Proposed New Definitions in Module A to be used in Module E

Planning Reserve Margin ("PRM"): The percentage of Capacity Resources that an LSE must maintain for planning purposes, above the difference in its Forecast LSE Requirement and Load Modifying Resources, to reliably be able to serve Load based upon a one occurrence in ten years probability analysis.

Resource Adequacy Requirements ("RAR"): The planning reserve procedures and requirements found in Module E of the Tariff and the Resource Adequacy Business Practices Manual to ensure that there are adequate Planning Resources available to enable LSEs to reliably serve Load.

Capacity Resources: The Resources and External Resources that are available to meet peak Load demand, including Generation Resources and Demand Response Resources.

Loss of Load Expectation ("LOLE"): The LOLE probability criteria shall be loss of load no greater than 0.1 day in one (1) year, which equals the sum of the loss of load probability for the integrated daily peak hour for each day of the year.

Forecast LSE Requirement: The expected Demand for an LSE for a given time period based upon considerations including, but not limited to, anticipated weather conditions and expected Load changes.

Planning Year: The period of time from June 1 of one year to May 31 of the following year that is used for developing Resource Plans. The first Planning Year will commence on June 1, 2009.

Resource Plan: The plan made by an LSE to ensure that its Forecast LSE Requirement plus PRM will be met or be exceeded by the Planning Resources designated by the LSE.

Unforced Capacity: The amount of available capacity of a Capacity Resource after accounting for that resource's forced outage rate.

Load Modifying Resource ("LMR"): A Demand Resource or Behind-the Meter Generation.

Demand: The maximum integrated hourly sum of Load occurring over a specified period, such as a day, month, season, or annual in MW.

Scheduling Instruction: Directives issued by the Transmission Provider to Market Participants with Load Modifying Resources indicating MW quantities to be reduced during Emergencies.

Use-Limited Resource: Resources, including but not limited to, Generation Resources with limited use due to emission levels or DRRs with reduced capacity due to weather or duration use.

Planning Resource: Resources that can be used to satisfy the RAR including Capacity Resources and Load Modifying Resources.

Demand Resource: Interruptible Load or Direct Control Load Management.

Behind the Meter Generation: Generating resources that are not in the Transmission Provider Energy Markets and have an obligation to be available under Emergencies.

MODULE E – RESOURCE ADEQUACY

MODULE E - RESOURCE ADEQUACY

I. INTRODUCTION

This Module E provides mandatory requirements to be met by the Transmission Provider, Market Participants serving Load in the Transmission Provider Region or serving Load on behalf of a Load Serving Entity ("LSEs") and other Market Participants to ensure access to deliverable, reliable and adequate Planning Resources to meet load requirements on the Transmission System. The requirements established in this Module E recognize and are complimentary with the reliability mechanisms of the states and the Regional Reliability Organizations ("RRO") within the Transmission Provider Region. Planning Reserve Margin ("PRM") levels will be determined by analytical study methods in the Module E process. If higher or lower PRMs are mandated by certain states, then the Transmission Provider shall recognize and incorporate such PRMs for any affected LSEs. Nothing in this Module E affects existing state jurisdiction over the construction of additional capacity or the authority of states to set and enforce compliance with standards for adequacy. The Resource Adequacy Requirements ("RAR") in this Module E are not intended to in any way affect state actions over entities under the states' jurisdiction.

II. RESOURCE ADEQUACY REQUIREMENTS

68 Determination of Planning Resource Obligations

Commencing five (5) Months before the Planning Year, the Transmission Provider shall perform analysis on an annual basis to establish the PRMs for each LSE in the Transmission Provider Region. The analysis shall be consistent with Good Utility Practices and the reliability requirements of the RROs and applicable states in the Transmission Provider Region. The PRM analysis shall consider factors including, but not limited to: the Generator Forced Outage rates of Capacity Resources, Generator Planned Outages, expected performance of Load Modifying Resources, Load Forecast uncertainty, system operating reserve requirements, transmission congestion, external firm capacity sales and available transmission import capability. LSEs shall comply with RAR by demonstrating in accordance with Section 68 and Section 69 of this Module E that the LSE has sufficient Planning Resources to meet Forecast LSE Requirements plus the applicable PRM established either by the Transmission Provider or established by the state having jurisdiction over the applicable LSE.

68.1 The Loss of Load Expectation

The Transmission Provider shall coordinate with LSEs to determine the appropriate PRMs for the Transmission Provider Region based upon the probabilistic analysis of being able to reliably serve each

LSE's Forecast LSE Requirement for each Month of the Planning Year. This probabilistic analysis shall utilize a Loss of Load Expectation ("LOLE") study. The LOLE procedures are detailed in the Business Practices Manual for Resource Adequacy. The Transmission Provider will initially determine zones consistent with the planning areas set forth in Attachment FF of this Tariff. The Transmission Provider may establish additional zones within the Transmission Provider Region to address regional issues, such as constrained areas. The associated LOLE studies may establish the need for different PRMs in such zones.

68.2 Forecast LSE Requirement

Each LSE shall, consistent with Good Utility Practice, determine and periodically update its Forecast LSE Requirement. The Transmission Provider shall coordinate with LSEs to determine the monthly anticipated peak integrated hourly Forecast LSE Requirement for an LSE for a given period in time, expressed in MWs.

68.3 Rights of State Authorities

Nothing in this Module E shall be interpreted as pre-emption of state authority to establish state reliability standards, safety standards, planning reserve margins, or the enforcement thereof. LSEs within the Transmission Provider Region must comply with all regulations and laws regarding reliability, including but not limited to any reserve margin requirements, of the states in which the Transmission Provider operates where the LSE serves Load. To the extent that an LSE serves Load in two (2) or more states in the Transmission Provider Region, the LSE must comply with the state reliability or resource adequacy requirements of each state in which Load is served.

68.4 Contracts Supporting Reliability Obligations

An LSE may contract with other entities to ensure compliance by the LSE with the RAR of Module E of this Tariff, an RRO or a state, consistent with any RRO or state requirements for, or limitations related to, such contracts. Details regarding qualifying contracts are set forth in the Business Practice Manual for Resource Adequacy.

69 Determination of RAR Status

The Transmission Provider shall provide non-discriminatory technical support and expertise that may include, but may not be limited to, conducting studies to establish reserve requirements as described in Section 68 of this Module E in order to ascertain an LSE's PRM for the next Planning Year. Commencing five (5) Months before the Planning Year, the Transmission Provider will also determine, through studies, the LSE's PRM for each of the nine subsequent

Planning Years to provide information for long-term resource planning, without establishing specific resource planning reserve requirements. To the extent that an LSE has Load in two or more zones, the LSE's PRM will be the weighted PRM of each zone proportional to the LSE's share of Load in each zone. The Transmission Provider shall periodically post to its website the results of such analysis.

The Transmission Provider shall validate that LSEs have arranged for sufficient Planning Resources to meet Forecast LSE Requirements plus the applicable PRM requirements under Section 68 of this Module E. The Transmission Provider shall, upon request, submit RAR information to the applicable RRO, Electric Reliability Organization, State or FERC, subject to the provisions of Section 38.9 of this Tariff. The Transmission Provider will coordinate with LSEs and Market Participants to monitor shifts in Load for retail switching to ensure meeting reserve requirements. To facilitate Capacity transactions between Market Participants, the Transmission Provider shall administer a title tracking tool that shall permit Market Participants to confirm transfer of rights under Module E of this Tariff to Capacity Resources permitted to fulfill a LSE's RAR. The system will be a means to track the transfer of title to Capacity Resources. The system will also provide a means to automate the communication, reporting and monitoring functions under this Module E.

69.1 Load Serving Entity Responsibilities

No later than the first day of the Month preceding each Month in the Planning Year each LSE shall demonstrate to the Transmission Provider that for the Month it has designated megawatts of Planning Resources that qualify pursuant to section 69.2 to serve the LSE's Load in an amount equal to or greater than the Forecast LSE Requirement plus the PRM requirement established in Section 68 that is applicable to such LSE. LSEs shall submit updates to such Resource Plans no later than the first day of the Month preceding each Month in the Planning Year. Planning Resources may include Capacity Resources and/or Load Modifying Resources.

69.1.1 Load and Demand Forecasts

By March 1 of each Year, LSEs must report annual and monthly Forecast LSE Requirements to the Transmission Provider using the appropriate Commercial Node designations for the upcoming Planning Year. LSEs shall submit updates to such Forecast LSE Requirements no later than the first day of the Month preceding the Month.

69.1.2 Designating Planning Resources

No later than the first Day of the Month preceding the Month each LSE shall demonstrate to the Transmission Provider that for the Month it has designated megawatts of Planning Resources that qualify pursuant to Section 69.2 to serve the LSE's Load in an amount equal to or greater than the Forecast LSE Requirement plus the PRM requirement established in Section 68 that is applicable to such LSE. LSEs shall submit updates to such Planning Resources no later than the first day of the Month preceding the Month.

69.1.3 Obtain Firm Transmission Service

Each LSE shall document to the Transmission Provider that it has obtained sufficient Firm Point-To-Point Transmission Service for each Month adequate for its Load to be served, and that all Planning Resources designated for serving that Load meet the qualifications of this Module E.

69.1.4 Submit Resource Plans

Each LSE shall submit to the Transmission Provider its Planning Resources, or revisions to previously submitted plans, for Planning Resources, as follows:

69.1.4.1 By March 1 of each year, each LSE shall submit to the Transmission Provider its Planning Resources for satisfying its RAR for the upcoming Planning Year.

69.1.4.2 Each LSE shall submit to the Transmission Provider a notice of any change in its Planning Resources or Forecast LSE Requirements no later than the first day of the Month preceding the Month in a Planning Year.

69.1.4.3 The Resource Plan of each LSE shall indicate the nature and current status of commitments with respect to each addition, retirement and sale or purchase of Planning Resources included in its Resource Plan. The Transmission Provider will review the adequacy of the submittals hereunder both as to timing and content.

69.1.4.4 At the LSE's request, the Transmission Provider will provide an LSE's Resource Plan to the LSE's RRO, state commission or to the Commission or NERC.

