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reliability, adequacy, and security, and that the long-term needs of transmission customers are being met; (v) facilitate communications among Owners, transmission customers, generation suppliers, and other stakeholders; and (vi) periodically monitor real-time data to identify emerging trends that require modification of planning assumptions to assure the reliable operation of the Transmission System in the future.

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**PRICING AND REVENUE DISTRIBUTION,**

**RETURN OF START-UP COSTS, AND  
RENEGOTIATION PROCEDURES FOR  
GRANDFATHERED AGREEMENTS**

The following represents the agreement of the Owners on pricing, revenue distribution, the return of Start-up Costs contributed by the Owners, and on the renegotiation procedures for certain Grandfathered Agreements.

I. **Additional Definitions.** Unless the context otherwise specifies or requires, the following additional definitions apply to this Appendix C, and, when used in this Appendix C, the following terms shall have the respective meanings set forth below.

A. **Border Transmission Owner.** A Midwest ISO Owner whose transmission facilities are interconnected with those of a non-Midwest ISO owner.

B. **Bundled Load.** The aggregate usage of customers who purchase electric service as a single service rather than services, including transmission service, which may be purchased separately.

C. **Drive-in.** Point-to-Point Transmission Service where the generation source is outside the Midwest ISO and the load is located within the Midwest ISO.

D. **Drive-out.** Point-to-Point Transmission Service where the generation source is located within the Midwest ISO and the load is located outside of the Midwest ISO.

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**E. Drive-through.** Point-to-Point Transmission Service where both the generation source and the load are located outside of the Midwest ISO.

**F. Drive-within.** Point-to-Point Transmission Service where both the generation source and the load are located within the Midwest ISO.

**G. First Substantive Order.** The first order in which the FERC accepts for filing this Agreement and the Transmission Tariff (or if separately accepted, the later of the two (2) orders), even if the FERC orders changes to this Agreement or the Transmission Tariff, or sets for hearing the question of the justness or reasonableness of the Agreement or the Tariff.

**H. Grandfathered Agreements.** For revenue distribution purposes, the following types of agreements shall be considered Grandfathered Agreements: (i) non open access tariff transmission service agreements executed before the First Substantive Order date; (ii) bundled contracts which include transmission service as part of the contract executed prior to the First Substantive Order date; (iii) network and long-term firm Point-to-Point Transmission Service agreements executed prior to the First Substantive Order date; and (iv) accepted and confirmed short-term firm and non-firm Point-to-Point Transmission transactions under open access transmission tariffs which were accepted and confirmed prior to the First Substantive Order date.

For pricing purposes, the first two categories above shall be Grandfathered Agreements. The third and fourth categories of agreements shall be considered only Grandfathered Agreements for pricing purposes if the pricing terms cannot be changed

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under sections 205 and 206 of the FPA (except under the Mobile-Sierra "public interest" standard).

I. **Host Zone.** The Zone where load is physically connected to the Midwest ISO transmission network either directly or through a distribution system.

J. **Network Transmission Service.** Defined the same as in the definition of Network Integration Transmission Service in the Transmission Tariff.

K. **Point-to-Point Transmission Service.** Defined the same as in the definition of the same term in the Transmission Tariff.

L. **Transition Period.** The Transition Period begins on the Transfer Date and ends on the sixth anniversary of the Transfer Date.

M. **Zone(s).** The transmission pricing zone(s) identified in the Transmission Tariff as it (they) may be changed pursuant to this Appendix C.

**II. Pricing.**

**A. Rates and Procedures Applicable during the Transition Period.**

The following are the major elements of Midwest ISO pricing during the Transition Period:

**1. Transition Period Rates.**

a. During the Transition Period, the Midwest ISO shall employ a Zonal pricing structure for both Network Transmission Service and Point-to-Point Transmission Service associated with loads physically located within a Midwest ISO Zone. The Zonal rates for each Zone shall be based on the costs of the booked

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transmission facilities within the Zone. Payment of the Zonal rate allows the customer to obtain transmission service over the facilities covered by the Transmission Tariff without paying additional base transmission charges. The Zones shall be as specified in the Transmission Tariff submitted as part of the initial filing with the FERC to establish the Midwest ISO. The Zones only may be changed to reflect the effectuation of a merger (or consolidation and reorganization), to add a new Owner that operates a control area in existence on or before the date of the initial filing with the FERC to establish the Midwest ISO, or to reflect the withdrawal from the Midwest ISO of an Owner or Owners.

b. The rates for Network Transmission Service and Drive-in and Drive-within Point-to-Point Transmission Service shall be the rates for the Zone in which the load is located. The rates for Drive-through and Drive-out Point-to-Point Transmission Service shall be the single Midwest ISO system-wide rate calculated as set forth in the Transmission Tariff.

### 2. Special pricing rules during the Transition Period.

a. Each Owner shall take Network Transmission Service or Point-to-Point Transmission Service from the Midwest ISO at its Zonal rate for the retail electric load it continues to serve that has the right to choose a different power supplier under a state retail access program or legislation and that was served by the Owner prior to the retail load receiving such right to choose a different power supplier. Each Owner also shall take Network Transmission Service or Point-to-Point Transmission Service from the

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Midwest ISO at the appropriate Zonal rate for any sales to customers taking requirements wholesale electric service which FERC requires to be unbundled unless such service is arranged by another entity or is pursuant to a Grandfathered Agreement.

b. Firm or non-firm Point-to-Point Transmission Service shall be taken from the Midwest ISO for a sale of power by one Owner to another within the Midwest ISO. However, the Point-to-Point Transmission Service arranged in connection with such a power sale shall, for billing purposes, be reduced to reflect the portion of the buying Owner's load, if any, served by Midwest ISO Network Transmission Service.

c. Owners that are transmission-dependent utilities within a Zone, that is, their transmission facilities within a Zone are insufficient to deliver the electric service requirements of their customers within that same Zone, may elect Network or Point-to-Point Transmission Service for customers or electric loads within that Zone. All other Owners shall not have the option of electing Network Transmission Service for loads or customers that do not have the right to choose a different power supplier during the Transition Period; provided, however, Transmission Owners required by state law to take transmission service from the Midwest ISO for bundled retail load may elect Network Integration Transmission Service for such loads even if those loads or customers do not possess the right to choose a different supplier.

d. Service under Grandfathered Agreements shall continue according to their terms rather than under the Transmission Tariff. Grandfathered Agreements are (or will be) listed in Attachment P to the Transmission Tariff.

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e. The requirements and restrictions in subsections (b) and (c) are limited by Section 37.5 of the Transmission Tariff.

