

ATC Quarterly Midwest ISO Update

February 28, 2008

Agenda

- Operations Report
 - Overview
 - Outages
- Ancillary Services Market Update
 - Business Process Testing & Market Trials
 - Readiness Update
- Interconnection Queue
- Questions

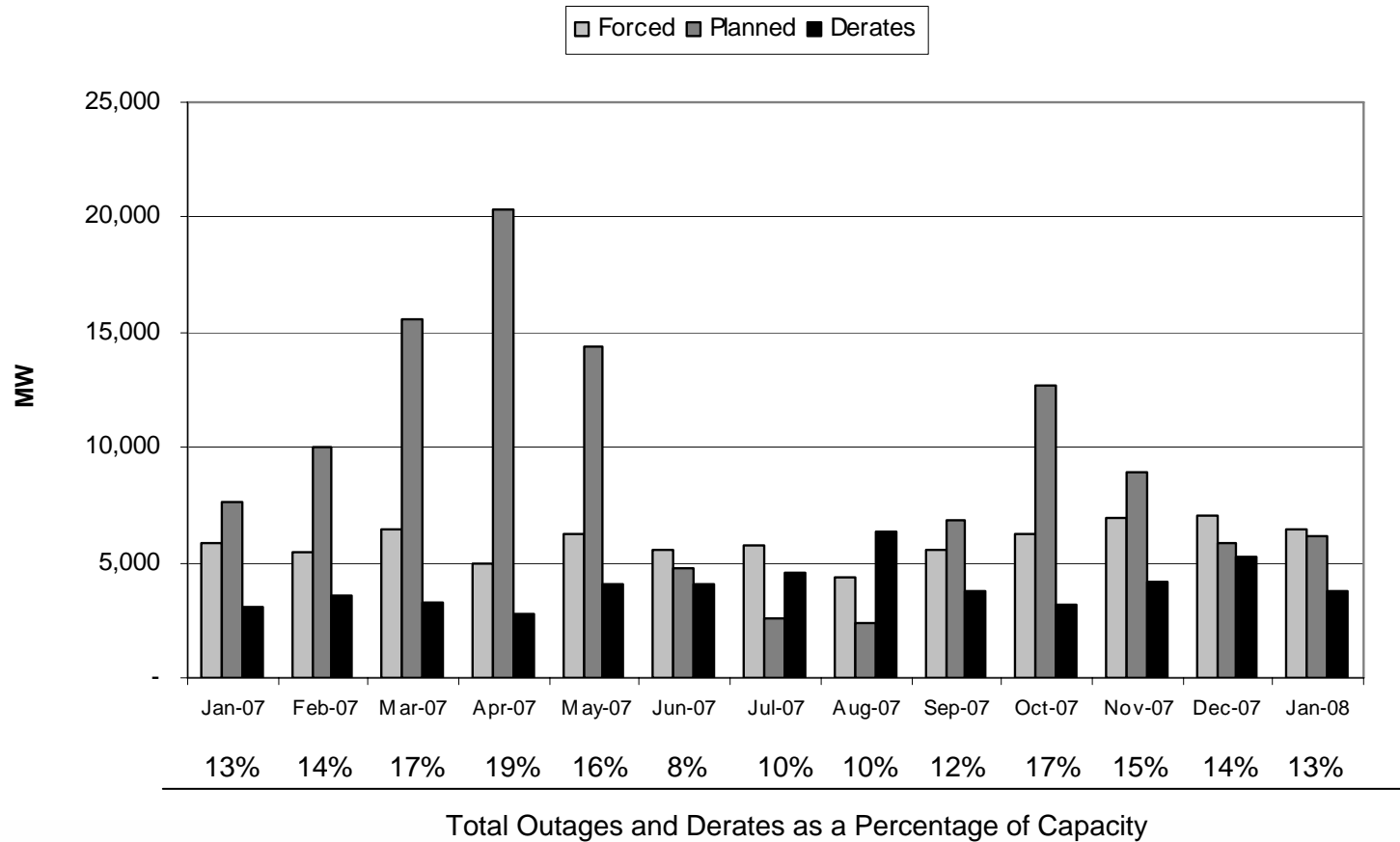
Operations Report - Overview

January was characterized by increasing load, due to periods of cold weather across the footprint, and a high level of forced outages:

- Declared a Maximum Generation Emergency Alert and Conservative Operations for the western and northern portions of the Midwest ISO footprint on January 30th due to forced generation outages, unit availability, and extremely cold weather conditions.
- Experienced weaker price convergence between Day Ahead and Real Time due to increase in fuel prices, load, and high levels of forced outages.
- Financial Transmission Right (FTR) funding reached 100% in January; the increase was a result of improved loop flow forecast and alignment of topology between FTR and Day Ahead models for the month.
- Invoked the Available Ramp Capacity (ARC) procedure on three occasions due to Net Scheduled Interchange (NSI) variations created by Transmission Loading Relief (TLR) curtailments, and schedule changes.