69.1.5 Sustained Commitment

Each LSE shall immediately notify the Transmission Provider of any revision to its Resource Plan and shall demonstrate continued adherence to the RAR standards. LSEs shall also remain committed to the required transmission capability to the extent required to ensure the deliverability of the Capacity Resources to meet the RAR.

69.2 Qualification of Planning Resources

Planning Resources can be used to satisfy RAR requirements as follows:

69.2.1 Designating Planning Resources

Resources identified by LSEs as available to meet the reliability requirements determined by the Transmission Provider must comply with the requirements for designation of Planning Resources, as detailed in the Business Practices Manual for Resource Adequacy. Nothing herein shall infringe upon the requirement that LSEs comply with state reliability standards, safety standards, planning reserve margins, or be subject to the enforcement thereof.

69.2.1.1 Single State or RRO Planning Resources

If an LSE serves Load both in the Transmission Provider Region and outside the Transmission Provider Region within a single state or RRO region, then the LSE must designate Planning Resources to cover the appropriate PRM for the amount of Load in the Transmission Provider Region and for the amount of Load outside the Transmission Provider Region.

69.2.1.2 Planning Resource Requirements

a. An LSE may only designate a Planning Resource if such LSE possesses ownership or equivalent contractual rights that assure that each such Planning Resource complies with all applicable requirements specified in this Module E. LSEs may satisfy this obligation for Planning Resources by fulfilling either of the following requirements:

i. Designating a Capacity Resource or Load Modifying Resource registered with the Transmission Provider by the LSE; or

ii. Designating a Capacity Resource Load Modifying Resource registered with the Transmission Provider by another entity and providing proof, as required by the Transmission Provider, that the owner of the Capacity Resource or Load Modifying Resource accepts designation as a Planning Resource and the responsibility to comply with all applicable requirements of such designation.

b. Capacity Resources must be deliverable to Load within the Transmission Provider Region. The deliverability of Capacity Resources to Network Load within the Transmission Provider Region shall be determined by System Impact Studies pursuant to this Tariff as conducted by the Transmission Provider that consider, among other factors, the deliverability of aggregate resources of Network Customers to the aggregate of Network Load. Capacity Resources may consist of Resources (Generation Resources or Demand

Response Resources) and/or External Resources.

c. Generation Resources designated as Capacity Resources must submit generator availability data (including, but not limited to, NERC Generation Availability Data System) into a database provided by the Transmission Provider and as established in the Business Practices Manual for Resource Adequacy.

d. Resources designated as Planning Resources must demonstrate capability on an annual basis as established in the Business Practices Manual for Resource Adequacy, commencing five (5) months before the Planning Year. Verification of Planning Resources also will be in accordance with the guidelines for Planning Resource verification by the applicable RRO, unless superceded by specific verification guidelines set by the applicable state authorities. Capacity Resources will be accredited at the Capacity Resource's Unforced Capacity rating utilizing the generator or demand availability data information and methods further described in the Business Practices Manual for Resource Adequacy.

e. An LSE may designate a power purchase agreement as a Capacity Resource so long as the agreement provides for Firm Point-To-Point Transmission Service and meets the requirements set forth below.

A power purchase agreement that identifies a specific Generation Resource internal to the Transmission System as the source of supply shall be designated as an on-system Capacity Resource. An LSE customer seeking to designate a power purchase agreement as an on-system Capacity Resource must provide to the Transmission Provider the information specified in Section 29.2(v) of the Tariff for on-system Network Resources.

Power purchase agreements that do not identify a specific Generation Resource from which power will be supplied, but rather allow for the power to be supplied from a range of potential Generation Resources may be designated as Capacity Resources only if the potential Generation Resources from which the power will be supplied are all external to the Transmission System. Such agreements shall be designated as off-system Capacity Resources. An LSE seeking to designate a power purchase agreement as an off-system Capacity Resource must provide to the Transmission Provider the information specified in Section 29.2(v) of the Tariff for off-system Network Resources.

Power purchase agreements that include liquidated damages provisions ("LD contracts") may be designated as a Capacity Resource, either as an on-system Capacity Resource or an off-system Capacity Resource as applicable and consistent with subsections (ii) and (iii) above, only if any such agreement: 1) provides for Firm Point-To-Point Transmission Service, and; 2) the liquidated damages provisions included therein are of a "make whole" type, as described in the Business Practices Manual for Resource Adequacy.

69.2.1.3 Designation of External Resources as Capacity Resources

Resources that are external to the Transmission Provider Region may qualify as Capacity Resources, provided that the External Resources:

a. Comply with the contractual obligations of non-recall ability and proof of agreement with the asset owner on designation;

b. Have firm transmission service in the external system from the External Resource to the Transmission Provider border and such service has been evaluated by the Transmission Provider for deliverability to the LSE's Load within the Transmission Provider Region;

c. Do not cause existing deliverable resources within the Transmission Provider Region to become non-deliverable;

d. The capacity portion identified for delivery to the Transmission Provider Region has verification of capacity in the RRO in which the resource is located, and that the portion identified for delivery to Transmission Provider Region is shown to not be also assigned to a non-Transmission Provider load serving entity; and

e. External Resources designated as Capacity Resources must demonstrate capability on an annual basis as established in the Business Practices Manual for Resource Adequacy. Designated External Resources will be accredited at the

Unforced Capacity rating utilizing the generator availability data information and methods further described in the Business Practices Manual for Resource Adequacy.

f. Nothing in this Module E imposes any new obligations on existing External Resources that have been accepted by the Transmission Provider and confirmed by Network Customers as designated Network Resources under the OASIS reservation process in place prior to the effective date of this Tariff.

69.2.1.4 Determination of Resource Adequacy Requirements

The Transmission Provider shall be responsible for determining whether LSEs have appropriately designated Capacity Resources that are deliverable to Load. Deliverability of Capacity Resources will be determined through the following processes:

a. An analysis of aggregate deliverability will be performed through a System Impact Study for all candidate Capacity Resources that request Network Resource Interconnection Service under Attachment X to this Tariff. The deliverability study will include validation that a new candidate Capacity Resource can be dispatched along with all other Network Resources specified by Network Customers in the vicinity of the newly designated candidate Capacity Resource. Generation Resources that have Energy Resource Interconnection Service under Attachment X may become eligible to be a Capacity Resource for a specific LSE's Network Load through a request for Firm Transmission Service made under Module B of this Tariff.

b. Generation Resources that have been interconnected to the system prior to Network Resource Interconnection Service being offered as an interconnection service under the Tariff, or that have been interconnected with Energy Resource Interconnection Service, may request the performance of a deliverability study by making a request for Network Resource Interconnection Service under Attachment X or Attachment R to the Tariff.

c. Existing Generation Resources, or portions thereof, that did not pass the Market Transition Deliverability Test may request evaluation of upgrades necessary to qualify the entire Generation Resource as aggregate deliverable by requesting Network Resource Interconnection Service. Such requests shall be made and shall be queued for evaluation under the procedures of Attachment X of this Tariff, as applicable.

d. Generation Resources that have been accepted by the Transmission Provider and confirmed by Network Customers as designated Network Resources under the OASIS reservation process in place prior to the effective date of this Tariff will be accepted by the Transmission Provider as deliverable to the Network Loads of the Network Customer for the term of the confirmed designation. Such Generation Resources must be evaluated for aggregate deliverability and be certified deliverable in order to qualify as a Capacity Resource for the Network Customer for periods beyond the confirmed designation, or in order to qualify as a Capacity Resource for any other Network Customer.

e. Absent deliverability pursuant to this Tariff, a Resource shall qualify as a Capacity Resource if the LSE has obtained Firm Transmission Service from the Resource to the LSE's Load and are subject to all other Capacity Resource requirements, including the must offer requirements of Section 69.2.3.

69.2.2 Load Modifying Resources

The following resources will be designated as Load Modifying Resources: Demand Resources and Behind-the-Meter Generation. Load Modifying Resources ("LMRs") can be utilized to meet RAR even if they do not qualify as a Network Resource, however all Load Modifying Resources utilized to meet RAR must be registered with the Transmission Provider in accordance with Section 69.1.4. All LMRs utilized to meet RAR must be available for use in the event of an Emergency as declared by the Transmission Provider, prior to the use of Operating Reserves to meet the energy balance, pursuant to the Emergency Operating Procedures of the Transmission Provider and in accordance with prohibitions and restrictions under state laws, rules, standards and permits.

Demand Resources and Behind-the-Meter Generation must be used to reduce the Forecast LSE Requirement in the RAR calculation, as specified by the Market Participant registering the Load Modifying Resource with the Transmission Provider in accordance with Section 69.1.4 of this Module E.

69.2.2.1 Demand Resources

The Transmission Provider shall develop procedures for accrediting, testing, validating, measuring, and verifying, all Demand Resources claimed by a LSE as a Load Modifying Resource consistent with the procedures specified in the Business Practices Manual for Resource Adequacy. The accrediting, testing, validation, measurement and verification procedures developed by the Transmission Provider shall take into account any applicable state regulatory, RRO or other non-jurisdictional entities requirements regarding duration, frequency and notification processes for the candidate Demand Resources. The accrediting procedures shall also take into account deliverability and availability for the Planning Year as well as for any term longer than the Planning Year to meet the Load Forecast.

a. Requirements for Demand Resources

For any Demand Resource to qualify to receive capacity credit as a Load Modifying Resource, at the targeted MW level, the Demand Resource must meet all the requirements specified below. The targeted MW level is defined to be the MW level at which capacity credit is taken for any given month for a particular Demand Resource option. These requirements shall not become effective until three (3) months before the Planning Year.

i. The Demand Resource must be equal to or greater than 100 kW (a grouping of smaller resources may qualify in meeting this standard).

ii. The Demand Resource must be available to be scheduled for a load reduction at the targeted load reduction level with no more than 12 hours advisory notice.

iii. Once Scheduling Instructions are given by the Transmission Provider that require a load reduction, the Demand Resource must be capable of ramping down to meet the targeted load reduction level by the Hour designated by the Transmission Provider's Scheduling Instructions.

iv. Once the targeted level of Load reduction is achieved, the Demand Resource must be able to maintain the target level of Load reduction for at least four continuous hours.

v. The Demand Resource must be capable of being interrupted at least five (5) times during the peak load season (when called upon by the Transmission Provider) during any Planning Year for which capacity credit is given.

vi. Unless the Load associated with a Demand Resource that would normally be available for interruption is already off the Transmission System for external reasons such as maintenance outages, etc., when a Demand Resource Load reduction is requested by the Transmission Provider, the resultant Load reduction must be a reduction that would not have otherwise occurred within the next twenty-four (24) hour period. There should be no penalties assessed to a Market Participant using

Demand Resource as a capacity credit if the Demand Resource is unavailable for interruption due to its Load being off the Transmission System for external reasons, or in the event the targeted load reduction had already been accomplished for other reasons (*i.e.*, economic considerations or local reliability concerns).

vi. Demand Resource in which curtailment is an economic option and is not an obligation during Emergency events declared by the Transmission Provider pursuant to the Transmission Provider Emergency Operating Procedures will not qualify as a Load Modifying Resource.

viii. There can be only one Market Participant claiming the Demand Resource capacity credit associated with the Load reduction capability.

ix. Demand Resources offered into the Day-Ahead and/or Real-Time Energy Markets as price sensitive Bids are obligated to be interrupted during an Emergency pursuant to the Transmission Provider Emergency Operating Procedures regardless of the projected or actual Real-Time Energy Market LMP.

