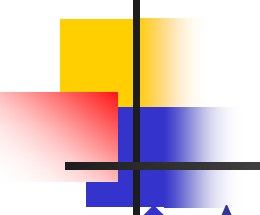


**CURRENT FEDERAL AND REGIONAL
ELECTRIC POLICY ISSUES
FOR THE ILLINOIS COMMERCE COMMISSION**

**Randy Rismiller
Manager, Federal Energy Program
Illinois Commerce Commission**

THE FEDERAL ENERGY REGULATORY COMMISSION (FERC)

- 
- ◆ An independent agency that regulates the interstate transmission of natural gas, oil, and electricity.
 - ◆ FERC has jurisdiction over the transmission of electric energy and the sale of electric energy at wholesale in interstate commerce.
 - ◆ Allows rates for wholesale sales of electricity to be set by market forces, provided that a prospective seller is able to demonstrate that it does not possess market power and that the market will operate competitively.
 - ◆ Has responsibility for establishing the rates for use of transmission facilities, but state regulators have authority for the siting and certification of new transmission facilities.



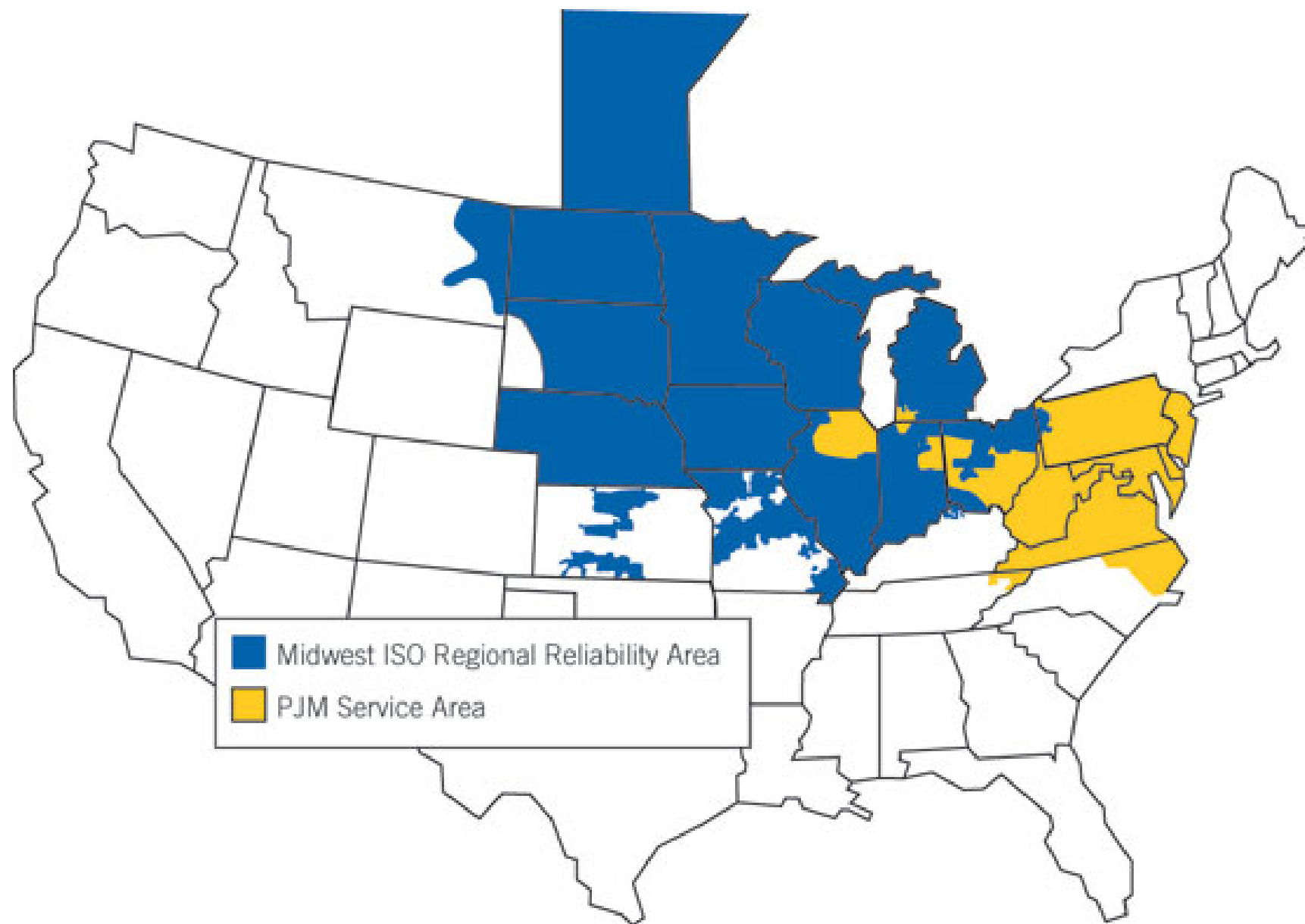
THE ICC'S FEDERAL ENERGY PROGRAM

- Current staff includes three Economists and a Manager
- Assisted by assigned lawyers from the ICC's Office of General Counsel
- Provides advice and recommendations to the ICC on federal and regional energy policy matters
- Monitors all FERC cases that may affect Illinois
- Monitors the activities of the relevant RTOs (primarily PJM and the Midwest ISO) and participates on their stakeholder committees
- Participates in the regional state organizations that have been formed by the state commissions in the Midwest ISO region and PJM region
- The primary “product” of the Federal Energy Program is written documents that are sent to FERC, USDOE, PJM, Midwest ISO and others on behalf of the ICC