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**B. Rates and Procedures Applicable after the Transition Period**

**1. Rates.**

a. The rates for Point-to-Point and Network Transmission Service shall be the same as the rates during the Transition Period which are specified in Section II, Paragraph A.1 above except under the conditions specified in subparagraphs b or c of this paragraph B.1.

b. The Midwest ISO shall file to combine zones (i) if all of the Owners in the Zones to be combined that are paying the Midwest ISO for transmission service associated with Bundled Load agree to combine such zones; (ii) if all of the Owners in contiguous Zones that are paying the Midwest ISO for transmission service associated with Bundled Load are allowed to recover amounts they pay the Midwest ISO for such transmission service in the applicable rates; provided, however, any Owner may agree to have zones combined whether or not the Owner recovers or is assured recovery of payments to the Midwest ISO; or (iii) if there are contiguous zones that are to be combined where there are no Owners paying the Midwest ISO for transmission service associated with Bundled Load.

c. The Midwest ISO shall file a revision to the rate formula which is set forth in Attachment O to the Transmission Tariff to implement Midwest ISO system-wide transmission rates (i.e., the same transmission rate shall apply to all customers) (i) if all Owners paying the Midwest ISO for transmission service associated with Bundled Load agree; (ii) if all Owners that are paying the Midwest ISO for transmission service



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associated with Bundled Load are allowed to recover such payments; or (iii) there are no Owners paying the Midwest ISO for transmission service associated with Bundled Load.

d. In order to implement and facilitate any rate revisions to paragraphs b and c of this Section II.B.1., the Midwest ISO shall establish procedures to provide for the development and submission of a filing to FERC, which shall be submitted at least six months before the end of the Transition Period.

2. Load under Transmission Tariff.

The Midwest ISO Transmission Tariff shall be applicable to all transmission service arranged over Midwest ISO transmission facilities whether for Bundled Load, for electric load that is not Bundled Load, or for deliveries made pursuant to Grandfathered Agreements; provided, however, that Grandfathered Agreements shall not be abrogated or modified by this Agreement. Owners shall be required to take transmission service under the Midwest ISO Transmission Tariff to serve Bundled Load to which they are providing bundled electric service unless some other entity is obtaining the necessary transmission service from the Midwest ISO.

C. Other Pricing Matters.

1. Owners shall be appropriately compensated for the construction of transmission facilities required by the Midwest ISO. The appropriate compensation or compensation requirements are set forth in Attachment N to the Transmission Tariff submitted as part of the initial filing with the FERC to establish the Midwest ISO.

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2. Prior to the end of the fourth (4th) year of the Transition Period, each Owner shall file a request with the appropriate regulatory authority or authorities (unless a proceeding has already been initiated or completed) for a determination of which of its facilities are transmission facilities or which are distribution in accordance with the seven (7) factor test set forth in FERC Order No. 888, 61 Fed. Reg. 21,540, 21,620 (1996), or any applicable successor test. Each Owner shall use its best effort to cause these determinations to be made before the end of the Transition Period. Owners that are not subject to regulation by a regulatory authority shall apply to the Midwest ISO for such a determination.

3. The ISO Cost Adder mechanism for the Transition Period shall be calculated as set forth in Schedule 10 to the Transmission Tariff submitted as part of the initial filing with the FERC to establish the Midwest ISO.

**III. Revenue Distribution.**

Notwithstanding any language to the contrary in this Appendix C or the Agreement, the Midwest ISO shall pass through monthly the Owners' revenues associated with transmission services to the LLC established by the Owners in accordance with this Appendix C. If the Owners participating in the LLC unanimously agree, the Owners may designate some other entity or entities to recover the revenues from the Midwest ISO. In any event, any distribution of revenues to and among the Owners by the LLC shall be consistent with this Appendix C.

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The revenues subject to this Section III are the transmission revenues associated with charges under Schedules 7, 8, and 9 to the Transmission Tariff.

**A. Revenue Distribution during Transition Period.**

1. Except by mutual agreement of the parties to a Grandfathered Agreement, the Midwest ISO shall not collect or distribute any revenues for transmission service related to such agreements during the Transition Period. The Owner providing the transmission service under a Grandfathered Agreement shall continue to receive payment directly from the customer under the Grandfathered Agreement. Nothing contained in this paragraph affects any rights of any party to unilaterally make application to FERC to alter, amend, or terminate a Grandfathered Agreement.

2. Revenues collected by the Midwest ISO for transmission services involving retail electric load that had the right to choose a different supplier under a state retail access program or legislation, shall be fully distributed to the Host Zone, regardless of whether the customers comprising such retail electric load have exercised such right to choose.

3. Revenues collected by the Midwest ISO for transmission services associated with power transactions where the generation source(s) and load(s) are physically located within the same Host Zone shall be fully distributed to that Host Zone whether the generation source is controlled by the Owner or another entity.

4. Revenues collected by the Midwest ISO for Network Transmission Service shall be fully distributed to the Host Zone.

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5. Revenues collected by the Midwest ISO for Point-to-Point Transmission Service for delivery directly to a wholesale requirements customer or a former wholesale requirements customer shall be distributed to the Host Zone.

6. Revenues collected by the Midwest ISO for Drive-in Point-to-Point Transmission Service shall be fully distributed to the Border Transmission Owner if that Owner purchases power from outside the Midwest ISO for delivery to its Zone and pays the Midwest ISO for such transmission service to effectuate that purchase.

7. All other Midwest ISO transmission revenues (*i.e.*, other than those revenues specified in Paragraphs 1-6 above) shall be distributed among Zones as follows: (i) fifty percent (50%) of such revenues shall be distributed in proportion to transmission investment (calculated each month based on the relative proportion of transmission investment reflected in the then applicable rates determined by the formula in Attachment O to the Transmission Tariff); and (ii) fifty percent (50%) of such revenues shall be shared based upon power flows. Such power flows shall be calculated using load flow analysis techniques to develop transaction participation factors. The methodology for developing transaction participation factors is described in Appendix C-1. Participation factors less than three percent (3%) shall be ignored.

Notwithstanding the foregoing in this paragraph 7, Transmission Owners that are also Mid-Continent Area Power Pool ("MAPP") members electing to take Network Integration Transmission Service pursuant to Section 37.5 of the Transmission Tariff shall receive no revenues under this paragraph from Point-to-Point Transmission

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Service associated with Transmission Owner purchases of power. Such MAPP Transmission Owners shall participate in all other revenue sharing under this paragraph 7.

8. The Owners located within a Zone that has more than one (1) Owner shall appoint a single Owner or designee to receive the revenues allocated to the Zone and to further distribute such revenues pursuant to agreement of the Owners within the Zone. If the Owners in a Zone cannot agree to a methodology for distributing such revenues, Owners may seek recourse through the Dispute Resolution procedures under Appendix D to the Agreement or the Owners may go to the FERC for resolution. An intra-Zonal revenue distribution methodology shall, to the greatest extent possible, minimize cost shifts so that the Owners shall continue to receive the revenues they would have received absent the formation of the Midwest ISO.

**B. Revenue Distribution after the Transition Period Ends.**

1. Each Owner shall receive revenues, on a monthly basis, based on its revenue requirement calculated in accordance with a formula filed with the FERC.