69.2.2.2 Behind-the-Meter Generation

a. Behind-the-Meter Generation Interconnected under Transmission Provider Procedures and Agreements

The Transmission Provider shall develop procedures for commitment and dispatch of Behind-the-Meter Generation ("BTMG") interconnected into the Transmission Provider Region under the Transmission Provider's interconnection procedures and agreements that is designated by an LSE as a BTMG resource. Such procedures shall be consistent with the information provided by the LSE and at a minimum will provide for the commitment and dispatch of the generation, when available, during declared Emergencies prior to the use of Operating Reserves to meet the energy balance. The LSE shall notify the Transmission Provider when the status or availability of the unit changes, except for de minimus changes that do not need to be reported, according to procedures specified in the Business Practices Manual for Resource Adequacy. The Transmission Provider shall coordinate with LSEs that own or control such BTMG to commit and dispatch the units when necessary.

b. Behind-the-Meter Generation Interconnected under State Regulatory Procedures and Agreements

BTMG resources interconnected to the local distribution system consistent with state regulatory procedures and agreements may be claimed as a Load Modifying Resource by a LSE, but may not be committed for dispatch by the Transmission Provider during declared Emergencies where prohibited by state law and regulations. Where no state regulatory prohibitions exist, dispatch of such BTMG shall be consistent with the information provided by the LSE and at a minimum will provide for the commitment and dispatch of the generation, when available, during declared Emergencies. The Market Participant shall notify the Transmission Provider of the status and availability of the unit on a daily basis according to procedures specified in the Business Practices Manuals. The Transmission Provider shall coordinate with Market Participants that own or control such BTMG to commit and dispatch the units when necessary.

69.2.2.3 Penalty Provisions for Load Modifying Resources

Unless the LMR is unavailable as a result of maintenance requirements or for reasons of Force Majeure, the Market Participant representing the LSE which has received credit for the use of an LMR in meeting RAR requirements will be subject to the following penalties in the event the LMR is called upon during an Emergency as declared by the Transmission Provider and fails to respond, or does not respond at the targeted level of load reduction. The penalties defined below will only apply for the portion of the targeted level of load reduction that is not achieved during the Emergency declaration. There will not be a penalty assessed for any portion of the targeted load reduction which had already been accomplished for other reasons (*i.e.*, for economic considerations or local reliability concerns) at the time the request for interruption is made by the Transmission Provider. Likewise, for certain Demand Resources that are temperature dependant (*i.e.*, a Demand Resource program involving air conditioning load), the expected targeted level of load reduction may be adjusted in a manner defined in the measurement and verification procedures developed by the Transmission Provider to reflect the circumstances at the time Demand Resource is called upon to reduce load.

a. The Transmission Provider shall assess the responsible Market Participant in Section 69.2.2.3 the costs that were otherwise incurred to replace the deficient resource at the time the LMR is called upon by the Transmission Provider and does not respond. The Transmission Provider shall allocate such revenues to the Market Participants representing the LSEs in the local Balancing Authority Area(s) that experienced the

Emergency on a load ratio share basis. For any situation where either an LMR does not respond to an interruption request, including those circumstances where the resource is claimed to be unavailable as a result of maintenance requirements or for reasons of Force Majeure, the Transmission Provider shall initiate an investigation with the Market Participant which has received credit for the use of an LMR into the cause of the resource not being available when called upon to reduce Load, and may, if deemed appropriate by the Transmission Provider, disqualify that resource from further utilization in meeting future RAR.

b. In the event the same LMR is unavailable on a second occasion (with at least a separation period of 24 hours) when called upon to reduce Load, except for a validated circumstance of maintenance requirements or for reasons of Force Majeure, that resource shall make the same penalty payment as indicated in section 69.2.2.3.a above, and will no longer be eligible for utilization by any Market Participant in meeting RAR requirements for the remainder of the current Planning Year and for the next Planning Year.

69.2.3 Planning Resource Must Offer Requirement

Self-Schedules or Offers must be submitted for Capacity Resources consistent with requirements specified in the Business Practices Manual for Resource Adequacy, in the Day-Ahead Energy Market and all pre-Day Ahead and the first post Day-Ahead Reliability Assessment Commitment, except to the extent that the Capacity Resource is unavailable due to a full or partial forced or scheduled outage consistent with this Tariff. Self-Schedules or Offers must be submitted for Capacity Resources for each Hour during the Operating Month. Outages must be reported in the Transmission Provider's Outage Scheduler. Must offer requirements specified in the Business Practices Manual for Resource Adequacy will reflect resource operational limitations, including those related to fuel limited, energy output limited or Intermittent Resources and including all state regulations and laws relating to reliability, including but not limited to state reliability standards, safety standards, planning reserve margins, or the enforcement thereof. Load Modifying Resources are subject to a must-offer requirement during an Emergency as declared by the Transmission Provider Emergency Operating Procedures as specified in Section 69.2.2. Such Emergency must offer requirements specified in the Resource Adequacy Business Practices Manual will reflect Load Modifying Resource operational limitations, including those related to fuel limited, energy output limited and including all state regulations and laws relating to reliability, including but not limited to state reliability standards, safety standards, planning reserve margins, or the enforcement thereof.

Operating Reserve, consistent with the terms of Module C, will be deemed to have satisfied the requirement to Self-Schedule or Offer in the Day-Ahead Energy Market. At its sole discretion, the Transmission Provider may curtail Exports sourced at a Capacity Resource during a declared Emergency. Procedures for such curtailments shall be specified in the Business Practices Manuals. The Transmission Provider may not curtail Generation Resources that deliver energy outside of the Transmission Provider Region and that properly respond to reserve activation in accordance with the terms and conditions of a Regional Reserve Sharing Agreement during the time such reserve activation is effective and when these resources are not Capacity Resources.

69.3 Reports

69.3.1 State RAR Standards

The Transmission Provider will assist states in meeting any of state RAR standards by providing relevant Resource Plan information as available and as may be requested by States, subject to the data confidentiality provisions of the EMT in Section 38.9. Nothing in this Module E shall prohibit any state from requesting data relating to state reliability standards, safety standards, planning reserve margins, or the enforcement thereof.

69.3.2 Notification of RAR Status

The Transmission Provider will maintain data bases and will report to states upon request the extent to which each LSE has met or has not met the requirements in Section 69.1 during relevant time periods.

69.3.3 Facilitation of a Voluntary Capacity Exchange

The Transmission Provider shall maintain and enhance an electronic bulletin board platform that may be used by Market Participants to facilitate the ability of Market Participants that have excess Capacity Resources to confidentially enter into voluntary bilateral transactions with LSEs that have the need for Capacity Resources. The prices and quantities of such confidential transactions, but not the names of the parties or the Capacity Resources, will be made public four (4) months after the fact to facilitate Capacity Resource price transparency. The development of the electronic bulletin board platform will occur through the Transmission Provider's stakeholder process and the characteristics of the platform will be specified in the Business Practices Manual for Resource Adequacy.

69.3.4 After the Fact Load and Planning Resource Assessment

On a monthly basis, the Transmission Provider shall review data for the prior Month for an LSE to evaluate the accuracy of the Forecast LSE Requirements submitted by each LSE for such month. If during a Planning Year the Transmission Provider determines, that the Forecast LSE Requirements under-forecasts the Load, after accounting for any extreme weather conditions during such month, the Transmission Provider will notify the LSE of the deficiency and request a written response detailing the reasons for the deficiency. If the deficiency, after weather normalization, is statistically significant with respect to an LSE's Forecast LSE Requirement, either for three (3) consecutive months or for one (1) month between June and September, then the Transmission Provider will address the uncertainty caused by the LSE's deficient hourly Forecast LSE Requirements by: (i) informing applicable State authorities; and (ii) on the Transmission Provider's website, publishing for ninety (90) days the identity of such LSE and the period(s) of the deficiency.

On a monthly basis, the Transmission Provider shall review data to evaluate the accuracy of the Resources Plan submitted by LSEs to ascertain whether such Planning Resources were in fact available and able to serve Load. If the Planning Resources identified by an LSE are insufficient to meet the Forecast LSE Requirements plus PRM and the deficiency is statistically significant either for three (3) consecutive months or for one (1) month between June and September, then the Transmission Provider will address the insufficiency by: (i) informing applicable State authorities; and (ii) on the Transmission Provider's website, publishing for ninety (90) days the identity of the such LSE and the period(s) of the deficiency.

DRAFT 12/14/07

Stephen G. Kozey
Vice President, General Counsel and
Corporate Secretary
Direct Dial: 317-249-5431
E-mail: skozey@midwestiso.org

December 21, 2007

VIA HAND-DELIVERY

Honorable Kimberly D. Bose, Secretary
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, D.C. 20246

Re: Midwest Independent Transmission System Operator, Inc.
Electric Tariff Filing Regarding Resource Adequacy
Docket No. ER08-___-000

Dear Secretary Bose:

Pursuant to Section 205 of the Federal Power Act ("FPA"), 16 U.S.C. § 824d, and Part 35 of the regulations of the Federal Energy Regulatory Commission ("FERC" or "Commission"), 18 C.F.R. § 35, *et seq*., the Midwest Independent Transmission System Operator, Inc. ("Midwest ISO") respectfully submits an original and five (5) copies of proposed revisions to the Midwest ISO's Open Access Transmission and Energy Markets Tariff ("Tariff" or "EMT"), to revise Module E to comprehensively address long-term Resource Adequacy Requirements ("RAR"), as more fully described below.

