission Developer has no impact on these concerns, as long as the Developer is still being selected.

> operate, maintain, repair and restore one or more New Transmission Facilities, pursuant to Attachment FF of this Tariff. [Emphasis added]

In order for MISO to manage transmission projects, the definition of "Selected Transmission Developer" should also include any entity, including an affiliate, subsidiary or assignee, to which a Selected Transmission Developer transfers its obligation to construct a project.

To assure transparency and adequate oversight of projects awarded to a Selected Transmission Developer and in light of the discussion above, the OMS requests the Commission either: (1) clarify that any obligations of a "Selected Transmission Developer," including to: (a) complete a required Project Status Report; (b) report changes in the "Status of Developer Qualifications"; and (c) submit to a Variance Analysis, will also be required for any successor entity, including affiliates and subsidiaries; or (2) in the alternative grant rehearing requiring MISO to file tariff language mandating that any successor of a "Selected Transmission Developer" be subject to the same filing requirements, including the obligations to: (a) complete a required Project Status Report and (b) report changes in the "Status of Developer Qualifications"; and (c) submit to a "Variance Analysis."

Finally, in Paragraph 388 of its March 22 Order, the Commission suggests that a review of the comparability of characteristics and qualifications as between the Selected Transmission Developer and the successor entity acts as a safeguard, but this wording is silent on whether obligations, such as providing project status reports, continue in the event of an assignment of construction obligations. Paragraph 388 provides:

> We find that MISO's proposal to allow for reevaluation of any change in the Selected Transmission Developer's *characteristics and qualifications acts as a sufficient safeguard in the event a bid is transferred to another developer*. We find that MISO's treatment of ROEs in the planning process remains the same as

> in its previously approved planning process, and we therefore find these concerns outside the scope of this proceeding. [Emphasis added]

In Paragraph 388 the Commission finds MISO's reevaluation of the characteristics and qualifications of the successor entity to be an adequate safeguard. The Commission does not say how this provision holds ratepayers harmless, or how this provision is in the public interest. Specifically, it remains unclear whether the reporting obligations of TOs apply to non-TO Selected Transmission Developers or to the successor entity. Thus, in terms of these obligations, the Commission's response is insufficient, in that it does not ensure sufficient protections for consumers in the event that a non-incumbent Selected Transmission Developer assigns its construction obligations to an affiliate or other entity. The Commission should grant rehearing on this issue and direct MISO for transparency's sake to clearly state that the obligations of a successor entity are the same as the originally successful Selected Transmission Developer.

In light of the discussion above and of the proposed definition of Selected Transmission Developer, the OMS requests that, in rehearing, the Commission require MISO to file additional language that clearly states that any entity, including affiliates and subsidiaries, to which a project is transferred, has the same obligations and responsibilities as the Selected Transmission Developer. This could be done by changing the definition of Selected Transmission Developer by adding the italicized language below:

> ***1.599a Selected Transmission Developer***
> The Qualified Transmission Developer selected by the Transmission Provider or the applicable state(s), *or any entity to which a Selected Transmission Developer transfers its awarded project (successor entity)*, to construct, implement, own, operate, maintain, repair and restore one or more New Transmission Facilities, pursuant to Attachment FF of this Tariff.

IV. CONCLUSION

This request for clarification and rehearing is generally agreed to by a majority of OMS members. Individual OMS members reserve the right to file separate pleadings regarding the

issues discussed in this filing. To the extent necessary to preserve the OMS's rights under 16 U.S.C. § 825l, § 313 of the FPA, this pleading constitutes a request for rehearing, but this pleading otherwise seeks clarification from FERC to resolve the OMS's concerns raised herein.

Wherefore, for the reasons explained above, the OMS seeks clarification and requests that FERC grant this Request for Rehearing.

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

Indiana Utility Regulatory Commission
Iowa Utilities Board
Louisiana Public Service Commission
Michigan Public Service Commission
Minnesota Public Utilities Commission
Missouri Public Service Commission
Montana Public Service Commission
North Dakota Public Service Commission
South Dakota Public Utilities Commission
Public Utility Commission of Texas
Wisconsin Public Service Commission

The Kentucky Public Service Commission, the City of New Orleans, the Manitoba Public Utilities Board and the Mississippi Public Service Commission abstained from voting on this pleading. The Illinois Commerce Commission does not concur with this pleading.

The Indiana Office of Utility Consumer Counselor and the Minnesota Department of Commerce, as associate members of the OMS, participated in this pleading and generally support it.