2. If Midwest ISO revenues are insufficient to satisfy revenue requirements in any year for any reason, then the shortfall shall be apportioned on a proportionate basis of revenue requirements (e.g., an Owner whose revenue requirements are ten percent (10%) of the total Midwest ISO revenue requirements shall bear \$1 million

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of a total \$10 million shortfall). If Midwest ISO revenues exceed revenue requirements in any year, then any additional revenues shall be distributed on the same basis used for apportioning shortfalls.

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**IV. Return Of Start-up Costs.**

The Midwest ISO shall pay back an Owner's contributions to the Start-up Costs, plus reasonable interest; provided, however, only Owners that are signatories to the Agreement when it is initially filed with the FERC shall receive a return of their contribution to the Start-up Costs incurred prior to the date of filing. Those Owners that are not signatories at the time of filing shall forfeit any right to a return of their contributions to Start-up Costs incurred prior to the date of the initial filing. For those Owners that become signatories after the initial filing with FERC and make contributions to Start-up Costs after the date they become signatories, the Midwest ISO shall return those post-filing Start-up Costs after paying back all Start-up Costs incurred before the initial FERC filing date. The Midwest ISO shall obtain financing as soon as is reasonably possible to pay back such Owners and shall do so promptly upon receiving the necessary monies. The Midwest ISO also shall use any membership fees to pay back such Owners as soon as possible but no later than twelve (12) months after the date of the First Substantive Order. The Start-up Costs shall include only the following costs:

**A.** Contributions to cover outside joint expenses (i.e., outside legal costs and consultant or contractor costs) relating to the development of the Midwest ISO filing and implementation of the Agreement.

**B.** Costs associated with joint meetings of Owners and others relating to the formation of the Midwest ISO.

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C. Contributions relating to equipment, software, or other items related to the start-up of the Midwest ISO. These contributions include monies spent associated with equipment, software, and other items for (1) the Midwest ISO's systems; and (2) the Owners' systems where such expenditures are necessary to allow the Owners' systems to interface with the ISO. Payments made to consultants related to the start-up of the Midwest ISO are included within such expenditures.

D. Contributions to allow the Midwest ISO to obtain financing.

E. Contributions or monies paid relating to the recruitment, hiring, and/or employment of Directors, Officers, employees, and contractors by the Midwest ISO including salaries and other compensation and insurance premiums and any monies paid to any person or entity performing administrative and start-up functions until the Midwest ISO Board is elected.

F. Any other contributions by Owners to Midwest ISO expenses or costs in response to a request of the Midwest ISO Board or Officers.

For any facilities, software, or other items involving modifications or additions to the Owners' systems for which the Owners receive reimbursement of their costs under this Article IV, the Owners shall not include such facilities, software, or other items, or portions thereof, in their rates or in any charges to the Midwest ISO.

**V. Renegotiation Procedures For Certain Grandfathered Agreements.**

For Grandfathered Agreements where the agreements result in the payment of pancaked rates within the Midwest ISO, the parties to the agreement shall enter into



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good faith negotiations to consider the amendment or termination of the agreement. These negotiations shall conclude no later than the first day on which the Midwest ISO begins providing service under the Transmission Tariff. During this negotiating period, the parties to the Grandfathered Agreement cannot raise any issues regarding amendment or termination of such Grandfathered Agreement with the FERC. At the end of the negotiating period, if the parties to the Grandfathered Agreement are unable to reach agreement, then either party may utilize whatever rights it otherwise would have to request that the FERC consider the need for an amendment or to terminate the Grandfathered Agreement. Except as specifically provided in this Section V, this provision does not affect any rights or arguments that a party to a Grandfathered Agreement may have.

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**DEVELOPMENT OF TRANSACTION PARTICIPATION FACTORS**

In developing transaction participation factors (hereinafter "TPFs") for use in transmission revenue distribution, the Midwest ISO shall employ the principles outlined in this Appendix C-1, as described below.

**Power Flow Models:** The Midwest ISO shall develop power flow base cases with sufficient detail to represent the transmission systems of the Midwest ISO and surrounding networks, using the NERC power flow base case library. Power flow base cases should be developed annually for a number of load levels and various seasons (such as summer and winter) to recognize changes in the transmission system configuration, load level, and power flow patterns. Transformer taps and switched shunts should be held fixed and the phase angle regulators should be modeled as they would be in transmission reliability studies. Other modeling adjustments should be incorporated as appropriate.

**Power Transaction Simulations:** Each potential power transaction should be simulated by scaling load down in the selling (or from) control area by an appropriate amount (e.g., 100 MW) and scaling load up by the same amount in the buying (or to) control area, making a corresponding adjustment in the scheduled interchange of the affected control areas. Each power flow simulation should be solved using an AC solution.

**Calculations of TPFs:** Tables showing the TPF for each Midwest ISO Zone shall be constructed for each simulated transaction. When a Midwest ISO control area is host to the load or power source for a transaction, the TPF for that control area shall be 100%. A TPF which represents the response of each other Midwest ISO system affected by the simulated transaction shall be calculated. This calculation may be accomplished in several steps as follows:

- Algebraically sum the tie line flows between each affected control area and each interconnected control area neighbor of such control area (i.e., determine the net flow in (+) or out (-) over all ties of each control area to control area interface) for the base case and corresponding transaction simulation case;
- Compare the corresponding base case and transaction simulation case results and determine the tie line power flow change for each such control area interface;
- Sum the absolute values of such changes in tie line flows over all the control area interfaces of such control area; and
- Divide the sum by two and the simulation transaction amount, setting all TPF of less than 0.03 (3%) to zero.

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**DISPUTE RESOLUTION**

**I. Applicability.**

A. The Dispute Resolution procedures set forth herein shall be applicable, under the conditions hereinafter provided, to all disputes as to any matter governed by this Appendix D arising between or among any two (2) or more parties in one or more of the following groups: Owners, Members, Users, and the Midwest ISO; provided, however, that these Dispute Resolution procedures do not apply to any matters covered by the Dispute Resolution procedures of the Transmission Tariff. Nothing in this Appendix is intended to restrict or expand existing state laws or regulatory authority.

**II. Informal Dispute Resolution Procedures.**

A. **When Required.** Any dispute as to a matter governed by this Appendix D shall be subject to the informal Dispute Resolution procedures specified herein.

**B. Procedures.**

1. Each Owner, each Member, each User, and the Midwest ISO shall designate an employee or representative who shall be their initial contact for resolving disputes involving them as to matters governed by this Appendix D. Each party to such a dispute shall raise all issues regarding the dispute with the designated representative of the other party or parties to such dispute in the first (1st) instance. The designated representatives shall work together to resolve the relevant issues in a manner that

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meets the interests of such parties, or until the issues are referred to the designated officers of the parties as set forth in Subparagraph 2 of this Paragraph B.

