

Nicholas A. Brown, President & CEO

August 10, 2011

John Bear  
President & CEO  
Midwest ISO  
720 City Center Drive  
Carmel, IN 45032

Hello John,

Southwest Power Pool, Inc. ("SPP") hereby gives this Notice of Dispute to the Midwest Independent Transmission System Operator, Inc. ("Midwest ISO") and requests commencement of dispute resolution procedures pursuant to Section 14.2 of the Joint Operating Agreement ("JOA") between Midwest ISO and SPP.

SPP first informed Midwest ISO on August 27, 2010 that it had observed parallel market flows from MISO on SPP flowgates that did not appear to be properly accounted for in the NERC Interchange Distribution Calculator ("IDC"). SPP requested joint research of suspected market flow calculation inaccuracies. On September 17, 2010, the Congestion Management Process Council ("CMPC") formed a task force to research and recommend needed improvements in market flow calculations. This task force consisted of representatives from SPP, Midwest ISO, and PJM Interconnection, L.L.C. The task force worked for a period of several months before presenting a position paper to the CMPC in March 2011. Although Midwest ISO generally agreed that improvements needed to be made in its market flow calculations, the position paper reflected that SPP and Midwest ISO disagreed regarding the nature and urgency of the improvements to be made, particularly with respect to how imports should be modeled. Further work was requested of the task force and recommendations were brought back to the CMPC in June 2011; however, SPP and Midwest ISO were unable to resolve their disagreement through this process and the CMPC took no action to conclude the matter.

SPP members have experienced significant detrimental impacts related to Midwest ISO's parallel flows over the last two summers, and the high percentage of Midwest ISO's actual market flows that are not being reported to the IDC creates a severe burden on SPP members that is not equitable and creates unnecessary reliability risks. SPP believes this inaccuracy in the reporting of market flows is a result of how Midwest ISO accounts for its imports in the calculation. Pursuant to Attachment 1, Section 4.1 to the JOA, the Congestion Management Process requires that "imports into or exports out of the market area, and tagged grandfathered transactions within the market area, must be properly accounted for in the determination of Market Flows."

SPP and Midwest ISO have been unable to resolve how imports should be reflected in the market flow calculations and, as such, have a dispute. Hence, SPP requests that a meeting of the Seams Agreement Coordinating Committee be held within ten days of this notice, pursuant to section 14.2.1 of the JOA, as Step One under the JOA dispute resolution procedures to resolve the dispute.

Take Care,

