



Organization of MISO States

Regional Cooperation of US States on Electric Transmission Issues

William H. Smith, Jr.

Executive Director

Organization of MISO States

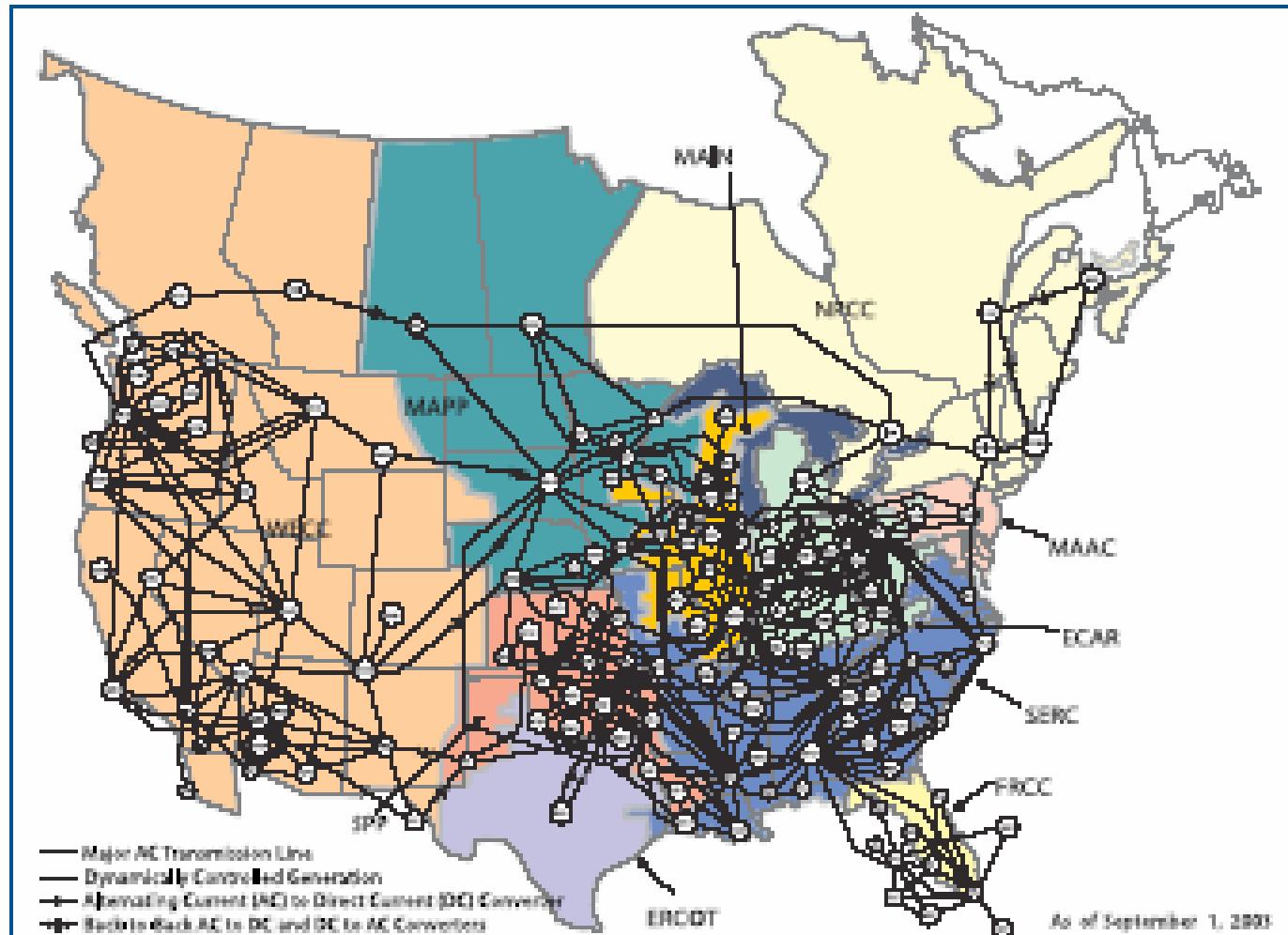
[Midwest Independent System Operator]

NARUC Exchange Program: Albania and Indiana

July 28, 2004

Interconnected Electricity Systems

Figure 2.8. NERC Regions and Control Areas



State Regulatory Role

- In order to regulate retail markets, state regulators should:
 - Understand the wholesale market of their region.
 - Understand the decisions retail utilities must make in the wholesale market.
- Retail regulators can also shape the wholesale market for the benefit of the state's residents and businesses.

National History and Framework

- 1996 – The Federal Energy Regulatory Commission (FERC) required electric utilities to provide open access transmission service. It encouraged them to form Independent System Operators (ISO) to control the grid.
- FERC order 2000 required utilities to form Regional Transmission Organizations (RTO). RTOs have more management functions than ISOs.

Development of MISO

- 1998 – Midwest utility companies formed the Midwest Independent Transmission System Operator (MISO) to provide independent management of the transmission system.
- MISO was the first RTO approved by the FERC (2001).
 - It schedules transmission service and manages congestion now.
 - It will operate an energy dispatch market beginning March 2005.
- MISO has an active stakeholder advisory process. State regulators and consumer advocates are stakeholders.