2. Each Owner, each Member, each User, and the Midwest ISO shall designate an officer who shall review disputes as to any matter governed by this Appendix D involving them that their designated representatives are unable to resolve. In the case of the Midwest ISO, this officer shall be designated by the Board. The applicable officers of the parties involved in such dispute shall work together to resolve the disputes so referred in a manner that meets the interests of such parties, either until such agreement is reached, or until an impasse is declared by any party to such dispute.

**III. Mediation.**

**A. When Required.** Any dispute as to a matter governed by this Appendix D shall be subject to non-binding mediation subsequent to informal dispute resolution, but prior to the initiation of arbitration, regulatory, judicial, or other dispute resolution proceedings, unless an Alternate Dispute Resolution Committee (discussed in Section V of this Appendix D), or similar body as appointed by the Board (hereinafter "Committee"), shall determine, from the nature of the dispute, the positions of the parties, and other relevant facts and circumstances, that mediation would be highly unlikely to lead to resolution of the dispute.

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**B. Procedures.**

1. The parties to a dispute as to a matter governed by this Appendix D shall notify the Committee in writing of the existence and nature of the dispute prior to commencing mediation for resolution of the dispute. The Committee shall have ten (10) days in which to determine whether mediation would be highly unlikely to lead to resolution of the dispute. At the earlier of (i) the expiration of such ten-day (10-day) period, (ii) a determination by the Committee that mediation is appropriate, or (iii) agreement of the parties involved in this dispute, such parties shall proceed to mediation as provided in this Appendix D.

2. A neutral mediator shall be selected by the Chair of the Committee after consultation with the parties involved in the dispute. The Chair of the Committee also may consult with the other representatives on the Committee concerning the selection of a mediator. The mediator selected shall (i) be knowledgeable in the subject matter of the dispute, and (ii) have no official, financial, or personal conflict of interest with respect to the parties or the issues involved in the dispute, unless such interest is fully disclosed in writing to all parties involved in the dispute and all such parties waive in writing any objection to the interest.

3. The parties involved in the dispute shall attempt in good faith to resolve their dispute in accordance with the procedures and timetable established by the mediator. In furtherance of the mediation efforts, the mediator may, among other actions:

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- a. Require such parties to meet for face-to-face discussions, with or without the mediator;
- b. Act as an intermediary between such parties;
- c. Require such parties to submit written statements of issues and positions; and
- d. If requested by such parties at any time in the mediation process, provide a written recommendation on resolution of the dispute including, if requested, the mediator's assessment of the merits of the principal positions being advanced by each such party.

4. If a resolution of the dispute is not reached by the parties in the dispute by the thirtieth (30<sup>th</sup>) day after the appointment of the mediator, or such later date as may be agreed to by such parties, and, if not previously requested to do so, the mediator shall promptly provide such parties with a written, confidential, non-binding recommendation on resolution of the dispute, including the mediator's assessment of the merits of the principal positions being advanced by each of the parties, or, if such a request has previously been made, shall provide any additional recommendations or assessments the mediator shall deem appropriate. At a time and place specified by the mediator after delivery of the foregoing recommendation for the parties involved in the dispute, such parties shall meet in a good faith attempt to resolve the dispute in light of

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the mediator's recommendation. Each party shall be represented at the meeting by a person with authority to settle the dispute, along with such other persons as each such party shall deem appropriate. If the parties are unable to resolve the dispute at or in connection with this meeting, then, (i) any party involved in the dispute may commence such arbitration proceedings, or such judicial, regulatory, or other proceedings as may be appropriate as permitted by the provisions of Section IV, Paragraph A of this Appendix D; (ii) the recommendation of the mediator shall have no further force or effect and shall not be admissible for any purpose in any subsequent arbitration, administrative, judicial, or other proceeding; and (iii) the mediator may not be compelled to testify concerning the mediation in any subsequent arbitration, judicial, or other proceeding.

**C. Costs.** The costs of the time, expenses, and other charges of the mediator and common costs of the mediation process shall be borne by the parties involved in the dispute, with each side (treating all parties as aligned with either the plaintiff side or the defendant side of the dispute) in the mediated matter bearing one-half (1/2) of such costs. Each party involved in the dispute shall bear its own costs and attorney's fees incurred in connection with any mediation under this Appendix D.

### IV. Arbitration.

**A. When Required.** Any dispute governed by this Appendix D that has not been resolved through the procedures specified herein (hereinafter "Dispute") shall be

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resolved by arbitration in accordance with the procedures specified herein; provided, however, that any Dispute involving the obligation to build or enlarge transmission facilities shall be subject to resolution by the appropriate regulatory authority if (a) the regulatory authority has (i) jurisdiction over the subject matter of the Dispute, (ii) jurisdiction to grant the relief sought by one (1) or more parties to the Dispute, and (iii) jurisdiction over the party from which such relief is sought; and (b) at least one (1) of the parties to the Dispute demands that the matter be submitted to such regulatory authority; and provided, further, that any assertion that any provision of the Agreement, including any principle, standard, requirement, plan, or procedure, or that any act or failure to act of the Midwest ISO, any Owner, Member, User, or other person or entity, is contrary to any federal or state law or regulation, shall only be heard by a court or agency having jurisdiction thereof and over the parties, unless all parties consent to arbitration of such assertion. A party seeking to invoke jurisdiction of the appropriate regulatory authority of a Dispute for which arbitration has been demanded by another party shall so notify the other parties involved in the Dispute within fourteen (14) days of receiving the demand for arbitration, and shall thereafter have a further sixty (60) days in which to make the necessary filing to commence proceedings at such regulatory authority. If the filing necessary to commence proceedings before such regulatory authority is not made within the foregoing sixty-day (60-day) period, then the Dispute shall revert to arbitration.



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**B. Initiation.** Subject to the appeal and reconsideration provisions of this Appendix D and to the provisions of Paragraphs B and C of this Section IV, a party to a Dispute wishing to commence arbitration shall send a written demand for arbitration via first class registered mail, return receipt requested, to an officer or managing or general agent (or other agent authorized by appointment or law to receive service of process) of each party to the Dispute, and to the secretary of the Committee. The demand for arbitration shall state each claim for which arbitration is being demanded, the relief being sought, a brief summary of the grounds for such relief, and the basis for the claim, and shall identify all other parties to the Dispute.

**C. Selection of Arbitrator(s).** The parties to a Dispute for which arbitration has been demanded may unanimously agree on any person to serve as a single arbitrator, or shall endeavor in good faith to agree on a single arbitrator from a list of arbitrators prepared for the Dispute by the Committee and delivered to the parties by facsimile or other electronic means promptly after receipt by the Committee of a demand for arbitration. If the parties to a Dispute are unable to agree on a single arbitrator by the fourteenth (14<sup>th</sup>) day following delivery of the foregoing list of arbitrators, or such other date as agreed to by the parties, then, not later than the end of the seventh (7<sup>th</sup>) business day thereafter, the party or parties demanding arbitration on the one hand, and the party or parties responding to the demand for arbitration on the other, shall each (treating all parties as aligned with either the plaintiff side or the defendant side of the Dispute) designate an arbitrator from a list for the Dispute

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prepared by the Committee, pursuant to procedures for such designation established by the Committee. The arbitrators so chosen shall then choose a third arbitrator.