I. BACKGROUND

On August 6, 2004, the Commission approved Module E of the EMT "as a short-term transition mechanism" to help ensure reliability throughout the Midwest ISO footprint.[1] In that order, the Commission described the importance of a permanent RAR plan and directed the Midwest ISO to work toward a long-term RAR plan for the entire Midwest ISO Region.[2] It was encouraged by the Commission that the Midwest ISO vet the long-term RAR plan through itsstakeholder process.[3]

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1 *Midwest Independent Transmission System Operator, Inc.*, 108 FERC ¶ 61,163, P 421 (2004).
2 *Id.* at P 421.
3 *Midwest Independent Transmission System Operator, Inc.*, 109 FERC ¶ 61,157, P 307 (2004).

 DRAFT 12/18/07

The Midwest ISO made a compliance filing on October 5, 2004 proposing to develop a permanent RAR plan by June 1, 2006. The Commission accepted the Midwest ISO's proposal to file a long-term Resource Adequacy plan on or about June 6, 2006[4] and confirmed that Module E was a reasonable and appropriate interim plan, while a long-term RAR plan was being developed.[5]

On June 6, 2006, the Midwest ISO submitted its compliance filing to FERC proposing a two phased approach to permanent Resource Adequacy. In Phase I, the Midwest ISO proposed to integrate short-term Contingency Reserves and Regulation (*e.g.* Ancillary Services) into the Energy Markets. In Phase II, the Midwest ISO proposed to undertake a long-term integration of shortage pricing with the Energy Market. The Midwest ISO proposed to make its Phase II filing by the end of 2007. The Commission issued an order on September 26, 2006 accepting the Midwest ISO's proposed phased approach to a permanent RAR plan.[6] The Commission accepted the Midwest ISO's commitment to file Phase I in the Fall of 2006 and to file Phase II in 2007, but also required the Midwest ISO to file a detailed timetable for implementation of its plan.[7]

On February 15, 2007, the Midwest ISO filed Phase I, a proposal for an Ancillary Services Market. The Midwest ISO included, as Attachment A to the February 15 filing, a proposal for the milestones, deadlines and implementation plan to be followed by the Midwest ISO in developing and implementing a permanent Resource Adequacy plan to replace interim Module E, as directed by the Commission.[8]

The Commission accepted the Midwest ISO's proposed Resource Adequacy implementation plan and directed the Midwest ISO to file Phase II, long-term Resource Adequacy, by December 2007.[9] In accordance with the Commission's orders, described above, the Midwest ISO herein submits revisions to Module E to the Tariff to provide a permanent long-term Resource Adequacy plan.

II. STATE JURISDICTION AND STAKEHOLDER DISCUSSIONS

A. Respecting State Jurisdiction

The Midwest ISO agrees with the Commission that "the question of jurisdiction over resource adequacy is a complex matter that represents 'the confluence of state-federal jurisdiction.'"[10] As such, the Midwest ISO is very respectful of the rights of the states within the

4 *Midwest Independent System Operator, Inc.*, 111 FERC ¶ 61,043, P 99 (2005).
5 *Id.* at P 107.
6 *Midwest Independent System Operator, Inc.*, 116 FERC ¶ 61,292 (2006).
7 *Id.* at P 13.
8 *Id.*
9 *Midwest Independent System Operator, Inc.*, 119 FERC ¶ 61,311, P 138 (2007).
10 *California Independent System Operator, Inc.*, 119 FERC ¶ 61,076, P 540 (2007).

Midwest ISO Region to exercise their jurisdictional authority with regard to supply adequacy issues, as well as the authority of FERC to approve tariff terms pursuant to Section 205 of the Federal Power Act that are "just and reasonable."[11]

In developing the long-term RAR plan, the Midwest ISO has been cognizant that certain RAR issues (*e.g.*, the implementation of mandatory procedures to ensure that RAR standards are met by all LSEs) appear to be located at the confluence of federal/state issues. In these situations, the Midwest ISO has focused on working closely with the Organization of MISO States. Inc. ("OMS") and the other stakeholders to develop flexible solutions that respect state jurisdictional authorities, rather than inadvertently intrude upon state rights.[12] For example, Section 68 of Module E respects the right of states to establish Planning Reserve Margins ("PRMs") for Load Serving Entities ("LSEs") in states that may either be higher or lower than the PRMs that the Midwest ISO would otherwise calculate for LSEs to satisfy a uniform Loss of Load Expectation ("LOLE") of no more than one occurrence every ten years.

The Midwest ISO has enjoyed the benefit of close coordination with the OMS in the development of Module E. The chronology of that collaboration is set forth in Section B below. As a threshold matter the Midwest ISO does not believe that it has been delegated any authority by any state regulatory body regarding Resource Adequacy.[13] Indeed, the Tariff itself acknowledges that it does not represent or constitute such a delegation.[14] Critical elements of the states' authority over their load serving entities remain untouched by this filing. These matters include, but are not limited to: standard setting; determination of how a utility subject to a states' jurisdiction voluntarily chooses how to comply with the requirements in Module E; cost recovery for resource adequacy choices made by individual utilities; and, compliance with renewable energy portfolio goals or requirements.

Because of the care the Midwest ISO has taken not to implicate state resource adequacy jurisdictional matters, any future amendments to Module E would only be made after collaboration and coordination with the OMS. This commitment has also been made directly to OMS. Apart from the practical, good policy objective of ensuring the Midwest ISO remains aligned with the interests of its state regulatory bodies, this cooperation is important to provide security that the jurisdictional separation between the Commission and the states regarding resource adequacy is maintained. In a number of previous orders this Commission had directed the Midwest ISO to make filings only after an effective stakeholder process[15] in certain instances even directing consultation with the OMS.[16] This requirement on the Midwest ISO is all the more compelling here. Much as the Commission and the California state regulatory authorities

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11 *Id.* at P 541.

12 [*See* Richard Doying Affidavit]

13 It is unclear to the Midwest ISO how any such delegation could in fact occur short of state legislative action in the area. There has been no such action.

14 See, Section 69.3.1 of the proposed Tariff.

15 [insert cite]

16 [insert cite]

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reached an appropriate accommodation in a filing by the California ISO involving a single state,[17] the Midwest ISO believes the Module E filing is an opportunity for multiple state authorities and the Commission to reach a similar accommodation here.

Should events prove the Midwest ISO's views on jurisdiction to be incorrect, the Midwest ISO would require OMS endorsement of any amendment to Module E to preserve to the greatest extent possible the jurisdictional harmony that it believes is critical for successful implementation of long-term resource adequacy.

B. Discussions with Stakeholders

For the better part of two years, the Midwest ISO has engaged in extensive discussions and had meaningful interactions with stakeholders including numerous meetings and conference calls, which resulted in a dialogue between stakeholders and the Midwest ISO in developing an RAR plan that meets the diverse needs of the stakeholders and complies with Commission requirements.

The Supply Adequacy Working Group ("SAWG") made up of mostly Midwest ISO stakeholders and some Midwest ISO personnel, have been meeting regularly, for more than a year, to discuss issues related to Resource Adequacy and these proposed revisions to Module E. In addition, the Midwest ISO has actively participated in meetings of the Resource Adequacy Working Group ("RAWG"), a group that was formed by the OMS to address resource adequacy issues. In 2007 alone, the SAWG/RAWG met on approximately twenty occasions to discuss Resource Adequacy.[18] As early as January 2007, the Midwest ISO presented its two-phased plan to stakeholders to fulfill its Resource Adequacy requirements. Generally, the meetings continued monthly, but as the Midwest ISO prepared to file revised Module E with the Commission, the SAWG/RAWG began meeting several times a month to try and come to some consensus on the remaining discussion issues.[19]

The Midwest ISO has sought guidance and feedback from stakeholders.[20] In July 2007, the OMS made a presentation before the Midwest ISO and its stakeholders during the course of a SAWG/RAWG meeting, discussing OMS's perspective on Resource Adequacy issues. One of the major issues expressed by the OMS was concern regarding pre-emption of state authority in the area of Resource Adequacy. The Midwest ISO has been consistently supportive of the OMS and has made every effort to ensure that the proposed tariff language reflects the Midwest ISO's understanding and continued respect for state authority in the area of Resource Adequacy.[21]

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17 [insert cite]

18 Materials and presentations from these SAWG/RAWG meetings are posted on the Midwest ISO's website, available at www.midwestisomarkets.com.

19 [*See* Richard Doying and Mike Robinson's Affidavits].

20 [*See* Robinson Affidavit].

21 [*See* Doying Affidavit].

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The draft base document used for building proposed Module E was the product of combining an early draft of the Midwest ISO's proposed Module E language with comments from the OMS and the other Midwest ISO stakeholders. Stakeholders had numerous opportunities throughout the process to comment on proposed Module E. During the last several months, at each SAWG/RAWG meeting, the Midwest ISO provided a redline version of Module E based upon discussion from the prior SAWG/RAWG meeting, such that stakeholders could see what changes were made, whether their particular comments were included and stakeholders could hear from the Midwest ISO staff the reasoning behind certain stakeholder proposals being adopted, while others required further discussion and consideration. Some of the major issues discussed at these stakeholder meetings included: compliance provisions, state's rights, compatibility with reliability organization standards and requirements, minimum reserve margins, qualification of generation resources, penalties, must-offer requirements, and transparency, among other issues.[22]

Through a series of organized votes conducted on November 27, 2007, the OMS provided the Midwest ISO with its position on most of the key issues involved in Module E. Significantly, the OMS voted unanimously to request that the Midwest ISO continue discussions with the OMS to develop appropriate compliance language and voted to defer filing proposed "consequences" provisions drafted in a new section 69.3.5 for 180 days.[23] The proposed Module E that is enclosed with this filing contains virtually all of the language that was approved by the OMS on November 27, 2007.

