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# Policy Update

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# Agenda

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- Wind Integration & Cost Allocation
  - Federal update
  - Upper Midwest Transmission Development Initiative (UMTDI)
  - OMS/RECB
  - Cross Border (MISO/PJM)
  - Joint Common System Plan (JCSP)
  - Forward Looking Interconnection Projects (FLIP Proposal)
- MISO Update
  - MISO Module F Proposal
  - Ancillary Services Market
  - Demand Response
  - Resource Adequacy
- Green Power Express (ITC 765 kV Proposal)

# Federal Update

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- Stimulus Package
  - Provides \$4.5 Billion for electric delivery and energy reliability to “modernize” grid
  - Bonding Authority for FPAs
  - Bonus depreciation
- Energy Legislation
  - Transmission/Renewable
  - Carbon reduction



# Upper Midwest Transmission Development Initiative

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- Formed by Governors of Wisconsin, Minnesota, Iowa, North Dakota and South Dakota
- Executive Committee
- Planning
  - Regional Generator Outlet Study (RGOS)
- Cost Allocation
  - Principles
  - Benefits measurement
  - Survey and legal
- Recommendation in Fall 2009

- Led by Commissioner Azar
- February 25 kick-off for RECB Task Force
  - RECB-1
  - RECB-2
  - RECB-3(?)
  - Otter Tail Power issue
  - 12-18 month process
- Cost Allocation and Regional Planning
  - Carbon reduction

# Cross Border

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- January 28, 2009, Joint Filing
- Cost sharing for economic projects impacting both MISO and PJM
- Similar methodologies to current MISO and PJM economic project criteria
- Comments of parties
- FERC determination

