Organization of MISO States

ORGANIZATION OF MISO STATES, INC.
Executive Committee Meeting Minutes
April 24, 2008

APPROVED MAY 22, 2008

Chairman John Norris, President of the Organization of MISO States, Inc. (OMS), called the meeting of the OMS Executive Committee to order via conference call at approximately 1:00 p.m. (CST). The following directors participated in the meeting:

President - John Norris, Iowa
Vice President - Dan Ebert, Wisconsin
Secretary - Valerie Lemmie, Ohio
Treasurer - Gary Hanson, South Dakota
Commissioner at Large - Monica Martinez, Michigan

Others present on the conference call:
Michigan Staff – Angie Butcher
Minnesota Staff – Burl Haar
South Dakota Staff – Greg Rislov
Wisconsin Staff – Randel Pilo
MISO CEO – Graham Edwards
OMS Staff - Bill Smith, Julie Mitchell

The directors listed above established the necessary quorum of three (3) Executive Committee members.

Valerie Lemmie moved to approve the minutes from the February 28, 2008 Executive Committee Meetings. Dan Ebert seconded. The motion passed by unanimous voice vote.

Graham Edwards thanked everyone for their participation in the MISO Sector meetings and recommended more frequent meetings between the sectors and MISO.

BUSINESS

1. **OMS Personnel Committee** – John Norris/Bill Smith
   - Evaluation of Executive Director – John Norris. The Personnel Committee has completed its review and President Norris will be meeting with Bill Smith to go over that review next week.

- IRS Resolution – Bill Smith. This issue relates to changes the employee retirement plan. It was a 403(b) plan which is typical for non-profits, but is not an eligible plan for a 503(c)4 corporation, which OMS is. The non-conforming plan was frozen last fall. The IRS is moving forward on its resolution. OMS also needs to be looking at a new benefit arrangement for the office.

2. Review of OMS Board Member Retreat - Bill Smith

- The Executive Committee was sent a compilation of notes from Jan Beecher & Ken Rose. Bill Smith went over those and they are attached to these minutes.
- There was discussion of the proposed June 18th meeting following MARC. The Department of Energy wants that date for talks about their upcoming congestion study. It was suggested that OMS give up that date and focus instead on a date in August in conjunction with MISO's meetings in St. Paul. President Norris suggested an informal meeting at MARC to flesh out topics for meeting in August.

3. Review of OMS MISO Officer Sector Meeting – Bill Smith

- Bill Smith's notes on the sector meeting are attached to these minutes. Wisconsin offered additions, which are included.
- Work on module E and demand response pricing is moving forward based on information from the sector meeting.
- President Norris talked about the need to give MISO input on State policy issues.
- Dan Ebert expressed concern on how to organize OMS to best deal with the issues that came out of the Stakeholder meeting. He sees two issues that need work: competitive market & the appropriate role of OMS in the stakeholder process.
- There was discussion about the composition of a working group to coordinate & communicate with MISO – should it be the Executive Committee or Staff? Randy Pilo agreed to spearhead conversations with the modeling market group and MISO. Burl Haar and Bill Smith will have discussions about how to engage the governance work group in these conversations as well.

3. Agenda for May 8 OMS Board Meeting – John Norris

Issues for the May 8th Board Meeting:

- Follow up from the MISO Sector meetings and the plans for moving forward.
- OMS Board Member Retreat follow-up.
- A report status on the resource adequacy – SAWG is meeting on April 24th.
- Comment on FERC annual charges and notice of inquiry. The Governance WG has agreed to look at it and may be ready to recommend whether comment is needed by the Board Meeting.
- Audit & tax preparation report. Probably won't be finished by the May 8 meeting. The Form 990 is due on May 15. Copies will be shared with the Board when completed.
- Randy Pilo mentioned several motions that will be brought up in the May 7th Planning Advisory Committee. Bill Smith suggested that if input was needed it could be generally solicited in an email or a non-voting meeting could be set up.

Administrative Report – Bill Smith

Bill Smith gave a rundown of the upcoming OMS project deadlines. Those are attached as a separate document.