The Midwest ISO then incorporated all of the recommendations from the OMS into a draft of Module E that was circulated to the Midwest ISO Markets Subcommittee ("MSC") for discussion on December 4 and 5. The MSC separately discussed every section of Module E and conducted a series of over 40 votes to propose specific RAR language to the Midwest ISO.[24] The Midwest ISO Market Subcommittee also voted on December 5, 2007 (by a vote of 30 in favor and 19 opposed) to defer any RAR filing for 90 days.

On December 12, 2007, the Midwest ISO Advisory Committee, composed of stakeholders from every sector, discussed a report from the Chair of the MSC regarding Module E, including a draft of Module E that reflected all of the votes of the MSC regarding each of the sections. Following discussions, the Advisory Committee rejected by a weighted stakeholder vote of 9 to 12 a motion to "support the intent of the language for Module E for the MISO tariff as approved" by the MSC.

The December 12th Advisory Committee discussion demonstrated that the stakeholders rejected the MSC version of Module E for a variety of different reasons. Some stakeholders, such as the OMS, indicated that some version of proposed sections 69.3.3 and 69.3.4 should not have been deleted from Module E. Other stakeholders indicated that they could not support

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22 [*See* Robinson Affidavit].

23 [*See* Doying Affidavit].

24 [*See* Robinson Affidavit].

Module E until language had been developed that addressed the consequences that would be imposed if an LSE did not meet the RAR standards. Some stakeholders apparently rejected the MSC draft because they wanted the entire RAR filing to be delayed for several months or more to enable the stakeholders to continue discussions. The Midwest ISO believes that the vote of the Advisory Committee was not direction for the Midwest ISO to delay making the subject filing, but was instead a reflection of the complexity of issues presented and the divergence of opinions on some of the key RAR issues.[25]

Throughout the entire process, the Midwest ISO has encouraged the participation of stakeholders in developing language, providing comments on proposed language and strategizing to develop the most effective RAR plan. The Midwest ISO was careful to consider all the stakeholder comments it received in developing the instant RAR filing.[26]

The Midwest ISO recognizes that some stakeholders would prefer to delay the subject filing to give the parties additional opportunities to reach consensus solutions to all of the outstanding issues. While the Midwest ISO agrees that it would be preferable to achieve such resolutions, it is making the subject filing to comply with existing FERC orders. As discussed below, the Midwest ISO is respectfully requesting an additional opportunity to work with its stakeholders to address only the contentious issue of what consequences should be imposed if an LSE does not comply with Module E.[27]

As described in Richard Doying's Affidavit, the Midwest ISO does not view the absence of "consequence" language as an indicator that the RAR plan is not ready for review by FERC or that the filing is deficient because: (1) the Midwest ISO reasonably believes that LSEs will continue their historic aptitude of acquiring adequate capacity resources while final compliance language is being developed; (2) the Midwest ISO is requesting in section 69.4 that there be a transition period ending on March 1, 2009 prior to requiring LSEs to provide specific Planning Year Capacity Resource information to the Midwest ISO; and (3) the "consequence" language will be filed with FERC and will likely be able to be approved well in advance of March 1, 2009.[28]

In addition, FERC review and approval of all of the basic elements of an RAR Plan for the Midwest ISO Region (except for economic consequence provisions) will greatly assist the Midwest ISO's Market Participants because it will provide commercial certainty to these parties. Reducing risk and uncertainty as to all of the other RAR elements will benefit the development of a more robust and competitive energy market and encourage the maturation of a market for Capacity Resources.

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25 [*See* Robinson Affidavit].

26 [*See* Robinson Affidavit].

27 [*See* Doying Affidavit].

28 [*See* Doying Affidavit].

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Moreover, FERC review and approval of the components of the RAR Plan that stakeholders agree upon would greatly reduce uncertainty and promote completion of a long-term RAR Plan. The Midwest ISO believes that it will be easier to develop a consensus position on economic consequence section once all of the other elements of the RAR Plan are known by the OMS and the Market Participants.

UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

Midwest Independent Transmission System Operator, Inc.	))	Docket Nos. ER07-1372-000 ER07-1372-001

COMMENTS OF THE ORGANIZATION OF MISO STATES, INC. FOLLOWING TECHNICAL CONFERENCE

Summary

The results of the technical conference held December 6, 2007, do not change the market monitoring recommendation submitted by the OMS in its Comments filed October 15, 2007, with respect to market power issues in Midwest ISO's Ancillary Services Market ("ASM"). In fact, responses at the technical conference reinforce the conclusion that the Midwest ISO should use the OMS-proposed \$10/MWh adder over reference levels with the indicated ratchet mechanism, allowing the adder to drift up or down depending on a market participant's behavior in the ASM.

As indicated in the Midwest ISO's Answer, filed November 5, 2007, both the Midwest ISO and Dr. David Patton, its independent market monitor ("IMM"), accept using the market monitoring approach proposed by the OMS. The Commission has before it the often sought but rarely seen consensus of the states, the RTO and IMM. This consensus respects and reflects the Commission's guidance on issues of market power in prior Commission decisions. For these reasons, and because market power issues loom larger in the ASM than in other energy markets, the FERC should direct the Midwest ISO to make a compliance filing implementing the OMS-proposed \$10/MWh adder mechanism for the ASM including the ratcheting component. Dr. Patton did not find this market monitoring conduct and impact approach unreasonable at the technical conference, as long as the ratcheting mechanism allows the values to drift up to the companion values used in the MISO wholesale energy market following proper competitive behavior by market participants.

Choice of an Appropriate Adder Mechanism

At the December 6 technical conference, OMS representatives asked a number of questions related to reference levels and market monitoring in the ASM. With respect to market monitoring, they asked Midwest ISO and the IMM three important questions:

> 1) How do the market power measures compiled by the IMM for the Midwest ISO's ASM compare to the similar measurements for the wholesale energy market?
> 2) Were market participants more or less likely to engage in market power abuse in the ASM or the energy market?
> 3) Is there a statistical or factual way of determining an appropriate adder over reference levels rather than using the arbitrary approach in the Midwest ISO's original proposal?

At the technical conference, the answer to question #1 was not known.[1] The answer to question #2 was that if measurements were similar, the incentives or disincentives for the exercise of market power would likely be the same in either the ASM or the wholesale energy market. As for question #3, the IMM did not believe such an approach would be possible given the many uncertainties affecting measurement of marginal costs. Dr. Patton and Dr. Lawrence Kirsch, an economist who appeared on behalf of the Midwest TDUs, concurred that in standard microeconomic theory, if there were no uncertainty over the factors affecting marginal costs, the adder over reference levels for market power monitoring purposes would in fact be zero.

Since the conference, OMS representatives have conducted research on question #1, and have found, in fact, that the measurements of market power in the ASM are substantially worse than for the wholesale energy market. This adverse finding, discussed below, means the likelihood of the exercise of market power in the ASM is greater than in the wholesale energy market, essentially answering question #2. The answer to question #3 indicates that no true scientific or statistical basis for picking the adder presently exists. This unfortunate situation means careful attention must be taken in picking the appropriate adder value.

Given that uncertainty does affect the appropriate adder over the reference levels for market monitoring purposes, the certainty at the present time about the potential for

[1] Nothing pejorative is meant here as the ability to recall all results of all market power studies for MISO over the past five years is beyond anyone's capability. It was hoped fragments could be recalled.

market power abuse actually implies that the adder should take on a smaller value. While such matters as unknown generator wear and tear (an example discussed at the conference) can affect the adder in the positive direction, the very start up of a new market, given the market power measures identified forth by the IMM, implies a certainty that, without effective market monitoring, the whole ASM, in its design and operation, could lead to non-competitive outcomes. This fact strongly suggests that the adder should lean heavily towards zero at the outset to protect end-user customers from market power abuse or from those aspects of a brand new Midwest ISO market that may be found inadequate only after operational experience. From this reference point, the OMS proposal is the most reasonable approach for the FERC to take.

Market Concentration Is Worse in the Midwest ISO ASM than in the Wholesale Energy Market[2]

That market power is larger in the ASM than in the MISO wholesale energy market can be gleaned from a simple inspection of the HHI calculations made at the time the wholesale energy market was commencing and those HHI calculations in the recent study conducted by Dr. Patton.

The following table reports the HHI statistics compiled by the MISO IMM in his State of the Market Report for 2004 for the wholesale energy market.[3]

[2] The analysis that follows focuses on the HHI values due to the visual ease of comparison. An analysis of pivotal supplier relationships can also be made to show the same conclusion. In Dr. Patton's prepared direct testimony filed March 31, 2004 in Docket ER04-691-00 with respect to the wholesale energy market, the IMM found at pages 12 to 14 that the area known as WUMS had more than half of the 51 flowgates with at least one pivotal supplier. That 2004 analysis suggested two areas of prime concern, WUMS and North WUMS, which are presently considered narrowly constrained areas. In the present 2007 ASM pivotal supplier analysis, the IMM reports widespread pivotal supplier concerns throughout the Midwest ISO footprint. In both the four congested areas and three separate clusters for either regulation or contingency reserves, the IMM found pivotal frequencies exceeding 34 percent and as high as 100 percent. In contrast, for the MISO footprint the pivotal frequency was zero to about 3 percent. These values can be found in the handout distributed at the technical conference at pages 11 and 12.

[3] Table 3, Page 10, "2004 State of the Market Report, Midwest ISO," Potomac Economics, Ltd., June 2005. The full report is available on the Midwest ISO website under IMM.