**D. Procedures.** The Committee shall compile and make available to the arbitrator(s) and the parties standard procedures for the arbitration of Disputes, which may be modified or adopted for use in a particular proceeding as the parties mutually agree or as the arbitrator(s) deem appropriate. Upon selection of the arbitrator(s), arbitration shall go forward in accordance with applicable procedures.

**E. Intervention.** The arbitrator(s) may permit any Owner or Member to intervene in the proceeding upon the filing of a timely application which demonstrates that the Owner or Member has a direct monetary interest that will be materially affected by the decision of the arbitrator(s) and that it will not be represented adequately by an existing party to the proceeding. Any Owner or Member seeking to intervene in a Dispute shall indicate in its intervention papers whether it believes that it should be aligned with either the plaintiff side or the defendant side of the Dispute. Any party to the Dispute may challenge such proposed alignment. The arbitrator(s) shall determine the actual alignment of the parties to a Dispute based upon the comparability of the specific positions advanced by each party concerning the issues involved in the Dispute.

**F. Summary Disposition and Interim Measures.**

1. The procedures for arbitration of a Dispute shall provide a means

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for summary disposition of a demand for arbitration, or response to a demand for arbitration, that in the reasoned opinion of the arbitrator(s) does not have a good faith basis either in law or fact. If the arbitrator(s) determine that a demand for arbitration, or response to a demand for arbitration, does not have a good faith basis either in law or fact, the arbitrator(s) shall have discretion to award the costs of the time, expenses, and other charges of the arbitrator(s) to the prevailing party.

2. The procedures for the arbitration of a Dispute shall provide a means for summary disposition without discovery if there is no dispute as to any material fact, or with such limited discovery as the arbitrator(s) shall determine is reasonably likely to lead to the prompt resolution of any disputed issue of material fact.

3. The procedures for arbitration of a Dispute shall permit any party to a Dispute to request the arbitrator(s) to render a written interim decision requiring that any action or decision that is the subject of a Dispute not be put into effect, or imposing such other interim measures as the arbitrator(s) deem necessary or appropriate, to preserve the rights and obligations secured by the Agreement during the pendency of the arbitration proceeding. The arbitrator(s) may grant or deny, in whole or in part, a request for such a written interim decision. Owners, Members, and Users shall be bound by any such written decision pending the outcome of the arbitration proceeding.

### G. Discovery of Facts.

1. The arbitration procedures for the resolution of a Dispute shall

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include adequate provision for the discovery of relevant facts, including the taking of testimony under oath, production of documents and things, and inspection of land and tangible items. The nature and extent of such discovery shall be determined as provided herein and shall take into account (i) the complexity of the Dispute, (ii) the extent to which facts are disputed, and (iii) the amount in controversy.

2. The sole arbitrator, or the arbitrator selected by the arbitrators chosen by the parties (hereinafter the "Procedures Arbitrator"), as the case may be, shall be responsible for establishing the timing, amount, and means of discovery, and for resolving discovery and other pre-hearing disputes. If a Dispute involves contested issues of fact, promptly after the selection of the arbitrator(s), the Procedures Arbitrator shall convene a meeting of the parties for the purpose of establishing a schedule and plan of discovery and other pre-hearing actions.

H. **Evidentiary Hearing.** The procedures established by the arbitrator(s) shall provide for an evidentiary hearing, with provision for the cross-examination of witnesses, unless all parties consent to the resolution of the matter on the basis of a written record. The forms and methods for taking evidence shall be as described in the then current version of the Federal Rules of Evidence, except as modified by the arbitrator(s) or agreement of the parties. The arbitrator(s) may require such written or other submissions from the parties as shall be deemed appropriate, including submission of the direct testimony of witnesses in written form. The arbitrator(s) may

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exclude any evidence that is irrelevant, immaterial, or unduly repetitious, and, except to the extent hereinafter otherwise provided, shall exclude any material which is covered by the attorney-client privilege, the accountant-client privilege, other evidentiary privileges, or the attorney-work product doctrine. Any party or parties may arrange for the preparation of a record of the hearing, and, except to the extent otherwise provided, shall pay the costs thereof. Such party or parties shall have no obligations to provide, or agree to the provision of, a copy of the record of the hearing to any party that does not pay a proportionate share of the cost of the record. At the request of any party, the arbitrator(s) shall determine a fair and equitable allocation of the costs of the preparation of a record between or among the parties to the proceeding who are willing to share such costs.

### I. Confidentiality.

1. Any document or other information requested from another party in the course of an arbitration proceeding, and not otherwise available to the receiving party, including any such information contained in documents or other means of recording information created during the course of the proceeding, may be designated "Confidential" by the producing party. The party designating documents or other information as "Confidential" shall have twenty (20) days from the request for such material to submit a request to the Procedures Arbitrator to establish such requirements for the protection of such documents or other information designated as "Confidential"

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as may be reasonable and necessary to protect the confidentiality and commercial value of such information and the rights of the parties. Prior to the decision of the Procedures Arbitrator on a request for confidential treatment, documents or other information designated as "Confidential" need not be produced. Confidential information shall not be used by the arbitrator(s), or anyone working for or on behalf of any of the foregoing, for any purpose other than the arbitration proceeding, and shall not be disclosed in any form to any person or entity not involved in the arbitration proceeding without the prior written consent of the party producing the information or as permitted by the Procedures Arbitrator.

2. Any person or entity receiving a request or demand for disclosure, whether by compulsory process, discovery request, or otherwise, of documents or information obtained in the course of an arbitration proceeding that have been designated "Confidential" and that are subject to a non-disclosure requirement under this Appendix D, or a decision of the Procedures Arbitrator, shall immediately inform the person or entity from which the information was obtained, and shall take all reasonable steps to afford the person or entity from which the information was obtained an opportunity to protect the information from disclosure. Any person disclosing information in violation of this Appendix D or requirements established by the Procedures Arbitrator shall be deemed to waive any right to introduce or otherwise use

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such information in any judicial, regulatory, or other legal or dispute resolution proceeding, including the proceeding in which the information was obtained.

3. Nothing in this Appendix D shall preclude any person or entity from using documents or information properly and previously obtained outside of an arbitration proceeding, or otherwise public, for any legitimate purpose, notwithstanding that the information was also obtained in the course of the arbitration proceeding.

**K. Timetable.** Promptly after the selection of the arbitrator(s), the arbitrator(s) shall set a date for the issuance of the arbitration decision, which shall be not later than eight (8) months (or such earlier date as may be agreed to by the parties) from the date of the selection of the arbitrator(s), with other dates, including the dates for an evidentiary hearing, or other final submissions of evidence, set in light of this date. The date for the evidentiary hearing, or other final submission of evidence, shall not be changed absent extraordinary circumstances. The arbitrator(s) shall have the power to impose sanctions for dilatory tactics or undue delay in completing the arbitration proceedings.