Announcements

- OMS Board of Directors Meeting: Thursday, May 8, 2008 at 1:00 pm CDT
- OMS WG Chairs & Key Staff Meeting: Friday, May 16, 2008 at 9:30 am CDT
- OMS Executive Committee Meeting: Thursday, May 22, 2008 at 1:00 pm CDT

The meeting adjourned at approximately 1:55 p.m. CDT

Notes from OMS Retreat
March 27-28, 2008
Westin Great Southern Hotel
Columbus, Ohio

High Level Takeaway Points of the Retreat

(1) Reinforcement of the purpose of the organization and a beneficial sharing of history and insight.
(2) Validation that the organization is efficient and well run.
(3) Confirmation that OMS has had some real impact as an organization.
(4) A constructive discussion about playing a meaningful and substantive (not just symbolic) advisory role.
(5) Expressed concerns about jurisdictional encroachment.
(6) A list of priority interests and issues from the states and from the group that might be used in strategic planning.
(7) Ideas for action within the existing framework (i.e., more vocal, direct, and perhaps not so nice).
(8) A focus on possible areas of division among the states [re structured/non-restructured states] regarding resource adequacy.
(9) Genuine interest in knowing more about whether the market design is “right” (possibly devoting some research here).
(10) Some strong views that other structural models with more teeth might be explored (i.e., interstate compact).

Detailed Notes

"OMS Founders" recognized and discussed:

- NGA connection
- Not "just advisory" (substantive); not just another stakeholder
- Different cultures of PJM and MISO
- Openness (OMS)
- History/website
- MARC heritage
- Alternative structural models considered (e.g., compacts)
- Alternative participation models (e.g., voting)
- Collective, coordinated response to FERC
- Recognition by FERC of substantive value
- Important to keep talking to FERC
- Federalism and shared responsibility
- Diversity of participation, balance
- Common interest of restructured/non-restructured states
- Staff roles and committees
- Role in assuring market readiness

Chief concerns of commissioners

- Need to change dynamic, ensure impact
- Does OMS have enough votes (limited by current structure)
- Is current structure/model working?
- Impact, weight of comments
- Access to data and information
- Should OMS be first among equals?
- Erosion of state authority
- Leverage
- Does consensus increase impact? (do dissents lessen?)
- Tradeoffs in structure
- Can OMS be more proactive?
- What legacy and mark does OMS want to make?

Structural and Nonstructural Options

- Within existing structure
  - Communications/outreach
  - Influence at every level
  - More direct (less nice)
  - Staff, committees – more use of
  - Other places to leverage power
- Structural/procedural options
  - Equal standing as MISO with FERC
  - Ability to submit simultaneous filings
  - Commissioners/OMS directly communicate to MISO (Have staff meet w/advisory committees, commissioners meet w/Board members (like company CEOs).
  - Board membership (no consensus here)

Structural Issues

- Structure to be more effective.
- Not thinking of OMS as just (another) stakeholder
- What is "advisory?"
- Another option: direct seat on board
- More visibility, standing
- Leverage that will act on our own
- OMS lacks standing to make a 205 filing like a utility, 209 filing (joint board)
- Legal authority
- Wholesale/retail convergence
- Using influence through MISO
- Hierarchy of options
- Compact – should it be an option?
- People we serve have to be the priority – retail customers, prices
- MISO responsive – but also responsive to other stakeholders
- Market and regulatory solutions
- Entering, exiting RTOs
- Resource adequacy and capacity costs
- Are two solutions needed for the region? (resource adequacy the driver)
- Make stronger statements.

Issues Roundtable

- Regional planning, advance (e.g., resource adequacy, erosion of rights
- Change and moving forward
- Distinction as stakeholder, restructuring of relationship with MISO
- Utilization of OMS staff, operations
- What's up with Manitoba?
- Effectiveness of current methods? (evaluate what works)
- Power dynamics at MISO, having impact
- How effective have we been? How many times did we get what we wanted? What works, what doesn't?
- Congressional hearings w/FERC/OMS involvement?
- Investment in process (staff resources) – what are other states doing?
- Sense of history
- Timelines for analysis by MISO
- Accountability, creatures of government –impact of advice
- Raise issues proactively
- FERC agenda, culture and accountability for listening
- What is OMS asking of commissions/ers?
- What can OMS do for you?
- Resource adequacy, including demand response, and critical role of the states
- Contrast with interstate compact model – ability to do independent analysis (universities other)
- States' specific and unique perspective, on the ground, implementing rates – overcoming the beltway perspective on issues
- RSC-sponsored conference on FERC's RTO performance?
- Seams agreements
- Recovery of startup costs
- State-specific policy issues (e.g., RPS, carbon), sharing knowledge, consumer impacts
- Priorities of organization, major issues, where to have impact
- Successes based on process and structure – strategies for the future
- How to pull others in? What is our leverage?
- Do we know and communicate priorities? (talking points)
- Demonstrating technical expertise
- Advisory role enough?
- Is the market design appropriate and right -- competitive and providing benefits (relative to cost)? (dispatch, reliability, price)
- Not "is market working" but is it best structure
- Role of market monitoring, access to data
- Challenges of access
- Are we too nice? Are we taken seriously?
- Jurisdiction as a means to an end, not a turf issue
- Alternative means of achieving resource adequacy, reliability
- How to ensure voice is heard
- Capacity markets
- Siting
- More discussion among commissioners about values, issues, policies; coalitions