Operations Report - Outages

Generation Outages and Derates



ASM - Project Update

- The NERC Certification Team completed the final phase of the certification process February 8th; the Midwest ISO expects to receive the Certification Letter by April 1st
- Project Checkpoints
 - Requirements Checkpoint: mid-March
 - Once the Midwest ISO receives an Order from the FERC on the September 14th tariff filing, an “assessment” will be conducted to determine the impact on market design and the target launch date
 - If an Order is received in February, this assessment will be completed by mid-March
 - Readiness Checkpoint: mid-April
- Less than 16 weeks until June 1st Market Launch
- System Cutover planning activities in progress

Testing Update

- Business Process Testing and Parallel Operations
 - The Local Balancing Authorities, Market Participants and the Midwest ISO completed the second Business Process Test (BPT2) which simulated non-financially binding market operations and data transfers between system
 - Additional tests, called Parallel Operations Tests, will be conducted over the next three months to allow classroom training to be applied in non-financially binding simulations
- Operations Testing
 - The Local Balancing Authorities, Market Participants and Midwest ISO successfully conducted the first closed loop Operations Test on February 12th
 - This Operations Test marks the first time in history that the Midwest ISO operated as a “single” Balancing Authority over a 15 state region
 - Additional Operations Tests are scheduled on February 21st, February 28th, and March 6th, with additional tests expected up to market launch

BPT2 Statistics

- Participation Level defined based on average number of submittals during Operating Days during BPT1
 - **Very High Participation** - Defined as 10 or more submittals / operating day
 - **High Participation** - Defined as 4-10 or more submittals / operating day
 - **Medium Participation** - Defined as 1-4 submittals / operating day
 - **Low Participation** - Defined as up to 1 submittal / operating day

	<i>Participated in BPT1</i>	<i>Participating in BPT2</i>	Participation Level				Average Sumbittals (per BPT2 Participant)
			Very High	High	Med.	Low	
Largest 10 Market Participants	10	10	9	1	0	0	327
Next 10 Market Participants	8	9	6	2	1	0	144
Next 10 Market Participants	5	7	4	1	2	0	79
Remaining Market Participants	11	14	3	5	3	3	45
Total	34	40	22	9	6	3	
<i>Results from BPT1</i>	34		16	6	7	5	

- 40 Market Participants, representing 94% of the Generation within the Midwest ISO footprint, participated during BPT
- 31 Market Participants, representing 91% of the Generation within the Midwest ISO footprint, participated at either a Very High or High Level during BPT
- Results reflect increase in participation in terms of number of market participants with generation assets (increased from 34 to 40) and level of participation (increase from 22 to 31 of the number of participants meeting 'High' or 'Very High' level threshold)

NOTE: Data through February 5, 2008

Outreach Readiness Survey Results

- Assuming the survey results thus far (32 respondents) are indicative of overall participation, 94+% of Market Participants:
 - have accessed and used Midwest ISO web information
 - have taken ASM training
 - have reviewed the ASM BPMs
 - have trained on their internal systems
- Also there are areas for improvement opportunities identified in the Survey that include:
 - 67% (6 of 9) of responding LBAs point out that the Reversion Plan details should be more effectively communicated by the ISO
 - 34% (11 of 32) of responding stakeholders maintain that more time and/or more functionality during the BPT2 should have been offered