**L. Decisions.** The arbitrator(s) shall issue a written decision, which may, at the arbitrator(s) discretion, include findings of fact. The arbitration decision shall be based on (i) the evidence in the record; (ii) the terms of the Agreement, including any principle, standard, requirement, procedure, plan, or other right or obligation established

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by or pursuant to the Agreement; (iii) applicable federal and state legal standards, including the FPA and any applicable state and FERC regulations and decisions; and (iv) relevant decisions in previous arbitration proceedings under the Agreement which shall be available subject to applicable confidentiality provisions. All decisions of the arbitrator(s) shall be maintained by the Committee and shall, subject to any applicable confidentiality provisions, be made available to all Owners, Members, and state regulatory authorities on request. The arbitrator(s) shall have no authority to revise or alter any provision of the Agreement. Any arbitration decision that affects matters subject to the jurisdiction of the FERC under section 205 or section 206 of the FPA shall be filed with the FERC and any arbitration decision that affects matters subject to the jurisdiction of a state authority shall be filed with that authority.

**M. Costs.** Unless the arbitrator(s) shall decide otherwise, the costs of the time, expenses, and other charges of the arbitrator(s) shall be borne by the parties to the Dispute, with each side on an arbitrated issue bearing one-half (1/2) of such costs, and each party to an arbitration proceeding shall bear its own costs and fees. The arbitrator(s) may require all of the costs of the time, expenses, and other charges of the arbitrator(s), plus all or a portion of the costs of arbitration, attorney's fees, and the costs of mediation, if any, to be paid by any party that substantially loses on an issue determined by the arbitrator(s) to have been raised without a substantial basis.

**N. Enforcement.** The decision of the arbitrator(s) shall be binding, subject to applicable state and federal laws and approvals.



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**O. FERC Jurisdiction.** If a party fails to invoke FERC jurisdiction of a Dispute involving matters subject to FERC jurisdiction within sixty (60) days in accordance with Section IV, Paragraph A of this Appendix D, the party shall be deemed to have waived its right to invoke such jurisdiction; provided, however, that this waiver only applies to the party and does not affect any right that the FERC may have to act on its own. If such party nonetheless invokes FERC jurisdiction following the arbitration proceedings provided for herein, that party shall be responsible for all attorney's fees incurred by other parties to the Dispute and the Midwest ISO, whether or not the FERC concludes that such party has waived its right to invoke FERC jurisdiction.

**V. Alternate Dispute Resolution Committee.**

**A. Membership.**

1. The Committee shall be composed of six (6) representatives selected by the Board, which shall use its best efforts to select a Committee that reflects the diversity, in terms of size, type of entity, and geographic location, of Owners and Members. No more than one (1) representative on the Committee may be a representative of the same Owner or Member.

2. Representatives on the Committee shall serve for terms of three (3) years, beginning on the first day of the month following the annual meeting of the Board, and may serve additional terms, except that, of the representatives first elected to the Committee, two (2) representatives shall serve terms of one (1) year, and two (2) representatives shall serve terms of two (2) years.

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**B. Voting Requirements.** Approval or adoption of measures by the Committee shall require two-thirds (2/3) of the votes of the representatives present and voting, but in no event less than three (3) votes. Two-thirds (2/3) of the representatives on the Committee shall constitute a quorum for the conduct of the business of the Committee.

**C. Officers.** At the first meeting of the Committee following the annual meeting of the Board, the representatives on the Committee shall choose a Chair and Vice Chair from among the representatives on the Committee. The Chair and the Vice Chair shall each serve a term of three (3) years, unless earlier terminated by a two-thirds (2/3) vote of the representatives on the Committee. The Chair of the Committee shall preside at meetings of the Committee, and shall have the power to call meetings of the Committee and to exercise such other powers as are specified in this Appendix D or authorized by the Committee.

**D. Meetings.** The Committee shall meet at such times and places as determined by the Committee, or at the call of the Chair. The Chair shall call a meeting of the Committee upon the request of two (2) or more members of the Committee.

**E. Responsibilities.** The duties of the Committee include, but are not limited to, the following:

1. Maintain a pool of persons qualified by temperament and experience, and with technical or legal expertise in matters likely to be the subject of Disputes, to serve as mediators and arbitrators under this Appendix D;

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2. Determine the rates and other costs and charges that shall be paid to mediators and arbitrators for, or in connection with, their services;

3. Select mediators for disputes;

4. Determine whether mediation is not warranted in a particular Dispute;

5. Provide to the parties involved in a Dispute lists of arbitrators qualified by temperament and experience, and with appropriate technical or legal expertise, to resolve particular Disputes, such lists to include only neutral persons who have no official, financial, or personal conflict of interest with respect to the parties or the issues involved in the Dispute;

6. Compile and make available to Owners, Members, Users, arbitrators, and other interested parties suggested procedures for the arbitration of Disputes in accordance with Section IV, Paragraph D of this Appendix D;

7. Maintain and make available to Owners, Members, Users, mediators, arbitrators, and other interested parties the written decisions required by Section IV, Paragraph L of this Appendix D;

8. Establish such procedures and schedules, in addition to those specified herein, as it shall deem appropriate to further the prompt, efficient, fair, and equitable resolution of disputes; and

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9. Provide such oversight and supervision of the dispute resolution processes and procedures instituted pursuant to this Appendix D as may be appropriate to facilitate the prompt, efficient, fair, and equitable resolution of disputes.

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**FRAMEWORK FOR OPERATIONAL RESPONSIBILITIES**

**I. General Description Of Midwest ISO's Operational Responsibilities.**

**A. Midwest ISO Responsibilities.** The Midwest ISO shall be responsible for the following operational functions:

1. The Midwest ISO shall have functional control of the Transmission System as set forth in Section II of this Appendix E and as defined in Article One, Section I, Paragraph L of the ISO Agreement.

2. The Midwest ISO shall review and approve, as appropriate, requests for service and schedule transmission transactions as set forth in Section III of this Appendix E and shall determine available transmission capability (hereinafter "ATC") under the Transmission Tariff as set forth in Section III of this Appendix E, and in Appendix B to the Agreement.

3. The Midwest ISO shall implement and administer the Transmission Tariff applicable to the Transmission System and Non-transferred Transmission Facilities as set forth in Section IV of this Appendix E, and in Appendix B to the Agreement.

4. The Midwest ISO shall be responsible for the security of the Transmission System as set forth in Section V of this Appendix E.

5. The Midwest ISO shall offer ancillary services required to support transmission service as set forth in Section VI of this Appendix E.

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6. The Midwest ISO shall approve the scheduling of maintenance of all transmission facilities making up the Transmission System and shall coordinate with generation owners, as appropriate, the scheduling of maintenance on generation facilities as set forth in Section VII of this Appendix E.