REGIONAL TRANSMISSION ORGANIZATIONS (RTOs)

- ❖ Currently seven regional transmission organizations operate in the U.S.
- ❖ Two regional transmission organizations in the Midwest: Midwest Independent System Operator (Midwest ISO) and the PJM Interconnection
- ❖ The Midwest ISO stretches from western Pennsylvania to eastern Montana and from northern Kentucky into the province of Manitoba
- ❖ PJM stretches from the Atlantic Ocean to northern Illinois and from New Jersey to Virginia
- ❖ Both PJM and the Midwest ISO operate in Illinois



RTO FACTS



The Midwest ISO

- ✓ Serves over 40 million people.
- ✓ Territory covers 15 States & the Canadian Province of Manitoba - 920,000 square miles (2,382,790 square kilometers)
- ✓ Approximately 280 market participants
- ✓ 5,389 generating sources with capacity of 159,000 MW (reliability)
- ✓ Peak demand of 129,647 MW (reliability – set July 31st, 2006)
- ✓ 93,600 miles of transmission lines (150,635 kilometers)
- ✓ Nearly \$3 billion average monthly settlement (Day-ahead, cleared with virtuals, 2007)
- ✓ <http://www.midwestiso.org>

PJM Interconnection

- ✓ Serves over 51 million people.
- ✓ Territory covers 13 States & the District of Columbia - 168,500 square miles (436,413 square kilometers)
- ✓ Over 430 members
- ✓ 1,271 generating sources with capacity of 164,634 MW
- ✓ Peak demand of 144,644 MW
- ✓ 56,070 miles of transmission lines (90,236 kilometers)
- ✓ Over \$103 billion in energy and energy-service trades (since the regional markets opened in 1997)
- ✓ <http://www.pjm.com>



GENERAL RTO OPERATIONS

Transmission

- Neither PJM nor the Midwest ISO own transmission facilities.
 - The transmission facilities are owned by member transmission owning utilities, which may be investor-owned companies, municipally-owned companies or co-operatively owned companies.
- PJM and the Midwest ISO charge the customers that use the transmission system and remit the money to the transmission owning utilities.
 - The rates charged for access to the transmission grid are established on a zonal basis in accordance with rates set by FERC.

Markets

- PJM and the Midwest ISO each operate a real-time and day-ahead energy market. Locational marginal energy prices (LMP) established in these markets through security-constrained economic dispatch are used to manage the congestion on the transmission system.



Major Issue Categories for the Federal Energy Program

- **Transmission Planning and Cost Allocation**
- **Wholesale Power Market Design**
- **Resource Adequacy**
- **Market Monitoring and Market Power Mitigation**
- **Other**



Transmission Planning and Cost Allocation

- ❑ RTOs are responsible for regional transmission planning and are required to have stakeholder processes for conducting such planning.
- ❑ RTOs are charged with determining cost responsibility for both existing and proposed transmission facilities.
- ❑ Interconnection of renewable generation, primarily wind power, has overwhelmed the RTOs. Because renewable generation resources are often located distant from load, substantial new transmission infrastructure will be required.



Market Design

As the RTOs have evolved, the number of products and services they offer has increased.

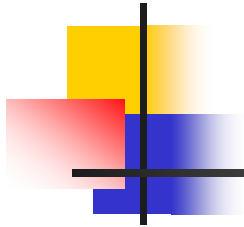
- The RTOs initially performed just centralized dispatching.
- The RTOs now administer day-ahead and real time energy spot markets.
- RTOs also administer markets for financial transmission rights, various kinds of operating reserves, and planning capacity.



Resource Adequacy

- ❖ RTOs are responsible for regional grid reliability.
- ❖ Regional grid reliability involves attention to adequate generation, transmission, and demand side resources to meet demand.

Resource Adequacy at PJM and the Midwest ISO



PJM:

- Reliability Pricing Model (RPM)
- a capacity auction approach.
- Open to both generation and demand side resources
- Through May 2009, load in the ComEd zone assessed more than \$1 billion
- Payments are made to suppliers that submit successful offers in the auction
- ComEd zone load will pay more than \$2.94 billion for the June 2009 - May 2013 delivery years
- The next auction will be in May 2010 for the June 2013 - May 2014 delivery year

MISO:

- In the process of implementing a resource adequacy program based on load-serving companies entering into bilateral contracts to support a MISO-determined planning reserve level.



Market Power Monitoring

- ❖ RTOs are responsible for ensuring the electricity markets they administer are not undermined by the exercise of market power.
- ❖ Each RTO must have an independent market monitor which is responsible for evaluating the competitive performance, design, and operation of the RTO's wholesale electricity markets.
- ❖ The RTOs are permitted to impose market power mitigation, provided that the rules are spelled out ahead of time in the terms and conditions of the RTO's tariff.



REGIONAL STATE COMMITTEES

Organization of MISO States (OMS)

<http://misostates.org>

Organization of PJM States Inc. (OPSI)

<http://opsi.us>

- The OMS and OPSI work to facilitate cooperation among the state commissions that are affected by FERC's decisions and the implementation of those decisions by PJM and the Midwest ISO.
- The OMS and OPSI each have a Board of Directors made up of one commissioner from each of the member state commissions. Each has an Executive Director to oversee day-to-day operations.