Table 1--2004 Market Concentration in Midwest ISO Sub-Regions

MISO Sub-region	HHI
ECAR	770
MAIN	1,745
MAPP	1,275
WUMS	2,642
MISO	356

In contrast, Table 2 reports the HHI statistics as presented by the IMM at the December 6 technical conference.[4]

Table 2--Market Concentration Ranges Covering the Four Seasons
Using HHI Statistic for Various ASMs

Study Area	Regulation Reserves	Contingency Reserves
MISO Footprint	825 — 938	796 — 931
Congested Areas [WUMS, Minnesota NCA, and Michigan]	3,590 – 6,641	2,998 – 6,397
Clusters	1,788 – 8,809	1,641 – 8,710

A comparison between Table 1 and Table 2 shows that the concentration is about 2 to 3 times higher in the ASM than in the wholesale energy market. To the extent the HHI measures the likelihood for the exercise of market power, this comparison indicates that the potential is higher in the ASM. This higher potential and the ASM market startup argue strongly for a lower threshold value for the adder. In this case, the OMS has suggested a $10/MWh value as compared to the $36/MWh to $100/MWh conduct thresholds presently used in the wholesale energy market. In fact, the OMS suggestion comports nicely with the very finding by the Commission that mitigation needs to be stronger in areas of higher concentration or higher likelihood of the exercise of market power. In its August 6, 2004, Energy Markets Order, the Commission stated:

[4] Pages 10, 11, and 12, "Midwest ISO Ancillary Services Market, IMM Market Power Study," Presentation Handout at FERC Technical Conference, Dr. David Patton, Independent Market Monitor, Potomac Economics, December 6, 2007.

> We support the use of tighter thresholds in areas that are more likely subject to the exercise of market power. This is because when the exercise of market power is more probable, the costs of interfering with the market are more likely to be overshadowed by the benefits of preventing the exercise of market power.[5]

Conclusion:

The results of the December 6 technical conference do not change the market monitoring comments already submitted by the OMS with respect to market power issues in Midwest ISO's Ancillary Services Market. In fact, responses at the technical conference and the analysis above reinforce the concept that the Midwest ISO should use the OMS-proposed $10/MWh adder over reference levels with the indicated ratchet mechanism. The Commission has before it a rare consensus of the states, the RTO, and IMM. This consensus respects and reflects the Commission's own guidance on issues of market power in prior decisions. Consequently, the Commission should direct the Midwest ISO to make a compliance filing implementing the OMS-proposed $10/MWh adder mechanism for the ASM, including the ratcheting component.

The OMS submits these comments because a majority of the members have agreed to generally support them. The following members generally support these comments. Individual OMS members reserve the right to file separate comments regarding the issues discussed in these comments:

Illinois Commerce Commission
Indiana Utility Regulatory Commission
Iowa Utilities Board
Kentucky Public Service Commission
Michigan Public Service Commission
Minnesota Public Utilities Commission
Missouri Public Service Commission
Montana Public Service Commission
North Dakota Public Service Commission
Public Utilities Commission of Ohio
South Dakota Public Utilities Commission
Wisconsin Public Service Commission

[5] Paragraph 258, page 80, "Order Conditionally Accepting Tariff Sheets To Start Energy Markets and Establishing Settlement Judge Procedures," Dockets ER04-691-000 and EL04-104-000, Federal Energy Regulatory Commission, Issued August 6, 2004.

The Manitoba Public Utilities Board did not participate in this pleading. The Nebraska Power Review Board and the Pennsylvania Public Utility Commission abstained from this pleading.

The Iowa Office of Consumer Advocate and the Minnesota Department of Commerce, as associate members of the OMS, participated in these comments and generally support these comments.

Respectfully Submitted,
William H. Smith, Jr.
William H. Smith, Jr.
Executive Director
Organization of Midwest ISO States
100 Court Avenue, Suite 218
Des Moines, Iowa 50309
Tel: 515-243-0742

Dated: December 19, 2007

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon each person designated on the official service list compiled by the Secretary in this proceeding.

Dated at Des Moines, Iowa, this 19th day of December, 2007.

William H. Smith, Jr.

UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

Midwest Independent Transmission System Operator, Inc.	))	Docket No. ER04-691-089

PROTEST OF THE ORGANIZATION OF MISO STATES, INC.

Pursuant to the Commission's Notice of Filing, issued December 14, 2007, the Organization of MISO States ("OMS") protests the December 5, 2007, filing made by the Midwest Independent Transmission System Operator, Inc. ("Midwest ISO") to comply with the Federal Energy Regulatory Commission's ("Commission") Order issued on November 5, 2007 in this docket[1]. As discussed in greater detail below, OMS respectfully requests that the Commission reject the Midwest ISO's compliance filing as inconsistent with the Commission's directive and require further tariff modifications.

Background

To ensure that adequate supply is available to meet real-time demand, resources that are made available as a result of the Reliability Assessment Commitment (RAC) process receive compensation at least equal to their start-up offers, no-load offers, and incremental energy costs, even if the resources are not dispatched. When real-time Locational Marginal Prices (LMP) are not sufficient to fully compensate resources to this minimum reimbursement level, they receive a real-time Revenue Sufficiency Guarantee (RSG) make whole payment for the shortfall.

The real-time RSG make whole payments are funded primarily by RSG charges for real-time deviations from day-ahead schedules. Section 40.3.3.a.ii of the Midwest ISO Transmission and Energy Markets Tariff (TEMT) describes the calculation of the RSG charges:

> On any Day when a Market Participant actually withdraws any Energy the Market Participant shall be charged a Real-Time revenue sufficiency guarantee charge. The Market Participant's Real-Time revenue sufficiency guarantee charge for that Hour shall equal the product of: (i) the Market Participant's total Load purchased in the Real-Time Energy Market during the Operating Day (in MWh), all Virtual Supply for the Market Participant in the Day-Ahead Energy Market, and Resource Uninstructed Deviation

[1] *Midwest Independent Transmission System Operator, Inc.*, 121 FERC ¶ 61,132 (2007).

quantities (MWh), and (ii) the per unit Real-Time revenue sufficiency guarantee charge. The per unit Real-Time revenue sufficiency guarantee charge for any given Day shall equal:(i) the aggregate Real-Time revenue sufficiency guarantee charge in that Hour attributed to Resources committed in any RAC processes conducted in the Operating Day divided by (ii) the sum of the total uncovered Load withdrawn in the Operating Day (in MWh), all Virtual Supply for that Market Participant in the Day-Ahead Energy Market, and for deviations from Dispatch Instructions, of all Market Participants withdrawing during that Hour for the Operating Day.[2]

To the extent that the RSG make whole payments are not fully funded by RSG charges, they are uplifted to market participants based on load ratio share.

On October 27, 2005, the Midwest ISO submitted proposed revisions to the TEMT. One of the proposed revisions was to remove references to virtual supply from the provisions related to the calculation of RSG charges in section 40.3.3 of the TEMT.3 (Virtual supply is an offer to sell energy in the day-ahead market that is not supported by a physical injection or reduction in withdrawals in commitment by a resource.) In the RSG Order issued on April 25, 2006, the Commission determined that virtual supply can cause RSG costs and rejected the Midwest ISO's proposal to eliminate entirely virtual supply transactions from real-time RSG charges.4

In the RSG Rehearing Order issued on October 26, 2006, the Commission reaffirmed its determination that virtual supply offers accepted in the day-ahead market can require the commitment of physical resources in the RAC process, which may cause RSG costs to be incurred.5 To ensure that cost responsibility follows cost incurrence, the Commission required the Midwest ISO to propose a charge that assesses RSG costs to virtual supply offers based on the RSG costs they cause.6

The Midwest ISO then proposed to allocate RSG costs in each hour to two buckets; a net virtual bucket (netting virtual demand bids against virtual supply offers) and a net deviations bucket.7 In the Compliance Order issued on March 15, 2007, the Commission noted that the Midwest ISO failed to provide the requested analysis and provided no evidence to support its proposal.8 Unable to determine that the proposal was based on cost causation and would not

[2] Midwest ISO Transmission and Energy Markets Tariff, Module C, section 40.3.3.a.ii, Second Revised Sheet Nos. 577-578.
[3] *Midwest Independent Transmission System Operator, Inc.*, 115 ¶ 61,108 (2006) (RSG Order) at P 3-4.
[4] RSG Order at P 48.
[5] *Midwest Independent Transmission System Operator, Inc.*, 117 ¶ 61,113 (2006) (RSG Rehearing Order) at P 108.
[6] RSG Rehearing Order at P. 117.
[7] *Midwest Independent Transmission System Operator, Inc.*, 118 ¶ 61,213 (2007) (Compliance Order) at P 43.
[8] Compliance Order at P. 84.

result in unjust and unreasonable rates, the Commission rejected the proposal and directed the Midwest ISO to submit a compliance filing.9

In the Order on Rehearing, also issued on March 15, 2007, the Commission, in its discussion of the Section 40.3.3.a.ii TEMT phrase "actually withdraws any Energy" stated:

> We do not find the calculation of the charge to be arbitrary or unduly discriminatory, since the end-result of the charge does not result in any harm. We agree that the charge is assessed only on market participants withdrawing energy in real-time and payment of the charge may result in less than full recovery of RSG costs since the divisor to the charge includes all virtual supply – not just virtual supply offered by market participants withdrawing energy -- and therefore may result in under-recovery of RSG costs. However, to the extent that RSG costs are not fully recovered in the RSG charge, the unrecovered costs are recovered through uplift charges assessed to all market participants. While the assignment of costs to all market participants differs from the assignment of costs to only those entities causing the costs, the Commission is not, here in this section 205 proceeding, determining which of several possible allocations to implement. Rather, the currently-effective tariff provision – which was not challenged by any parties when accepted – cannot be revised in this proceeding and remains in effect until a section 206 investigation determines the current provision is unjust and unreasonable.[10]

Based on paragraph 58 of the Order on Rehearing, the Midwest ISO determined that "the real-time RSG rate calculation includes all Virtual Supply Offers that clear in the Day-Ahead Energy Market in the divisor to the charge."11 On April 17, 2007, the Midwest ISO made its RSG compliance filing.

Subsequently, the Midwest ISO determined and published its estimate of the cost shift that would result from developing an RSG rate based on volumes that would not then be subject to the RSG charge. As a result of that volume mismatch, the Midwest ISO estimated that approximately 57 percent, and for some months more than 70 percent, of the real-time RSG cost would likely cross over to Revenue Neutrality Uplift and be collected from market participants based on load ratio share.12 The estimated real-time RSG cost from market start through February 2007 totaled almost three quarters of a billion dollars.13

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[9] Compliance Order at P. 88 and order point (B).

[10] *Midwest Independent Transmission System Operator, Inc.*, 118 ¶ 61,212 (2007) (Order on Rehearing) at P 58.

