



Organization of MISO States

The Midwest Approach to Regional Cooperation

William H. Smith, Jr.

Executive Director

Organization of MISO States

www.misostates.org

May 25, 2005

Midwest States Recognized Need to Cooperate on Electric Transmission Issues

- Changing use of the grid
- New institutions
 - Regional Transmission Organizations
 - Independent transmission companies
- New filings by traditional utilities
- Increased workload on state commissions and staffs
 - Additional workload
 - Extent of coverage
 - Duplication of effort

Midwest ISO Functions

- The Midwest ISO is a non-profit company that operates the transmission system and provides transmission service in the Midwest region of the U.S. It began operating spot markets for electricity and related services April 2005.

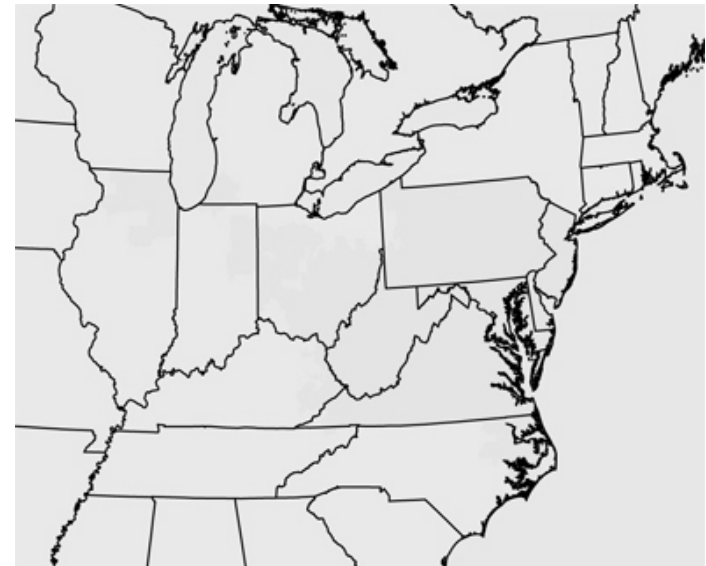


The Midwest ISO Control Room

MISO Serves Fourteen US states and One Canadian Province

- The Midwest is a very diverse region
 - Three states allow retail competition
 - Seven states use conventional rate-of-return regulation
 - One state separated transmission from generation and distribution
 - Two states have a mix of retail competition and conventional rate-of-return regulation
 - One state and one province are fully served by public power
- Transmission facilities have mixed uses
 - Transmission facilities of member companies are managed by MISO
 - Transmission facilities of non-members are connected to MISO (most are owned by unregulated cooperatives or public bodies)
 - The region has four stand-alone transmission companies
 - New facilities can be proposed for reliability or economic reasons

The Midwest region includes the Midwest ISO and areas served by the PJM regional organization



MISO and PJM Regions

MISO Facts

- Transmission lines - 96,000+ miles
- Generating capacity - 131,000 MW
- 1504 generating units
- 107,552 MW peak capacity
- 23 transmission owners
- 36 control areas
- 947,000 square miles
- 15.1 million customers

PJM Facts

- Transmission lines - 56,070 miles
- Generating capacity - 163,806 megawatts
- 1082 generating units
- Peak demand - 131,330 MW
- Annual energy delivery - 700 million mwh
- 350+ members
- Population - 51 million

Key Issues in Formation of Regional Organizations

- Membership and associate membership
 - Regulators
 - Governors
 - Others
- Voting
 - By state
 - By load
 - Other
- Decisional capability
- Funding
- Filing rights vis-à-vis RTO
- Role of state regulatory agencies in RTO stakeholder process

The Midwest States' Approach: Multi-state cooperation through OMS

- Coordinated participation in MISO's stakeholder process
- Combined input to FERC when possible
- Facilitate participation in MISO stakeholder meetings and fund travel
- Share information and analysis
- Emphasis on regulators and siting agencies – they have the best skill set to deal with RTO and FERC issues
- OMS does not make joint decisions
- OMS is not “another layer of regulation”
- Expect deference from FERC by earning it

OMS Organization

- Matches MISO footprint:
 - 14 state members and Manitoba
- Board of Directors has 15 members
 - One from each member agency
- Executive Committee is composed of 5 members
 - Includes the 3 members of the MISO Advisory Committee representing the state regulatory sector

OMS

Organization of MISO States

OMS Issues

- State issues
 - Need for new transmission facilities
 - Siting and approval of new facilities
 - Resource adequacy
- FERC issues
 - RTO market structure
 - Pricing of transmission service
 - Pricing new transmission facilities
- Shared and other issues
 - Reliability
 - Investment

OMS Communications and Positions

- The decision process is modeled on NARUC
 - Board assigns issues to working groups
 - Working groups formulate positions
 - Board adopts positions
- Eight Working Groups
- Board discusses monthly MISO Advisory Committee agenda – A/C representatives are guided by membership views
- Board meetings are open conference calls
- Executive Director is clearinghouse

Eight Working Groups

- Market Rules
- Pricing
- Congestion Management and Financial Transmission Rights
- Market Monitoring and Mitigation
- Transmission Planning and Siting
- Demand Response
- Resource Adequacy
- Seams

First Year Snapshot

- The OMS model builds technical analysis in state commission staff
 - Staff members gain knowledge of RTO operations and personnel
 - Participation enriches state staff expertise on issues
 - Travel reimbursement is key to participation
- Policy decisions need commissioner input
 - Respect for policy differences
 - Include minority viewpoints – judicial v. legislative model

OMS

The Value Proposition

- Efficiency of dealing with the states collectively
 - FERC
 - RTO
 - RTO members
- The states get better attention from FERC and the RTO
- States improve their expertise on issues and provide better analysis of issues

Relations with State Commissions

- Commissions must select and assign staff members to OMS Work Groups
- Commissions must balancing OMS work with commission work
- Commissioners must participate
- OMS can support state commissions
- Commissions must scheduling OMS items for decision
- Handling differing positions requires diplomacy skills

OMS