- Relating back to state legislatures, others
- Importance of engaging FERC, more dialog
- Need to look at other organizations (e.g., NRRI); who else is out there?
- Complaint fatigue – better to have constructive ideas
- Update on OMS – NGA, MGA, etc.
- Make the case for use of staff resources – why it brings value to the state
- Need to educate state legislatures about markets, MISO, OMS
- Defining the mission

Fundamental Interests for OMS

- "Right" market design
  - Adequate investment
  - Ancillary markets, etc
  - Generalized uplift, LMP
  - Operating competitively/ensuring competitiveness
  - Market power, data, monitoring
  - Transparency, accountability
  - "Apparatus"
- Transmission planning, incentives
- Seams issues
- Resource adequacy (will this be dividing?)
  - Heading toward capacity market
  - State role in reliability and new mechanisms (e.g., DR, curtailment, contracts)
- Impact on customers – costs and prices

Strategic Issues

- Model reflects good choices
- Is advisory committee effective?
- How to influence FERC
  - Constructive ideas
  - Less nice
- How best to influence MISO?
  - Value of dialog, meetings
- Respect must be earned
  - Participation, substance
- Does it matter more when they need you?
- Advance preparation, strategy
- What is the strategy? (short term and long term)
- Budget for legal, technical advice
  - Frugality
  - Staffing
  - Value of staff expertise, capacity
  - When to get outside help, augment
  - Independent analysis

  - Use OMS forum to develop legal, analytical, modeling, and skills.
  - Training for staff and commissioners
- Strategies for different issues, audiences

Staff Action Items

- Develop/improve contacts with MGA
- Upgrade FERC contacts
- Develop legislative briefing outline
- Further discussion to review mission and note 5-year anniversary
- Staff participation table (Bill Smith to prepare)
- Include briefing notes in meeting agendas

NOTES ON OMS Sector Meeting with Midwest ISO Officers
April 15, 2008

Market efficiency and reliability – still an important issue

- Commissioners need to be able to say the market is working
- Propose small group to monitor the value proposition
- Market simulation tool being developed by Prof Vernon Smith @ Geo Mason Univ – soon ready for general use
- Internal market training – conducted this month for MISO staff
- Market Advisory committee – 3 MISO officers and 2 consultants
- MISO and OMS both prefer existing relationship with IMM
- Encourage more frequent dialog with IMM
- MISO said they did have concerns with RTO instability when an organization is voluntary and there is transmission project sharing.

Transmission and Planning issues

- RECB and cost allocation – the most contentious upcoming issue
- 20% RPS in MISO footprint implies 40,000 MW of new generation and related transmission
- 20% national RPS implies 90,000 MW
- Perhaps 5000 miles of EHV at $4 million / mile
- Current planning builds off the three existing state RPS
- Needs multi-regional allocation method
- Also needs wind integration plan
- Discussion needs to make business case and needs facts to proceed
- MISO is NOT pushing a scenario or outcome

Stakeholder process

- Stakeholders have individual goals – it is possible to reach a suboptimal outcome
- Policy needs to come first, but it evolves one project at a time; iterative
- MISO seeks ‘planning parameters’ – outside bookends. Who can give those? Investor role
- What’s not being heard? More study of governance/
- MISO needs to hear state questions
- MISO is OK with augmenting OMS consulting or staff budget
- Differing state opinions on weight MISO management should give to OMS positions