[11] "11a RSG Discussion Presentation - Final" presentation by the Midwest ISO to the Market Subcommittee on April 10, 2007, at http://www.midwestiso.org/publish/Document/4ad10b_1114b6b848b_-7f7e0a48324a?rev=9

[12] "RSG AWE Resettlement Results.xls" at http://www.midwestiso.org/publish/Document/193f68_1118c81057f_-7c540a48324a?rev=1

[13] *Id.*

On November 5, 2007, the Commission issued an Order on Compliance Filing and provided clarification with respect to the RSG rate and charge calculations and stated:

> Based on our review of the Midwest ISO RSG charge and rate tariff provision, we provide the following clarification on the meaning of these provisions, to address Ameren's concerns. Per the terms of the tariff in the April 17 Filing, the denominator in the RSG rate in section 40.3.3.a.iii is based on the sum of the absolute values of the amounts in section 40.3.3.a.ii(a) – (d). We interpret this formulation to mean that the RSG rate denominator is the aggregate of the amounts for market participants withdrawing energy on that day, since they are entities being assessed the RSG charge in section 40.3.3.a.ii. Therefore, the amounts in the individual RSG charges in section 40.3.3.a.ii should sum to the same summed and aggregate number in the denominator of section 40.3.3.a.iii, thereby eliminating the possibility of developing the RSG charge and RSG rate on different bases and resulting in a shortfall in recovery of RSG costs.[14]

The Commission directed the Midwest ISO to submit a compliance filing, pursuant to the requirements specified in the body of the order.15

On November 16, 2007, the Midwest ISO presented to the RSG Task Force its analysis of November 5, 2007 Order on Compliance Filing. The Midwest ISO concluded that the Commission's discussion of the denominator for calculation of the RSG rate contained in paragraph 26 of the November 5, 2007 Order on Compliance was inconsistent both with the preceding paragraph 23 and with paragraph 58 of the March 15, 2007 Order on Rehearing.16 The Midwest ISO stated that the current settlement system rules, including the on-going resettlements, reflect an RSG rate calculation consistent with paragraph 58 of the March 15, 2007 Order on Rehearing and that no resettlements or settlement rule changes were required to comply with the November 5, 2007 Order on Compliance.17

On December 5, 2007, the Midwest ISO made a compliance filing that reflects the views it expressed at the November 5, 2007 RSG Task Force meeting.

Protest

The OMS protest here is limited to a single issue and as such should not be construed as agreement with, or disagreement with, other aspects of the real-time RSG charge. The OMS submits that the Midwest ISO filing does not comply with the Commission's November 15, 2007 Order on Compliance with respect to real-time RSG rate and charge calculations.

[14] *Midwest Independent Transmission System Operator, Inc.*, 121 ¶ 61,132 (2007) at P 26.
[15] *Id.* at order point (B).
[16] "05 RSG Rehearing and Compliance Orders Nov 2007.pdf" at http://www.midwestiso.org/publish/Document/66d196_115dc8fa4a2_-7f7f0a48324a?rev=17
[17] *Id.*

In March 2007, the Commission indicated in paragraph 58 of the March 2007 Order that an approach of including all virtual supply offers in the denominator was not arbitrary or unduly discriminatory, since the end-result of the charge and the resulting uplift would not result in any harm. Subsequent information made available to the Commission indicated that the magnitude of the resulting cost shift from cost causers to uplift would result in significant harm. As a result, the Commission in paragraph 26 of the November 15, 2007 Order on Compliance stated that the volumes used to determine the RSG rate should be the same volumes that will be charged that RSG rate so that a shortfall in recovery of RSG costs does not result.

The Midwest ISO compliance filing permits an interpretation of the tariff provisions that result in different bases for the RSG rate and charge and in significant under-recovery of RSG costs from cost causers. The Midwest ISO has interpreted, and continues to interpret, its tariff provisions such that significant real-time RSG costs are not being assigned to cost causers but are instead being uplifted to load. Such an interpretation is at odds with paragraph 26 of the November 15, 2007 Order on Compliance and as a result the filing is not in compliance with the requirements specified in the order.

Conclusion

The OMS respectfully requests that the Commission reject the Midwest ISO compliance filing and direct the Midwest ISO to modify its tariff provisions and resettle the market consistent with paragraph 26 of the November 15, 2007 Order on Compliance.

The OMS submits these comments because a majority of the members have agreed to generally support them. The following members generally support these comments. Individual OMS members reserve the right to file separate comments regarding the issues discussed in these comments:

Illinois Commerce Commission
Iowa Utilities Board
Kentucky Public Service Commission
Michigan Public Service Commission
Minnesota Public Utilities Commission
Missouri Public Service Commission
Montana Public Service Commission
Nebraska Power Review Board
Public Utilities Commission of Ohio
Wisconsin Public Service Commission

The Indiana Utility Regulatory Commission, the North Dakota Public Service Commission, the Pennsylvania Public Utility Commission, and the South Dakota Public Utilities Commission abstained from this pleading. The Manitoba Public Utilities Board did not participate in this pleading.

The Iowa Office of Consumer Advocate, and the Minnesota Department of Commerce, as associate members of the OMS, participated in these comments and generally support these comments.

Respectfully Submitted,
William H. Smith, Jr.
William H. Smith, Jr.
Executive Director
Organization of Midwest ISO States
100 Court Avenue, Suite 218
Des Moines, Iowa 50309
Tel: 515-243-0742

Dated: December 19, 2007

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon each person designated on the official service list compiled by the Secretary in this proceeding.

Dated at Des Moines, Iowa, this 19th day of December, 2007.

William H. Smith, Jr.

Gregory, Sheryl

From: Bill Smith [Bill@misostates.org]

Sent: Wednesday, December 19, 2007 4:12 PM

To: Julie Mitchell; Adrian, Barb; Murray, Connie; Gregory, Sheryl; Busch, Jim; Gray, Jim; Mantle, Lena; Mills, Lewis; Hughes, Mark; Oligschlaeger, Mark*; Proctor, Mike; Davis, Jeff; Kind, Ryan; Dottheim, Steve; Art Compton; Bob Raney ; Brad Molnar ; Bryan Baldwin ; Doug Mood ; Kate Whitney; Ken Toole; Montana - Greg Jergeson ; Jerry R. Lein; Kevin Cramer ; Patrick Fahn ; Susan Wefald ; Tony Clark ; William Binek ; Thomas Lindgren; Alan Schriber; Dan Johnson ; Don Howard ; Don Mason; Fred Heizer; Greg Scheck ; Hisham Choueiki; Jacqueline Lake Roberts; Jan Karlak ; Jason Cross; Joe Buckley ; Jon Whitis; Judy Jones ; Kim Wissman; Klaus Lambeck; Majid Khan; Quanetta Batts ; Ronnie Fergus ; Valerie Lemmie; Kim Beemer; Bob Young ; Calvin Birge ; Greg Shawley ; Heidi Wushinske ; John Levin ; Kim Hafner; Kim Pizzingrilli ; Shane Rooney; Demaris Axthelm ; Dustin Johnson ; Gary Hanson ; Greg Rislov ; Heather Forney; John J. Smith ; Nathan Solem ; Rolayne Wiest ; Steve Kolbeck ; Alice Heilman ; Dennis Koepke ; Don Neumeyer ; Gail Maly ; James Wottreng; John Feit ; Randy Pilo; Sandy Paske ; Wisconsin - Dan Ebert

Subject: FW: IURC Supports Adoption of the Latest version of Module E

Attachments: The Indiana Utility Regulatory Commission understand that some state commissions desire a statement of reassurance that nothing in the FERC approved Module E of the Midwest ISO.doc

I have attached a copy of the analysis that was considered by our attorneys. We hope this helps in your consideration.

The Indiana Utility Regulatory Commission believes that the Introduction to Module E is more than sufficient and we sincerely appreciate the Midwest ISO's efforts to accommodate the sensitivities of the state commissions. We also appreciate the efforts of our colleagues in this regard. However, our attorneys advise us that the statements honoring state jurisdiction constrained in the Introduction are "belts and suspenders" since neither the FERC nor the RTO can add to or diminish a state's statutory authority. Certainly, the Energy Policy Act of 2005 makes it clear that states, not the FERC, the RTOs, the NERC, nor Regional Reliability Councils have authority to establish planning reserves.

We believe that some of the concerns are misplaced. Specifically, while the Midwest ISO is responsible for transmission planning, the Midwest ISO can't compel an entity to build transmission. It is only on best efforts and each state commission will have whatever authorities their statutes provide. The Congress has given the FERC authorities regarding "transmission corridors," but there is no similar such authorities for FERC over generation or demand response. Certainly, there is no FERC authority to compel construction of generation or for the provision of demand response. Indiana, like most states, has unambiguous authority over the type of generation, the amount of generation, cost recovery, and other relevant factors associated with the construction of generating facilities. The Midwest ISO's Tariff does nothing to change Indiana's statutory authorities.

Thank you for your kind and thoughtful consideration.

Bob Pauley by direction of Commissioner Greg Server

Indiana Utility Regulatory Commission

From: Julie Mitchell [mailto:Julie@misostates.org]
Sent: Tuesday, December 18, 2007 5:50 PM
To: Bill VanderLaan ; Carol Weller; Chris Thomas; Christine Ericson; Illinois - Bob Lieberman; Lula Ford ; Nora Naughton; Randy Rismiller; Sean Brady; Paronish, April M.; Pauley, Bob; Borum, Bradley; Johnston, David; Ziegner, David; Server, Greg; Soller, Joan; Cvengros, Laura; Parsell, Matthew; Endris, Robert; Mork, Robert; Macey, Susan L.; Amy Christensen ; Chancy Bittner; Dan Fritz; David Habr; Frank Bodine ; Iowa - John Norris ; Jack Dwyer; Jeff Kaman ; Jennifer Easler ; Jim Sundermeyer; John Pearce; Judi Brooks ; Khosrow Khojasteh; Krista Tanner; Parveen Baig; Vernon Jordan; Wes Bridgeman; Andrea Schroeder; Beth O'Donnell ; Brendah Stith ; Jeff Johnson ; Jim Welch; Jorge Valladares; Mark David Goss ; Rick Bertelson ; Brian Moline ; Dahl Harris ; Gerry Gaudreau; Graham Lane ; John Bell ; Julie Parsley; Nebraska - Eugene Bade; Paul Hudson ; Tim Texel; Angie Butcher ; Ashley Davidson; Bill Bokram; Cathy Cole; Janet C. Hanneman ; Julie Baldwin ; Ken Roth ; Lisa Pappas ; Lois Gruesbeck ; Mick Hiser ; Monica Martinez; Rob Ozar ; Ron Radke ; Sally Talberg; Sharon Theroux ; Steve Paytash; Wanda Jones ; Bob Cupit ; Burl Haar; Clark Kaml ; LeRoy Koppendrayer ; Louis Sickmann ; Marshall Johnson ; Mary Swoboda; Minnesota - Tom Pugh; Nancy Campbell ; Phyllis Reha ; Ronnie Slager
Cc: Bill Smith; Jan Karlak
Subject: Meeting announcement with link to meeting materials for December 20th meeting to discuss latest version of Module E (also attached)
Importance: High

Sent on behalf of Jan Karlak: **PLEASE SEE ATTACHED.** – Based on a talk with MISO this afternoon, we anticipate that a transmittal letter will be available on Wednesday, December 19. We will forward it to you as soon as it is received.