Respectfully Submitted,

William H. Smith, Jr.
William H. Smith, Jr.
Executive Director, Organization of MISO States

100 Court Avenue, Suite 315
Des Moines, Iowa 50309
Tel: 515-243-0742

Dated: April 22, 2013

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon each person designated on the official service list compiled by the Secretary in this proceeding.
Dated at Washington, D.C., this 22nd day of April, 2013.

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

1. MISO April AC Hot Topic: Market Enhancement Priorities

Status: Draft comments are before the OMS Board.

The WG met on March 29 and April 8 and drafted an OMS response to six questions regarding the priorities of market enhancement projects and areas and how business objectives, sector priorities, environmental and regulatory policy and other drivers, and other MISO projects all affect those priorities. The draft OMS response also responds to what methodology MISO should use to prioritize, and to what extent MISO's markets are complete. The WG consensus was that MISO's priorities should be tied to public interest, reliable services at just and reasonable rates, and benefits to ratepayers. It was difficult to prioritize specific projects without being able to estimate the relative economics or net benefits, so the priorities are grouped as needs more attention, some attention, and not applicable. The comments are for the 4/24 MISO Advisory Committee meeting.

2. FERC Electric and Natural Gas Scheduling Coordination AD12-12-000

Status: FERC technical conference scheduled for 4/25/13. The OMS M&TWG is monitoring.

The FERC has scheduled a technical conference that will focus on coordination of scheduling and the gas/electric day. The number of natural gas day nomination cycles and the "no bump" rule (in 3/30/12 OMS comments) are among the agenda items. See http://www.ferc.gov/EventCalendar/EventDetails.aspx?ID=6798&CalType=%20&CalendarID=116&Date=04/25/2013&View=Listview

We notified the WG via e-mail on 3/12/13. MISO's Joe Gardner will be one of the panelists. There may be opportunity to comment after the conference.

3. MISO-PJM Beaver Channel M2M Re-Settlement

Status: The OMS M&TWG is monitoring. See OMS SSWG status report.

The WG met on 3/19 and talked about MISO's recent refund of about $7 million in market-to-market charges to PJM. As next steps, the WG agreed that the OMS State Seams Work Group will pursue transparency and process issues, and that IN and other interested states will contact utility LESs who are part of an organized group. We provided the WG with a summary on 3/28/13. See prior month status reports for background.

4. MISO April 2 MSC Meeting

Status: The OMS M&TWG is monitoring.

Items covered include the IMM seasonal review of markets, market enhancements status updates and market roadmap, EPNode price posting update, interchanged optimization update, price floor for emergency events, M2M PJM FFEC calculation settlement, bulk electric system definition discussion, and resource adequacy update.

For items that MISO expects to work on and seek input on during 2013, please see February status report.

5. MISO April 3 FTRWG Meeting

Status: The OMS M&TWG is monitoring.

Items covered include MISO's response agreeing with WPPI Energy proposal for secondary purchasers to qualify for Reserve Source Points (RSP) the same as primary purchasers, all towards qualifying for ARRs and FTRs. There was also a discussion on allowing Base Reserve Source Set (BRSS) RSP replacement with non-baseload resources, which MISO seeks comments on by 4/17/13. MISO also held a Annual FTR Auction walkthrough on 4/15/13.

6. MISO April 1 Trading Hubs Task Force meeting

Status: The OMS M&TWG is monitoring.

At the 4/1 meeting, MISO provided more details regarding the proposed modeling assumptions that will be used for the PROMOD analysis to develop the MISO Southern region trading hub(s) definition. MISO has agreed to make this a priority, so this is less of an issue for OMS.

7. M&T WG leadership

Status: Looking for volunteers.

We are looking for a volunteer to co-chair the M&TWG. We are also looking for volunteers to help gather questions and help run the quarterly OMS calls with the IMM.

For those interested, please note the following MISO meetings:

MISO Board of Dirs Markets Committee – bi-monthly meetings (4/24 next mtg)
MISO Market Subcommittee - monthly meetings (4/30 next mtg)
MISO FTR Working Group – monthly meetings (5/1 next mtg)

The **OMS Markets and Tariffs Work Group** covers: Energy and Operating Reserve markets, Market Monitoring and Mitigation. See
http://www.misostates.org/index.php/work-groups-2/workscopereference/63-markets-a-tariffs-workscopereference
http://www.misostates.org//images/stories/work_groups/2013OMSworkgroupOvervie_28_February2013.pdf
Bill Bokram, Markets and Tariffs Work Group chair