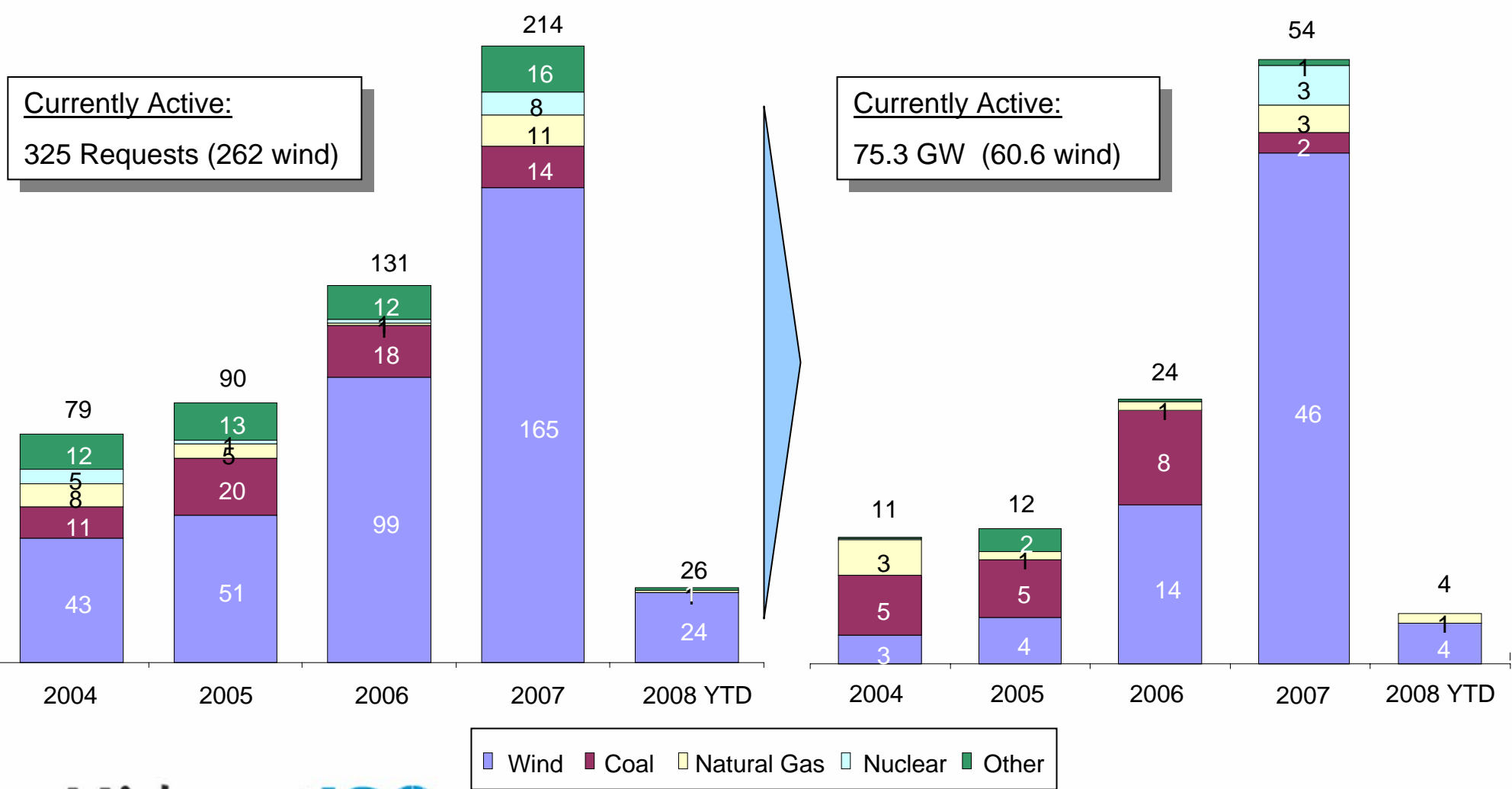
Queue Evolution*

Number of Requests

GW of Requests

Currently Active:
325 Requests (262 wind)

Currently Active:
75.3 GW (60.6 wind)



*All requests received as of February 11, 2008

Work to Date

- 8 meetings since September 25th
- Formalized Working Group into Interconnection Process Task Force
- Continuing to refine milestone based queue process with stakeholders as an alternative to first-in first-out
- Produced version one of whitepaper describing new milestone based queue process
- (www.midwestmarket.org Documents ->Committee Meetings and Presentations -> Interconnection Process Task Force -> Whitepaper)
- Currently in development is a Generation Interconnection BPM and new Tariff language