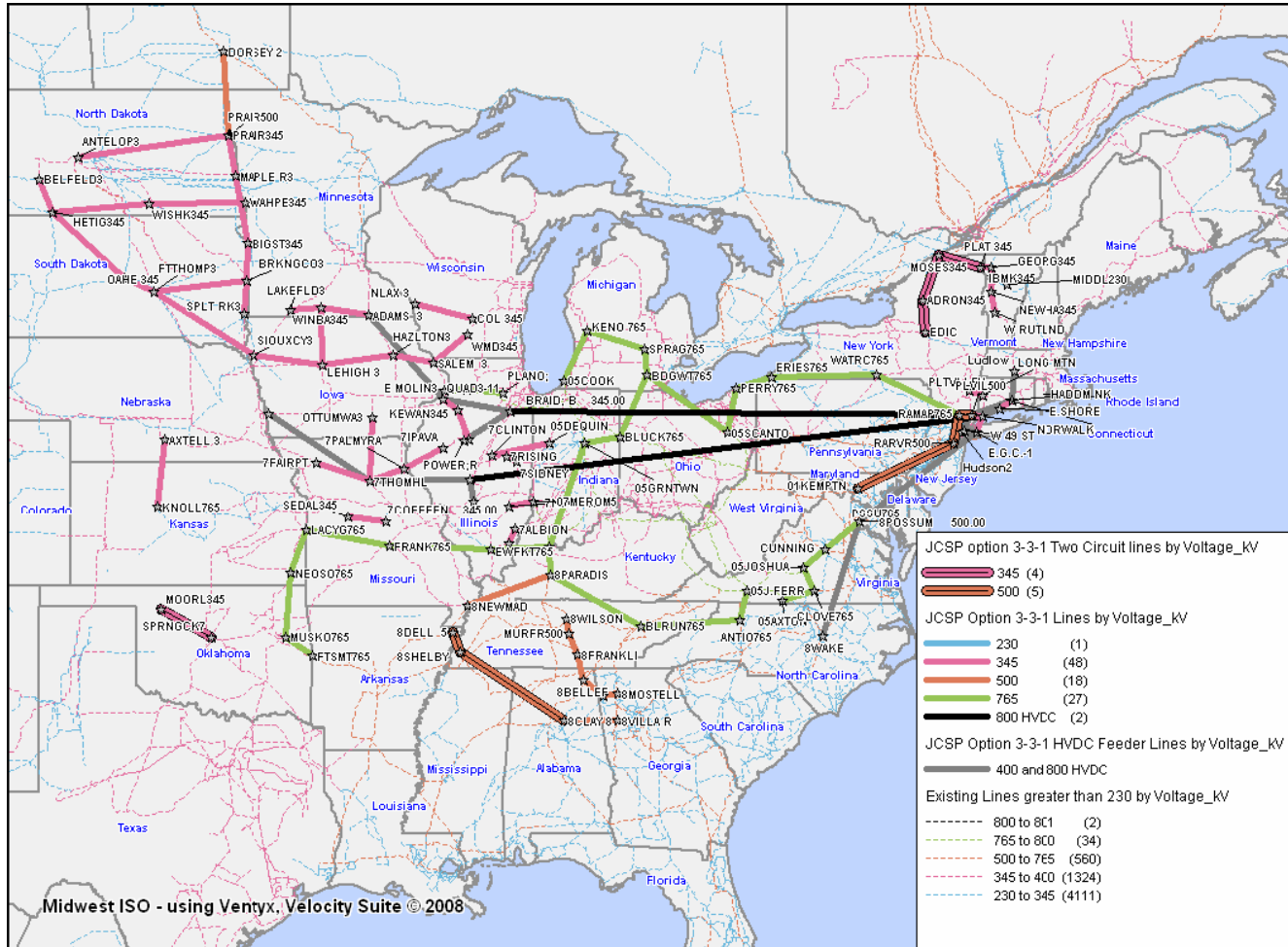


# Joint Common System Plan

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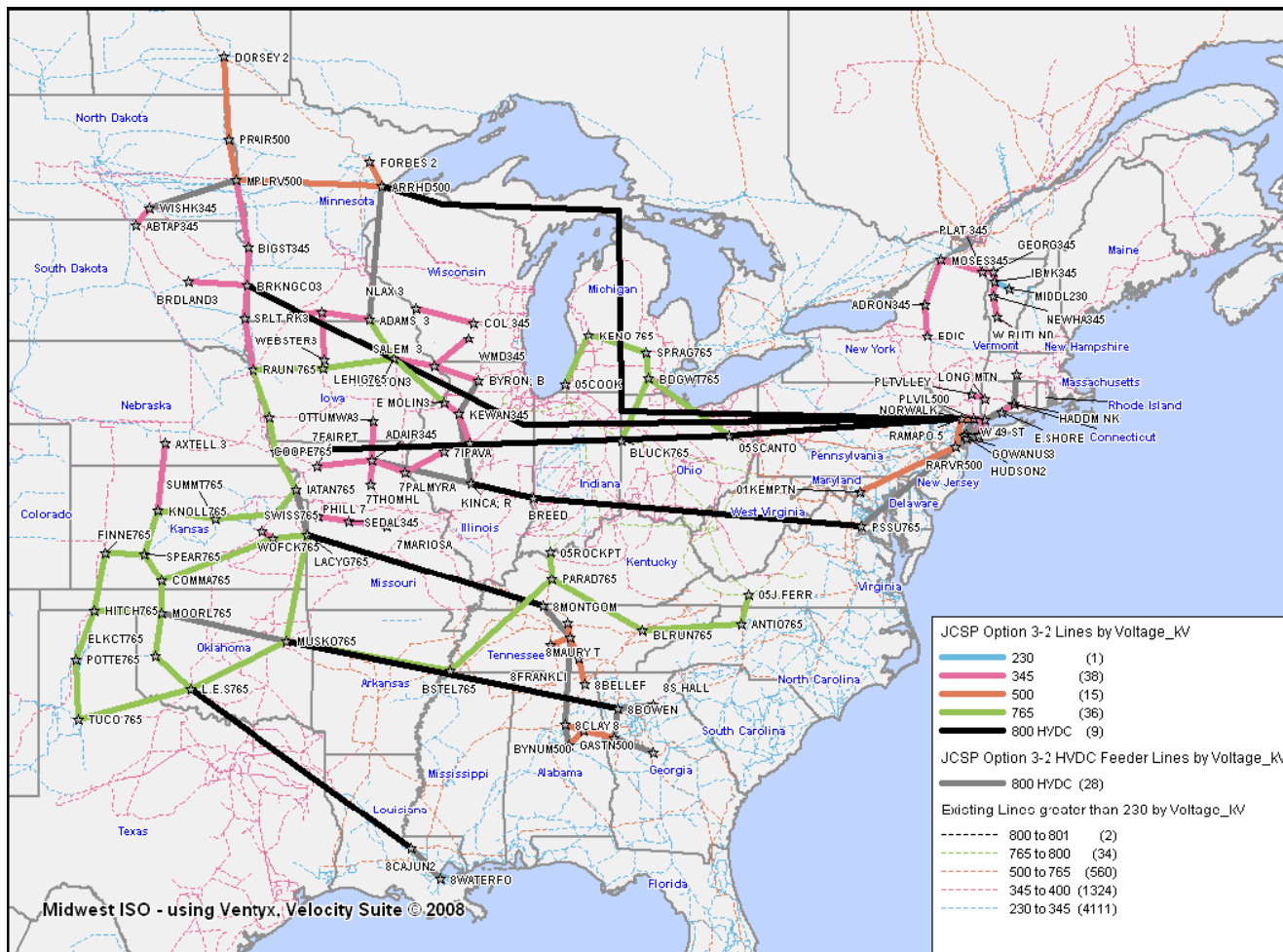
- Executive Summary – February 9
- MISO, SPP, PJM, TVA, MAPP and SERC
  - NY and NE participated
- \$80 Billion in transmission upgrades
  - 5%=10,000 miles at \$50 Billion (\$700 Billion)
  - 20%=15,000 miles at \$80 Billion (\$1.1 Trillion)
- Additional studies and scenarios required