OMS Resources WG Report to OMS Board – April 18, 2013

MISO SAWG

Summary of PRA Results - The April 15 meeting of the SAWG had a presentation on the Planning Resource Adequacy (PRA) results. The auction cleared with adequate resources meet all zonal requirements and system wide. All Market participants submitted Offers with 97% of the resources being submitted. All of the Local Resource Zones cleared at the same price of $1.05/MW-Day. Ninety-six percent of the offers were submitted as a Fixed Resource Adequacy Plan (FRAP) or were self-scheduled which is offering at $0/MW-Day. Below are MISO's summary tables by type and zone:

2013-2014 PRA Summary
(Participation by Resource Type)

MISO System							
Resource Type	UCAP	Unconvrted	FRAP	Offered	Cleared	%Commit	ZRC Bal
Generation	100,413.2	2,573.9	31,836.0	65,639.5	58,874.5	93%	7,128.8
BTMG	4,009.4	179.9	1,826.8	1,908.1	1,565.8	3%	436.9
External Resources	4,257.1	208.0	1,296.5	2,711.3	1,806.8	3%	945.8
Demand Response (DR)	153.2	0.0	0.0	153.2	0.0	0%	153.2
Netted DR*					4,441.6	N/A	N/A
Energy Efficiency Resources (EER)	0.0	0.0	0.0	0.0	0.0	0%	0.0
Netted EER*					105.6	N/A	N/A
Total	108,832.9	2,961.8	34,959.3	70,412.1	62,247.1	100%	8,664.7
%UCAP		3%	32%	65%	57%	89%	8%

- Values in table are in megawatts unless noted as a percentage
- Netted DR and EERs are used in the PRMR calculation.
- %Commit = (FRAP + Cleared) / (Total FRAP + Total Cleared)

2013-2014 Zonal PRA Results

Local Resource Zone (LRZ)	Z1 (MN, ND, Western WI)	Z2 (Eastern WI, Upper MI)	Z3 (IA)	Z4 (IL)	Z5 (MO)	Z6 (IN, KY)	Z7 (MI)	System
PRMR (Obligation)	17,693.4	13,362.9	9,343.1	10,733.9	9,000.2	19,320.3	22,702.3	102,156.2
Netted DR/EER*	1,197.1	728.7	528.8	119.3	0	1191.7	781.6	4,547.2
Adjusted PRMR (Obligation)	16,387.3	12,573.2	8,767.6	10,604.5	9,000.2	18,023.3	21,850.3	97,206.4
Total Offer + FRAP	17,957.1	14,367.8	9,809.4	12,868.6	8,292.2	19,217.2	22,859.1	105,371.4
Total Offer Cleared								62,247.1
Offer Cleared + FRAP	16,635.6	13,420.7	8,920.0	10,887.0	8,033.5	17,750.8	21,558.8	97,206.4
LCR	15,707.7	10,326.2	6,796.4	5,231.9	5,490.7	14,283.5	21,055.0	N/A
Import Level (CIL)	4,085.0	4,144.0	3,717.0	6,614.0	5,035.0	6,838.0	4,576.0	N/A
Export Level (CEL)	1,416.0	1,766.0	1,612.0	2,230.0	1,616.0	3,432.0	4,306.0	N/A
Import/-Export	-248.3	-847.5	-152.4	-282.5	966.7	272.5	291.5	0.0
ACP ($/MW-Day)	1.05	1.05	1.05	1.05	1.05	1.05	1.05	
Deficient Amt.	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

*PRM and Transmission losses are not applied to Netted DR and EERs in the PRMR calculation.

- Values in table in are in megawatts unless noted otherwise

MISO has started a list of likely improvements in the capacity tracking tool and in the processes for validation.

IMM PRA Process Review The IMM preformed some economic withholding conduct test reviews. Six offers had portions of offers totaling 130 MW failing the economic holding conduct test. It was only the very top segment of an offer curve.

Concerning the physical withholding conduct test, six market participants totaling 1,045 MW across 12 resources exceeded the 50 MW per zone limit. Nine of the twelve resources not offered had made Attachment Y filings for future retirement or suspension.

Impact tests were made on six offers and modified to not exceed the Reference Level. The impact test showed no change in the auction clearing price and mitigation was not necessary.

Use of Maintenance Margin for Generation Outage Requests MISO reviewed a proposed process change concerning the review of generation outage requests. Due to the relatively large amount (37,000 MW) of the coal fleet to require pollution control equipment, there can be a short of reserves if too much generation is scheduled off simultaneously, including local resource zones (LRZ). The work will include calculating a Maintenance Margin for each LRZ and MISO system wide for the next 5 years and quarterly

updates for the next season. There will be proposed tariff changes in Modules A and C. Work will continue through June. The tariff changes are proposed for July 2013 and a Fall implementation.