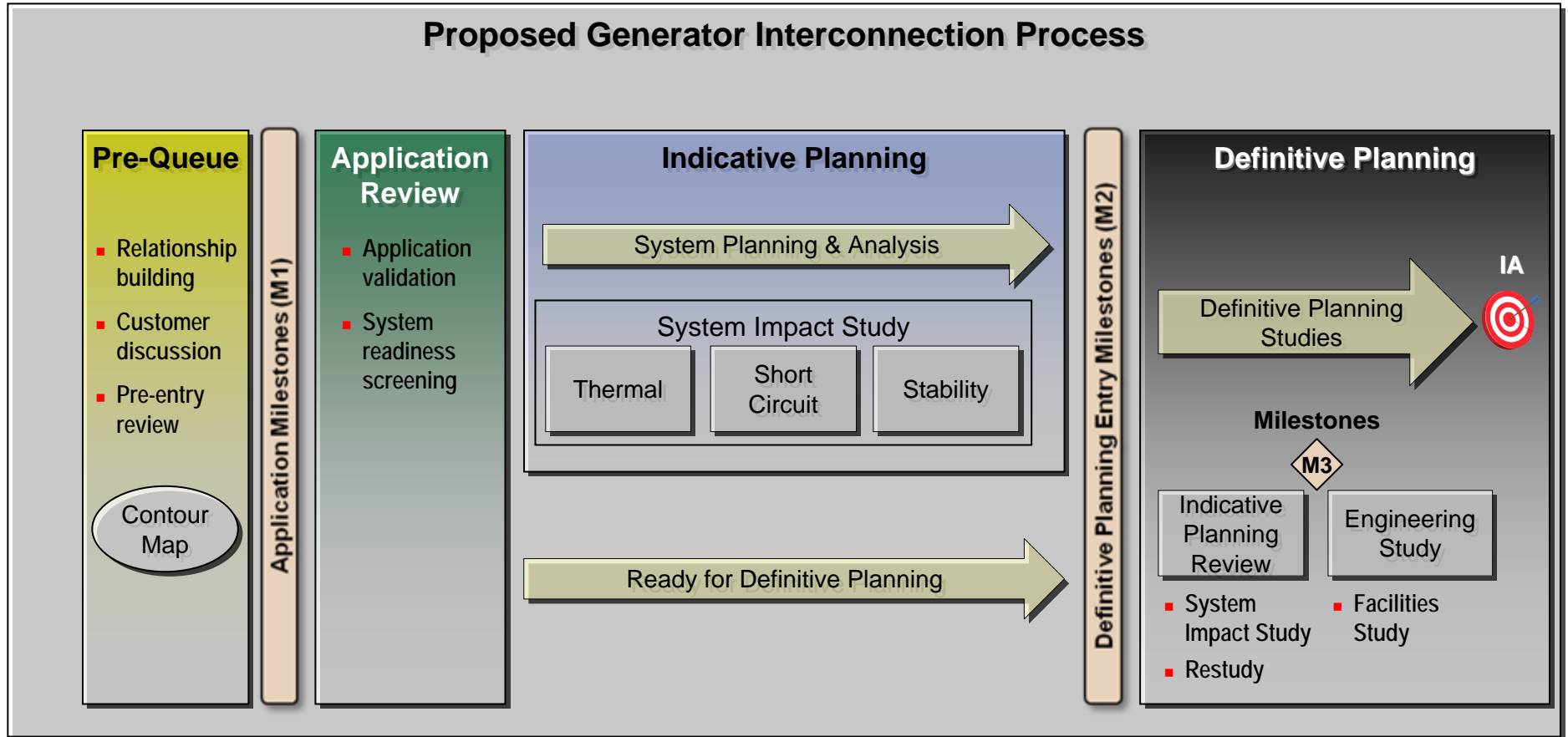
Process Objectives

- More predictable attainment of Interconnection Agreements
- Reduced cycle time for processing Generator Interconnection Requests
- Reduced focus on queue position
 - Progression based on milestones
 - Position holding less importance
- Reduced suspension impact
- Increased communications and transparency throughout the process
- Balanced needs of all Stakeholders in process