# Joint Common System Plan





# Joint Common System Plan





# Forward Looking Interconnection Projects

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- **Goal: *To optimize transmission investment by planning transmission on a regional rather than a one-off basis***
- FLIPs would be constructed to interconnect numerous generators (likely renewable/wind) and would require generators to obtain subscriptions for capacity on the line
- MISO plans to develop tariff language during the next few months and will file the proposal with FERC
- Questions remain related to cost allocation

# MISO Update



# MISO Module F Proposal

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- **Western Expansion Proposal (Module F)**
  - MISO/MAPP seams operating agreement expired January 2008
  - Proposal would allow transmission owning entities to join MISO without signing Transmission Owners Agreement
  - Module F companies would not be subject to the provisions of the MISO MTEP (planning) process or the MISO RECB (cost-sharing) process
  - Several entities including MidAm Basin and WAPA have shown interest
  - Concerns raised include an uneven playing field for transmission owners (TOs) and the ability of current TOs to leave and return under Module F
  - Denied by FERC on February 20, 2009



# Ancillary Services Market

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- Began operations on January 6, 2009
- MISO became Balancing Authority (BA)
- Former BAs become Local Balancing Authorities
- Provides market for:
  - Spinning Reserves
  - Supplemental Reserves (non-spinning)
  - Demand Response Resources
  - Load that can be curtailed or interrupted
  - Behind-the-meter generation facilities
- No major issues reported in first month of operations

# Demand Response

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- A recent study indicated that 70% of demand response resources can be deployed by an LSE for economic reasons
- MISO currently is developing new concepts to implement demand response in its footprint and has proposed significant changes in their tariff to reflect these new concepts
- MISO is being urged to:
  - Incorporate existing LSE interruptible and other demand response programs into the market
  - Develop market rules that prevent gaming of system
  - NOT interfere or develop its own retail programs or try to replace agreements LSE already have in place with their respective state commissions

# Resource Adequacy

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- MISO Module E
  - LSEs are required to maintain access to sufficient “planning resources,” including generation and demand response
  - MISO will annually establish a Planning Reserve Margin for each LSE based on a Loss of Load Expectation study, **but states have the right to establish Planning Reserve Margins that are either higher or lower than what MISO would set**
  - LSEs would need to show on a monthly basis that they have sufficient resources to meet their forecasted load and the Planning Reserve Margin
  - A voluntary capacity auction would be held prior to the start of each month to allow LSEs to acquire any additional capacity
  - MISO would assess a financial charge to LSEs that are deficient in meeting their resource adequacy requirements
  - Poised to begin in 2009 but some issues are still before FERC



# Green Power Express

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- FERC Section 205 filing on February 9<sup>th</sup>
- Requests approval of accounting treatments
- Interventions due March 2, 2009
- ATC position



# Green Power Express