7. The Midwest ISO shall be responsible for operations of OASIS system(s) in accordance with the Transmission Tariff.

8. The Midwest ISO shall monitor and coordinate voltage levels that shall be the responsibility of the control areas to maintain.

**B. Owners' and Users' Responsibilities.** As described more fully below, the Owners and Users, as appropriate, shall have the following responsibilities:

1. The Owners shall retain ownership of their transmission facilities comprising the Transmission System, and shall physically operate these facilities, subject to the Midwest ISO's direction, and maintain those facilities, subject to the Midwest ISO's scheduling approval as set forth in Sections II and VII of this Appendix E.

2. The Owners who are control area operators shall continue to operate their control areas for local generation control and economic dispatch as set forth in Section III of this Appendix E.

3. The Owners shall provide transmission service through their transmission facilities at the direction of the Midwest ISO pursuant to the terms of the Transmission Tariff as set forth in Section IV of this Appendix E.

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4. The Owners and Users shall comply with the instructions of the Midwest ISO in its role as System Security Coordinator as set forth in Section V of this Appendix E.

5. The Owners shall perform maintenance on their transmission facilities included in the Transmission System under schedules as approved by the Midwest ISO, and shall coordinate maintenance on their Non-transferred Transmission Facilities and generation facilities significantly affecting Midwest ISO transmission capability or transmission reliability with the Midwest ISO as set forth in Section VII of this Appendix E. All Users that are not Owners shall coordinate maintenance on their generation facilities significantly affecting such transmission capability or reliability with the Midwest ISO.

6. The Owners and Users, where appropriate, shall offer to redispatch generating units in accordance with the Transmission Tariff, when feasible, subject to receiving appropriate compensation. The Owners and Users shall submit and coordinate unit schedules with the Midwest ISO that affect transmission capability or transmission reliability.

7. The Owners shall obtain approval of the Midwest ISO before taking transmission facilities included in the Transmission System out of service except in cases involving endangerment to the safety of employees or the public or damage to facilities. With regard to Non-transferred Transmission Facilities, the Owners shall

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provide notice to the Midwest ISO, as required from time to time by the Midwest ISO, before taking such facilities out of service.

**II. Control Over Transmission Facilities.**

**A. Midwest ISO Control.**

1. The Midwest ISO shall have functional control over the combined transmission facilities of the Owners that make up the Transmission System. Appendix H to the Agreement specifies all transmission facilities that initially shall constitute the Transmission System.

2. The Midwest ISO shall periodically review whether the Transmission System facilities under its functional control constitute all of the Owners' facilities necessary to provide reliable transmission service contemplated under the Agreement and the Transmission Tariff.

3. The Midwest ISO may exercise temporary operational control over any Non-transferred Transmission Facilities or associated non-generation facilities of an Owner in order to prevent or remedy a system emergency.

4. The Midwest ISO shall maintain a publicly available registry of all facilities that constitute the Transmission System.

5. The Midwest ISO shall, in consultation with affected Owners, other affected Members, and the Advisory Committee develop, and then revise from time-to-



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time as appropriate, operating procedures governing its exercise of operational control over the Transmission System (hereinafter "Operating Procedures"). The Operating Procedures shall be provided to the Owners, and, except to the extent determined by the Board as otherwise necessary for emergency or security reasons, such procedures shall be made available to the public. The Midwest ISO shall comply with its Operating Procedures in exercising its functional control over the Transmission System. To the extent required, such Operating Procedures shall be filed with the appropriate regulatory agency or agencies.

6. The Midwest ISO shall not exercise its operational control of the Transmission System in such a way as to interfere with rights of Users in contracts between an Owner and a User that are in effect as of the Effective Date of the Agreement (hereinafter "Existing Contracts").

7. The Midwest ISO shall be responsible for coordinating with the applicable regional reliability councils and shall join such councils as appropriate.

8. The Midwest ISO shall comply with any transmission operating obligations of an Owner imposed by Federal or state law or authorities which can no longer be performed solely by the Owner following transfer of functional control of its transmission facilities to the Midwest ISO, until such obligations are revised or changed.

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9. The Midwest ISO (i) shall take no action that would impair the safety and reliability of nuclear facilities; and (ii) shall take actions consistent with nuclear license conditions or requirements or as otherwise required by the Nuclear Regulatory Commission ("NRC").

**B. Owner Responsibilities.**

1. The Owners shall be obligated to physically operate and maintain their transmission facilities that are part of the Transmission System, and to comply with the directions of the Midwest ISO with respect to such operation and maintenance issued in compliance with the Operating Procedures.

**C. Retained Rights of Owners.** The Owners shall retain all rights of ownership in their transmission facilities, subject to the Midwest ISO's functional control of the Transmission System in accordance with the terms of this Appendix E. Nothing in this Appendix E shall be deemed to restrict or prohibit access to transmission facilities by the Owners, or those acting under their authority, when such access does not involve the removal of a transmission element from service or otherwise affect the provision of transmission services. To the extent required by the Midwest ISO, the Midwest ISO shall be notified by the Owners when maintenance is being performed on a facility that could result in unplanned outages of a transmission line or transformer.

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**III. Determination Of Available Transmission Capability And Transmission Scheduling.**

**A. Available Transmission Capability.** For transactions of less than two (2) weeks' duration, the Midwest ISO operations staff shall determine the ATC consistent with the terms of the Transmission Tariff and Appendix B to the Agreement. See Appendix B to the Agreement for ATC determinations of two (2) weeks or more.

1. The Midwest ISO shall review all data received from non-Midwest ISO control areas, independent transmission system operators, regional reliability councils, or other entities that impact ATC calculations.

2. The Midwest ISO shall share data with non-Midwest ISO control areas, independent transmission system operators, regional reliability councils, or other entities with whom data must be exchanged, as requested, in order to determine ATC.

**B. Transmission Service Requests.** The Midwest ISO shall receive and process all transmission service requests in accordance with the Transmission Tariff.

As a result:

1. The Midwest ISO shall be ultimately responsible for conducting all System Impact Studies associated with a request for transmission service. The analysis required shall be coordinated between the Midwest ISO and the Owners as follows:

a. The Midwest ISO shall provide sufficient information to the transmission/reliability representatives of all affected Owners to allow them to model local consequences of the requested service.

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b. The Midwest ISO shall coordinate with affected Owners' transmission/reliability representatives when processing requests for service into and out of Non-transferred Transmission Facilities or distribution facilities.

c. The Midwest ISO shall consult with Owners with respect to equipment-specific and Non-transferred Transmission Facilities issues.

2. Upon completion of any required System Impact Studies, the Midwest ISO shall be responsible for making the final determination as to the amount of firm and non-firm transmission capacity that is available under the Transmission Tariff, and for resolving requests for transmission service in accordance with the terms of the Transmission Tariff.

3. When there is not adequate transmission capability to satisfy a transmission request, the Midwest ISO shall relieve or facilitate the relief of the transmission constraint consistent with the terms of the Transmission Tariff.