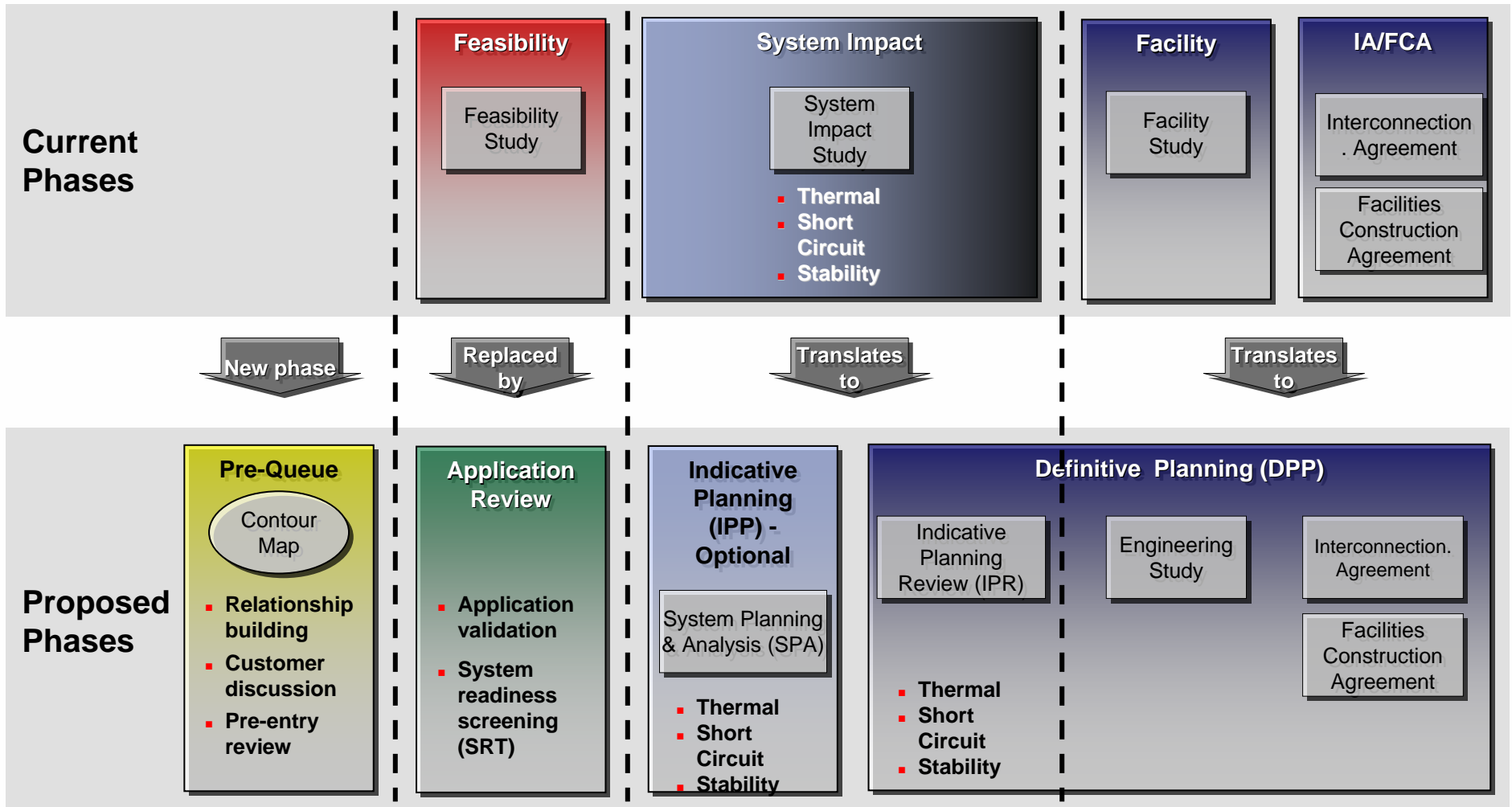
Proposed Process Changes

- Replace Feasibility study with more useful screening analysis, which evaluates (and enforces recommendations for moving forward based on)
 - Customer readiness – as demonstrated through milestones
 - System readiness – which takes physical system constraints into account
- Allow three pathways, rather than one, through the study process
 - Enable customers who simply require a study to receive one, without blocking the remainder of the requests (may be a separate non-queue effort)
 - Similar process to current state; in Phase II of queue reform many of these projects would be candidates for integration with long-term transmission planning (RPGIP)
 - Create a “fast path” for Interconnection Requests that meet customer and system readiness criteria
- Introduce cost and other requirements, such as tie to Force Majeure event, for Suspension

Proposed Generator Interconnection Process



Process Overview



Proposed Solution Elements

- Milestones
 - Tighter requirements at all points for technical information
 - Evaluation of milestones to enter definitive planning phase is ongoing, but alternatives under consideration are:
 - Financial (such as deposit equal to one year transmission rate)
 - Non-Financial (Site Control, Equipment on Order, PPA, etc.)
 - Combination of the two

Proposed Solution Elements, cont.

- Deposits
 - Collect study costs up front, rather than at multiple points in process
 - Size deposits to actual study costs
 - In Definitive Planning Phase, study costs are partially or wholly non-refundable, should a project exit Definitive Planning, to cover restudy costs of later queued projects
- Suspension
 - Only allow for Force Majeure
 - Require non-refundable payment (such as Network Upgrade cost) at time of suspension

Next Steps

- Continued refinement and finalization of process through IPTF meetings on: Feb 26th, March 6th, March 14th, March 20th
- Targeted Advisory Committee and PAC approval between end of March and April 30th
- Targeted Tariff language and BPM review and approval in March and April
- Targeted FERC filing date April 30th, 2008

Questions?

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