Calls for Multi-State Cooperation:

- April 2002 – The National Governor Association’s report on Electric Transmission recommended that states form “multi-state entities” to consider new transmission facilities on a regional basis.
- July 2002 – FERC proposed a rule on “Standard Market Design.” One section recommended states to form “Regional State Advisory Committees.” The rule itself has not been adopted.

Why did the Governors and the FERC make these recommendations?

- Federal policy is looking for a way to align state opinion.
- The utility industry is restructuring into larger companies.
- New investments often serve regional needs. These projects should not be studied only on the basis of local interests.

Response of Midwest Commissions

- State commissions were straining to follow the FERC case load.
 - Cases involving membership in MISO or other RTOs.
 - Reorganization of utilities.
 - Tariff filings by MISO and new transmission companies.
- Commissions felt need to coordinate participation in stakeholder meetings.

OMS

Response of Midwest Commissions

(2)

- Commissioners considered cooperative models from electricity, telephone and natural gas industries and other regions.
- The best legal tool was coordination of state agency work. This approach does not shift any decisional authority or legal jurisdiction.
- We work for consistent information and good analysis.

OMS Formation

- November 2002 – planning began
- May 2003 - incorporation as Indiana non-profit corporation
- June 2003 - bylaws adopted, officers elected, funding agreement with MISO
- January 2004 - staff and office

OMS

OMS Membership

- Membership is open to state regulatory authorities:
 - That regulate retail electricity or distribution rates of transmission-owning MISO members or transmission-dependent MISO members
 - That have primary siting authority
- Associate membership is open to other state agencies

OMS

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 Stakeholder Advisory Committee who represent the state regulatory sector

OMS

Funding of OMS

- A funding agreement was signed with MISO.
- The agreement includes a statement of independence between MISO and OMS.
- The OMS budget is included in the MISO budget.
- Remittances are automatic electronic transfers.
- The agreement provides for dispute resolution by FERC.

OMS Functions:

- The overall purpose of OMS is to coordinate the way states do their work.
- OMS coordinates participation in MISO stakeholder meetings. OMS can pay travel expenses for state commissioners and staff.
- OMS work groups analyze issues and present draft positions to the OMS Board (commissioners).
- The Board tries to reach consensus.
- OMS submits a single position statement to MISO or FERC on behalf of member states when possible.

OMS

Communications and Positions

- OMS uses a process like NARUC:
 - Board assigns issues to working groups
 - Working groups formulate positions
 - Board adopts positions
- Seven Working Groups
- Board discusses monthly MISO Advisory Committee agenda – the state representatives are guided by membership views
- Board meetings are open conference calls

OMS

Work Groups

- Pricing (Randy Rismiller, Illinois)
 - Developing policy for interconnection pricing
 - Regional Through and Out Replacement Rate
 - Regional Expansion Criteria and Benefits
- Congestion Management and FTR Allocation (Mike Proctor, Missouri)
 - FTR allocations
 - Grandfathered agreements

Work Groups (cont'd)

- Market Monitoring and Market Power Mitigation (Dave Hadley, Indiana)
 - Tariff provisions
 - State access to market monitoring data
- Resource Adequacy and Capacity Markets (Jan Karlak, Ohio)
 - Reliability issues
 - Reactive power

Work Groups (cont'd)

- Seams Issues (Bob Nelson, Michigan)
 - Integration of PJM, Commonwealth Edison, Grid America, AEP
 - MAPP area seams
 - Joint Operating Agreement
 - Readiness Metrics
 - Regional Through and Out Replacement Rate

Work Groups (cont'd)

- Market Rules and Implementation Timelines (Nancy Campbell, Minnesota)
 - Advice to MISO on Energy Market Tariff
 - Comments to FERC on Energy Market Tariff
 - Readiness Metrics
- Transmission Planning and Siting (Klaus Lambeck, Ohio)
 - Updating planning and siting reports
 - Midwest Transmission Expansion Plan
 - Regional Expansion Criteria and Benefits



Recent Activities

- Comments on Generator Interconnection
February 27
- Comments on Energy Market Tariff to MISO
March 15
- Comments on Energy Market Tariff to FERC
May 7
- Comment on Grandfathered Agreements
June 25

Upcoming Activities

- Reactive power comments to FERC are due July 30
- Seams
 - MISO/PJM Joint Operating Agreement filed December 31
 - MAPP area activity
 - Southwest Power Pool Seam Agreement
- Long-term regional transmission rate development
- Regional expansion criteria and benefits
- Market readiness and metrics



First Year Snapshot

- OMS model builds technical analysis in state commission staff
 - Participation enriches state staff expertise
 - Travel reimbursement is key to participation
- Policy decisions need commissioner input
 - Respect for policy differences
 - Include minority viewpoints – judicial v. legislative model

OMS

OMS Creates Value

- Efficiency of dealing with the states collectively
 - FERC
 - RTO
 - RTO members
- The states get better attention from FERC and the RTO
- States get better expertise and better analysis of issues by sharing

OMS

Relation to State Commissions

- Commissions must select and assign staff to OMS Work Groups.
- Staff must balance OMS work with commission work.
- Commissioners need to participate.
- OMS supports state commissions.
- OMS must accommodate differing positions among commissions.

OMS

OMS Office Contacts

- Staff: Bill Smith, Executive Director, bill@misostates.org
Julie Mitchell, Office Manager, julie@misostates.org
- 100 Court Avenue, Suite 218
Des Moines, Iowa 50309
- Phone: 515-243-0742
- Fax: 515-243-0746
- Website: www.misostates.org

OMS