Announcement...

You may want to participant in the following meeting to hear discussion of the latest (and hopefully, for now) final pre-filing version* of Module E Resource Adequacy, as follows:

Thursday, December 20, 2007

Time: **9:00 AM - 12:00 PM EST**
Location: **Lakeside Conference Center, Room 3**
Description: **"Deferral of Module E Tariff Language Review"**
Registration Info.: **There will be a Webcast available**
Webcast Meeting Password: 122007

Participant Dial-In Number: (800) 442-5794
Participant Code: 43322

Jan Karlak, Ohio PUC, and
Chair, OMS Perpetual Resource Adequacy Working Group (RAWG)

The Indiana Utility Regulatory Commission understand that some state commissions desire a statement of reassurance that nothing in the FERC approved Module E of the Midwest ISO's Tariff usurps state authorities over the construction of generating facilities and development of demand-response. This assurance may also be applicable to those states that have some authorities over the siting, construction, and rate base treatment of transmission- resources.

We believe that some of the concerns are misplaced. Specifically, while the Midwest ISO is responsible for transmission planning, the Midwest ISO can't compel an entity to build transmission. It is only on best efforts and each state commission will have whatever authorities their statutes provide. The FERC, through the Congress, and the "transmission corridors" has authorities over transmission siting but there is no similar such authorities for FERC over generation or demand response and certainly no FERC authority to compel construction of generation or the provision of demand response. Indiana has unambiguous authority over the type of generation, the amount of generation, cost recovery, and other relevant factors associated with the construction of generating facilities.

The IURC attorneys believe that the draft preamble should satisfy the concerns of the states. At least as we understand them. The IURC, however, views these statements in the Introduction as "belts and suspenders" since neither the FERC nor the RTO can add to or diminish a state's statutory authority. A state's statutory authorities "are what they are." Any change in a state commission's statutory authority can only occur through their state's legislative process or federal law. Of course, any federal law infringing on states' rights is subject to a Constitutional challenge.

The Energy Policy Act of 2005 makes it clear that states, not the FERC, the RTOs, the NERC, nor Regional Reliability Councils have authority to establish planning reserves.

The IURC is willing to support the proposed introduction despite, what we believe is, a lack of a legal concern. Certainly, in the event that states are not satisfied, the IURC would urge our OMS colleagues not to pursue any legal remedies because there would be no damage to state jurisdiction for the courts to redress.

Historically, because state commissions have statutory mandates that generally require state commissions to assure reliable and economical service, most states have some form of long-term planning. Wisconsin's "Advanced Planning Process" was an exemplar in this regard. Indiana, like some other states, still has Integrated Resource Planning Requirements (IRP). Indiana has the State Utility Forecasting Group that has a statutory charge to prepare an independent load and resource forecast. Other states have substantial expertise resident in their state's universities.

We believe that it is abundantly clear the Midwest ISO nor the FERC have the requisite authorities over long-term planning of generation, transmission, and demand-response. Since the states have correctly asserted that comprehensive long-term planning is the province of state commissions, we hope that the OMS will take the leadership role in the long-term regional planning processes of the Midwest ISO. From our perspective this would entail a "Regional IRP process."

I. INTRODUCTION

This Module E provides mandatory requirements to be met by the Transmission Provider, **Market Participants serving Load in the Transmission Provider Region or serving Load on behalf of a** Load Serving **Entity** ("LSEs") and other Market Participants [81] to ensure access to deliverable, reliable and adequate **Planning** Resources to meet load requirements on the Transmission System. The requirements established in this Module E recognize and are complimentary with the reliability mechanisms of the states and the Regional Reliability Organizations ("RRO") within the Transmission Provider Region. Planning Reserve Margin ("PRM") levels will be determined by analytical study methods in the Module E process. If higher or lower PRMs are mandated by **certain** states, then the Transmission Provider **shall** recognize and incorporate such PRMs for any affected LSEs. Nothing in **this** Module E affects existing state jurisdiction over the construction of additional capacity or the authority of states to set and enforce compliance with standards for adequacy. The Resource Adequacy Requirements ("RAR") in **this** Module E are also not intended to **in** any way affect state actions over entities under **the states'** jurisdiction.

OMS Office Holidays to be considered in 2008:

News Year's Day –	Jan 1
Memorial Day -	May 26
Independence Day-	July 4
Labor Day -	Sept 1
Thanksgiving -	Nov 27
Day after Thanksgiving	Nov 28
Christmas Day -	Dec 25
Day after Christmas Day	Dec 26

- One additional holiday to be determined by Executive Director.

2008 OMS Meetings

Board of Directors (Thursday meetings unless noted)	Executive Committee (Thursday meetings, unless noted)	OMS WG Chairs (Friday meetings, unless noted)	MISO A/C (Wednesday mtgs)	Other Mtgs
Jan 10 at 1:00 pm central	**Jan 24** at 1:00 pm central	Fri - Jan 25 at 9:30 - 11 am central	Jan 16	
Feb 14 at 1:00 pm central	**Feb 28** at 1:00 pm central	Fri - Feb 29 at 9:30 -11 am central	Feb 20	NARUC Feb 17-21 Wash, DC
Mar 13 at 1:00 pm central	**Mar 27** at 1:00 pm central	Fri - Mar 28 at 9:30 -11 am central	Mar 19	
Apr 10 at 1:00 pm central Tues - **Apr 15** at 11:00 am EDT (Special meeting in Carmel)	**Apr 24** at 1:00 pm central	Wed - Apr 16 at 4-6 pm EDT – Carmel	Apr 16 (Stakeholders)	
May 8 at 1:00 pm central	**May 22** at 1:00 pm central	Fri - May 16 at 9:30 -11 am central	May 14	
June 12 at 1:00 pm central	**June 26** at 1:00 pm central	Fri – June 13 at 9:30 -11 am central	June 18	MARC June 15-18 Oklahoma City
July 10 at 1:00 pm central	**TBD**	Fri - Jul 11 at 9:30 - 11 am central	July 16	NARUC July 21-24 Portland
Aug 14 at 1:00 pm central	**Aug 28** at 1:00 pm central	Wed - Aug 20 - St. Paul- TBA	Aug 20	
Sept 11 at 1:00 pm central	**Sept 25** at 1:00 pm central	Fri - Sep 19 at 9:30 - 11 am central	Sept 17	
Oct 16 (Annual Meeting)	**Oct 23** at 1:00 pm central	Fri - Oct 15 at 4-6 pm EDT- Carmel	Oct 15	
Nov 13 at 1:00 pm central	**TBD**	Fri - Nov 7 at 9:30-11:00 am central	Nov 19	NARUC Nov 16-18 New Orleans
Dec 4 at 1:00 pm central	**Dec 18** at 1:00 pm central	Fri- Dec 12 at 9:30-11:00 am CST	Dec 10	

CURRENT OMS PROJECTS
October 10, 2007
Page 1

Discussed at Work Group Chairs meeting December 12, 2007
Call –in: 877-452-6418 Code: 5152430742#

PROJECT	DEADLINES	STATUS
Pricing WG		
		Expect FERC order Jan 08
MWDRI		
Midwest Demand response Initiative	Survey results due Sept/Oct	Principles adopted at November Board meeting
Markets WG		
RSG	MISO compliance filed Dec 5	Docket ER04-691; Protest filed Dec19
RSG	New filing due Feb 1	
Joint and Common Market		Next meeting February 1
ASM		Expect FERC order Feb 08; watch BPMs
Market Monitoring and Mitigation WG		
FERC Office of Enforcement		FERC Midwest Market call Dec 14 1 pm EST
Market Power Technical Conference		Comments filed Dec 19
Resource Adequacy WG		
Resource Adequacy – Module E	Target filing Dec 28, 2007; comments due late Jan	Need 180 days plan for Enforcement issues

RF / NERC registration	FERC Dkt RC07-4 et al	Technical conference Oct 12; settlement discussions
Transmission Planning and Siting WG		
Attachment K filing	Filing Dec 7 Subregional planning meetings begin Jan08	
MTEP07		Before MISO Board Dec 07
MTEP09	Congestion study	
Interconnection Queue	FERC tech conf Dec 11	Comments on TC due Jan 10 Expect MISO filing 1Q08
JCSP	Phase 1 meeting Jan 9-10, 2008	
Long-Term Development and governance WG		
MISO 2008 Budget development Performance metrics		Staff comments submitted Dec 7
Modeling WG		
ASM pre-post- baseline		
KEMA	Share results end of Nov?	Discussion with Mike Holstein Dec 13
Multiple WGs / Other		

FTR		Funding shows red 3 months running on MISO ops report
MISO Membership Expansion (aka MAPP seams		Temporary Task Force: John Feit (WI), Burl Haar (MN), Jeff Kaman (IA)
RTO 101		States should contact John Chandley, keep OMS informed
Cost recovery and ASM rate training		Working through MISO ASM State Ratemaking Study Group Suggestion for ½ day conference on ASM concepts
Cross Border Cost Allocation	Cross-border allocation filing Dec 1	Market WG / Pricing WG
January 2008 Hot topic Focusing on the End Use Customer		