4. The Midwest ISO shall be responsible for documenting all transmission service requests under the Transmission Tariff, the disposition of such requests, and any supporting data required to support the decision with respect to such requests.

C. Scheduling Transmission Service Transactions. The Midwest ISO shall schedule all transmission service transactions involving the Transmission Tariff, including transactions under Existing Contracts, as follows:

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1. The Midwest ISO shall schedule and curtail transmission service and schedule the allocation of losses and ancillary services in accordance with the Transmission Tariff.

2. The Midwest ISO shall, in consultation with the affected Owners, other affected Members, and the Advisory Committee, develop and from time-to-time, amend when necessary, detailed scheduling protocols (hereinafter "Scheduling Protocols"), which shall be provided to all Members and made publicly available. For Members and Users who are operators of nuclear generating facilities, the Midwest ISO shall enter into written agreements, which define scheduling protocols, limitations, and restrictions necessary to ensure the safety and reliability of such facilities. The Scheduling Protocols shall not conflict with the provisions of the Transmission Tariff. All scheduling shall be performed in accordance with the Scheduling Protocols. To the extent required, such Scheduling Protocols shall be filed with the appropriate regulatory agency or agencies.

3. In performing its scheduling functions, the Midwest ISO shall ensure that the Transmission System is operated in compliance with applicable NERC, regional reliability council or successor organizations, and all other applicable operating reliability criteria.

4. The Midwest ISO shall inform all control areas and the transmission reliability representatives of all Owners of the approved schedules under the Transmission Tariff, and of any subsequent changes made thereto.

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5. The Midwest ISO shall perform all inadvertent flow accounting for Member control areas and shall coordinate the performance of such accounting with non-Member entities.

**D. Owners' Responsibilities.** The Owners who are control area operators shall continue to operate their control areas for local generation control and economic dispatch purposes. In so doing, the Owners shall comply with the scheduling instructions of the Midwest ISO issued pursuant to the Scheduling Protocols.

**IV. Administration Of Transmission Tariff.**

**A. Midwest ISO Responsibilities.**

1. The Midwest ISO shall be solely responsible for administering the Transmission Tariff.

2. The Midwest ISO shall negotiate as appropriate to develop reciprocal service, equitable tariff application, compensation principles, and any related arrangements.

3. The Midwest ISO shall monitor the service provided under the Transmission Tariff to determine if any hoarding of transmission capacity is occurring. The Midwest ISO shall attempt to eliminate the hoarding initially through direct contacts with the customer. If hoarding continues, then the Midwest ISO may file a complaint with FERC or develop and file with FERC other procedures or mechanisms to address hoarding.

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**B. Owner Responsibilities.** The Owners shall provide transmission service through their transmission facilities that are subject to the Transmission Tariff as directed by the Midwest ISO pursuant to the Transmission Tariff.

**V. Security Of The Transmission System.**

**A. General.**

1. The security and reliability of the Transmission System shall be the responsibility of the Midwest ISO.

2. The Owners who are control area operators shall continue to be responsible for operating their control areas in a secure and reliable manner, subject to the requirements of this Appendix E.

3. The Midwest ISO is hereby designated and shall be the Security Coordinator of the Transmission System for the Owners. In this role, the Midwest ISO shall have security monitoring and emergency response functions, as described in more detail in Section V, Paragraphs B and C of this Appendix E.

**B. Security Monitoring.**

1. The Midwest ISO shall periodically perform load-flow and stability studies of the Transmission System to identify and address security problems.

2. The Owners shall continue to monitor their own control areas for system security. They shall be responsible for identifying and addressing local security problems, consistent with the requirements of this Appendix E.

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3. The Owners shall continuously provide the Midwest ISO with all data required to assess the security of the Transmission System consistent with NERC (or successor organizations) requirements, and consistent with regional requirements and the Standards of Conduct.

4. The Midwest ISO shall exchange necessary security information with other non-Member control areas, independent transmission system operators and regional reliability councils consistent with NERC (or successor organizations) requirements, with regional requirements and the Standards of Conduct.

5. The Midwest ISO shall monitor real-time data to determine whether any control areas are experiencing generation capacity deficiencies. If a generation capacity deficiency event threatens the security of the system, the Midwest ISO shall take appropriate action, including if necessary ordering the shedding of firm load.

**C. Emergency Response.**

1. The Midwest ISO shall work with the Owners, appropriate state agencies, regional reliability councils, and other security coordinators to develop regional security plans and emergency operating procedures.

2. The Midwest ISO shall, in coordination with the Members and the Advisory Committee and in compliance with applicable state and federal laws and standards, develop, and from time-to-time update, procedures for responding to emergencies (hereinafter the "Emergency Procedures"). The Emergency Procedures shall be provided to all Members and shall be made available to the public.



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a. The Emergency Procedures shall include procedures for responding to specified critical contingencies.

b. The Midwest ISO shall continuously analyze issues that may require the initiation of emergency response actions. Such analysis shall be made at the Midwest ISO's initiative or at the request of Members, regional reliability councils, or other independent system operators or control areas. The Emergency Procedures shall be amended to include any changes or additions resulting from such analysis.

c. The Emergency Procedures shall make provision for system restoration including priority restoration of off-site power to nuclear generating facilities.

3. The Midwest ISO shall direct the response to any emergency in the Transmission System pursuant to the Emergency Procedures. Individual Owners, Users, and control areas shall carry out the required emergency actions as directed by the Midwest ISO, including the shedding of firm load if required for regional security.

4. After the conclusion of an emergency condition, any affected entity that disagrees with the Midwest ISO's handling of the emergency may resolve that disagreement pursuant to the dispute resolution procedures of Appendix D to the Agreement or the Transmission Tariff, as appropriate.

**VI. Ancillary Services.**

A. The Midwest ISO shall offer to provide all Ancillary Services as defined and required under the Transmission Tariff.

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B. As part of its scheduling function, the Midwest ISO shall ensure that every scheduled transaction is supported by the required ancillary services and shall deny any scheduling request where the required ancillary services have not been arranged.

**C. Owners' and Other Generators' Responsibilities.**

1. All Owners and Users that own generation within the Midwest ISO shall be required to offer to provide ancillary services to the extent required under the Transmission Tariff. For FERC regulated public utilities, the charges by the generation owners for such ancillary services shall be in accordance with FERC accepted or approved rate schedules.

**VII. Transmission And Generation Maintenance.**

A. **Planned Transmission Maintenance.** The Midwest ISO's approval is required for all planned maintenance of facilities in the Transmission System. The approval process shall be as follows:

1. All Owners shall submit their planned transmission maintenance schedules to the Midwest ISO for a minimum of a rolling one-year (1-year) period. The planned maintenance schedules shall be updated daily.

2. Planned transmission maintenance requests shall be submitted to the Midwest ISO for its approval at least two (2) weeks in advance of an outage.