The following is a link to the April 15 SAWG material:

https://www.midwestiso.org/Events/Pages/SAWG20130415.aspx

MISO LOLE WG

One of the items at the April 10 LOLE WG meeting was a discussion of the 2012 NERC Probabilistic Assessment and Gas Report. One product is the 2013 Special Reliability Assessment: Increasing Dependence on Natural Gas for Electric Power. An embargoed draft copy to NERC PC members is out for comment. The tentative schedule is for the May 9th NERC Board of Trustees Meeting for consideration of approval with a May 21 publishing of the Final Report.

The April 10 LOLE meeting materials can be found at:

https://www.midwestiso.org/Events/Pages/LOLEWG20130410.aspx

OMS States Survey

The Resources WG is conducting a survey of the OMS states in conjunction with the OMS representatives on the Electric and Natural Gas Coordination Task Force work at FERC and MISO. The survey was requested by FERC staff concerning the individual states' ability to quickly procure firm transportation and firm gas supply contracts for the purpose of making some gas-fired generation a reliable electric source at all times of the year. The survey consists of seven questions and sent out April 4th with a requested due date of April 17th. The process of getting the final sets is underway.

Submitted by Don Neumeyer
Chair Resources Work Group

TO: OMS Board

FROM: Chairman Phil Montgomery, Public Service Commission of Wisconsin
Tia Elliott, Chris Devon and Brian Rybarik

RE: States' Seams Work Group (SSWG) Update – April 17, 2013

The following update from the SSWG provides information on the most recent meetings of the Joint and Common Market (JCM) and the OMS State Seams Work Group (SSWG); as well as an overview of recent FERC filings made jointly by PJM and MISO for Tariff changes to the Joint Operating Agreement (JOA).

MISO-PJM JCM

The most recent JCM meeting was held on Thursday, March 21st in Carmel, Indiana at MISO. Financial Transmission Rights (FTRs) were a hot topic of discussion with the ongoing and significant underfunding of FTRs in PJM, which PJM alleges is partially due to real-time congestion at the seam between MISO and PJM. MISO and PJM provided updates where they have made improvements as a result of the JCM. The areas of improvements include: 1) assimilation of data, 2) exchange of information and 3) increased transparency. Also, the MISO IMM has recommended exchanging of transmission capacity on seams/M2M flowgates in the Day-Ahead (DA) market, which is an option that isn't currently being exercised. MISO believes the option to do so is already a provision in the current JOA but has not been utilized previously.

Two action items requested of MISO and PJM from stakeholders in the JCM:

1) Brett Kruse (Calpine) suggested it would be prudent for MISO and PJM to sit down and discuss drivers that caused differences between the RTOs and their processes. Then the RTOs should determine if the differences are consequential or non-consequential. Following that determination MISO and PJM should take a year to work on the consequential differences and then come back to the JCM to report on the results and demonstrate what the RTOs worked out to address the differences.

2) Tia Elliott (IURC) on behalf of OMS SSWG Staff made a request during calls for new business for MISO and PJM to develop a transparent and well-defined process for identifying

and tracking Market-to-Market (M2M) resettlement issues under the MISO-PJM JOA. The request was made as a result of an increasing number of resettlements made recently between the RTOs. Additionally, the request intended to address the fact that the current JOA provisions do not contain clear and unambiguous processes for reporting to stakeholders and determining when resettlement is appropriate, and in some instances the reporting of resettlements have failed to provide full transparency for stakeholders. MISO is working proactively to address the reporting concerns but the OMS SSWG Staff believed that this issue needed to be vetted within the JCM initiative.

OMS SSWG

On April 15th, the OMS State Seams Working Group (SSWG) held a meeting to discuss:

1) The upcoming JCM Meeting on May 10th in Philadelphia, PA where Chairman Phil Montgomery (WI) and Commissioner Greg White (MI) have proposed that MISO and PJM each provide a high level overview of the stakeholder processes in each RTO. The goal is to educate JCM participants about the stakeholder processes in each RTO and to help participants recognize and understand the significant differences in each RTO process.

2) On April 2nd, FERC issued an Order in AD12-16 requiring MISO and PJM to give presentations on Capacity Deliverability and also invited OMS and OPSI, as well as the MISO and PJM Independent Market Monitors (IMMs) to present to the Commission. The SSWG discussed a possible OMS presentation to on Capacity Deliverability. The discussion centered on a need for further joint analysis by MISO and PJM to be done collaboratively. This analysis is vital to be able to uncover the full impacts of the Capacity Deliverability proposal so that parties could finally take informed positions. The OMS SSWG invited OPSI to participate in the meeting and the OPSI Executive Director and some OPSI State Staff provided feedback on this topic during the meeting.

Joint MISO PJM JOA Filings

On March 7, 2013, PJM and MISO jointly submitted proposed revisions to the JOA in Docket No. ER13-1052-000 and Docket No. ER13-1054-000. These proposed revisions would

change how Market Flows are calculated for Firm Flow Entitlements (FFE) and alter the calculations to account for energy imports. The proposed methodology would standardize the calculations between both RTOs and are intended to be improvements to the calculation process.

The revisions were not presented to the JCM before being filed at FERC. Some parties also believe that the filings were not properly vetted through the individual RTO stakeholder processes. In response to those party's protests, MISO and PJM filed a joint answer on April 12, 2013, stating that the JOA establishes no preconditions to making joint filings other than a mutual agreement between MISO and PJM. The joint answer also explained that vetting through any stakeholder process is not required for revisions to be made to the JOA Tariff. During the March JCM meeting PJM and MISO also presented a similar view of the JOA requirements; stating that neither RTO has an obligation to consider additional proposals or draft filings from stakeholders for changes to the JOA. This process, or lack thereof, may be an issue that the OMS SSWG will want to consider in the future.

Transmission Cost Allocation Work Group
Monthly Report for April 2013 OMS Board Meeting

Co-Chairs:
Dave Johnston, Indiana
Randy Rismiller, Illinois

RECB Activities and Comments:

The MISO Regional Expansion Criteria and Benefits (RECB) Task Force met on March 21 in Carmel. MISO presented ideas for the creation of additional benefits metrics for the Market Efficiency Project (MEP) determination. MISO focused on the benefits of avoided capacity investment and reduced transmission losses.

A transmission owner, Northern Indiana Public Service Company (NIPSCO), proposed a new benefit metric for MEPs: avoided Market to Market (M2M) settlement costs. This would be used for MEPs at or near a market-to-market seam.

MISO invited written feedback on the two above ideas, and OMS staff, headed by Don Neumeyer, submitted comments. The OMS staff comments did not endorse either idea, but contained questions for MISO and stakeholders to consider.

Order 1000 Interregional Update: FERC extended the filing date from April 15 to July 10. Since the FERC Order 1000 approved the removal of cost sharing for MISO Baseline Reliability Projects (BRPs), there may be new work to do for MISO and PJM regarding interregional reliability projects. MISO continues to work on the joint filing with SPP, and has developed initial language with the southeastern planning group, the SERTP.

The next RECB meeting is on April 18, 2013.

FERC Order 1000:

On March 22, 2013, FERC issued an order for the MISO regional Order 1000 compliance. FERC approved the proposal to eliminate cost sharing for BRPs, so all of those costs going forward will be charged to the local transmission zone. FERC denied the MISO proposal that would have allowed states to choose the project developers for (MEPs and MVPs) under MISO's competitive developer selection process. FERC ordered MISO to conduct the process of selecting the "winning" transmission developer. There is some debate on how the order and the MISO tariff language should account for any state right of first refusal laws. This is issue is subject to a filing to be considered for the April 18 OMS Board meeting.

FERC also approved the enhanced role for OMS to play in the MISO transmission planning process.

Bill Smith wrote a very good two page summary of the order that was distributed within OMS. If anyone would like the summary, please email Dave, Randy, or Julie Mitchell.

Entergy FERC Cases and the MISO Transmission Owner ROE

The trade press referenced a March 22 filing by the Public Utility Commission of Texas (PUCT) that contained an argument regarding the current 12.38% ROE that MISO TOs receive. The filing was made in four FERC dockets (ER13-948-000, ER13-432-000, ER12-2693-000, and ER12-2681-000 et al) involving Entergy and the Entergy-ITC transaction. The PUCT argued for consolidating the dockets.

Regarding the 12.38% ROE, the PUCT stated on pages 9-10 (footnotes omitted):

"Second, as explained by PUCT in its protest in the ITC Transaction dockets, (in which ITC proposes to adopt a 12.38% ROE for the ITC OpCos), the MISO 12.38% ROE is outdated. The MISO ROE was established in 2002 when MISO was still in its formation stages. PUCT explained in its protest to the ITC proposal that there have been significant changes in the equity markets since 2002 and that the 12.38 percent ROE for transmission owners within MISO is inflated, as evidenced by recent Commission action on ROE complaints. Over a decade has passed since the Commission first approved the MISO 12.38%. However, as recently as November 2012, the PUCT established Entergy Texas, Inc.'s ROE for Texas retail rates at 9.80%, with a capital structure of 50.08 percent long-term debt and 49.92 percent common equity. The Commission should not allow Entergy to adopt an ROE set over a decade ago."