

Emerging Issues Policy Forum

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The Dodd-Frank Act (July 21, 2010) introduced a new regulator in the energy industry

What is the issue?

- Introduced to help reform Wall Street after the “Great Recession” of 2008 – 2010
- Title VII amends the Commodity Exchange Act (CEA) and gives Commodity Futures Trading Commission (CFTC) jurisdiction over “exempt commodities” and “swaps”
- CFTC would regulate any option or forward purchase or sale that transfers risk
- This would impact FERC’s jurisdiction over aspects of the MISO market – Financial Transmission Rights market and virtual energy market transactions.

Status

- The organized markets have been working with the CFTC to secure an exemption from their jurisdiction for all RTO products.
- However, the pace of accomplishment at the CFTC has slowed for a variety of reasons.
- As a consequence the timing for the agency to consider a petition for an exemption has been slipping.
- Thus far it seems each of the RTO's has good reason to believe it will ultimately receive an exemption

Implications

- With an exemption, market participant activities in MISO’s markets would be exempt from CFTC jurisdiction.
- The only area where an overlap of jurisdiction with FERC or the Texas PUC will likely exist is over market manipulation by market participants.



MISO's synchrophasor deployment will enhance the region's robust and reliable infrastructure

What are SynchroPhasors / PMUs?

High-speed, GPS time-synchronized digital recorders that monitor system dynamics in addition to standard measurements with a sample rate (10-60 per second) versus standard technology (4 to 6 seconds)

What is MISO doing?

- Working with our transmission owners to install approximately 165 phasor measurement units (PMUs)
- Gaining access to data from 300 – 400 units
- Coordinating with others to develop sophisticated system monitoring and visualization applications to improve our ability to recognize and react to system disturbances – before they cause system stability problems

What are the potential benefits?

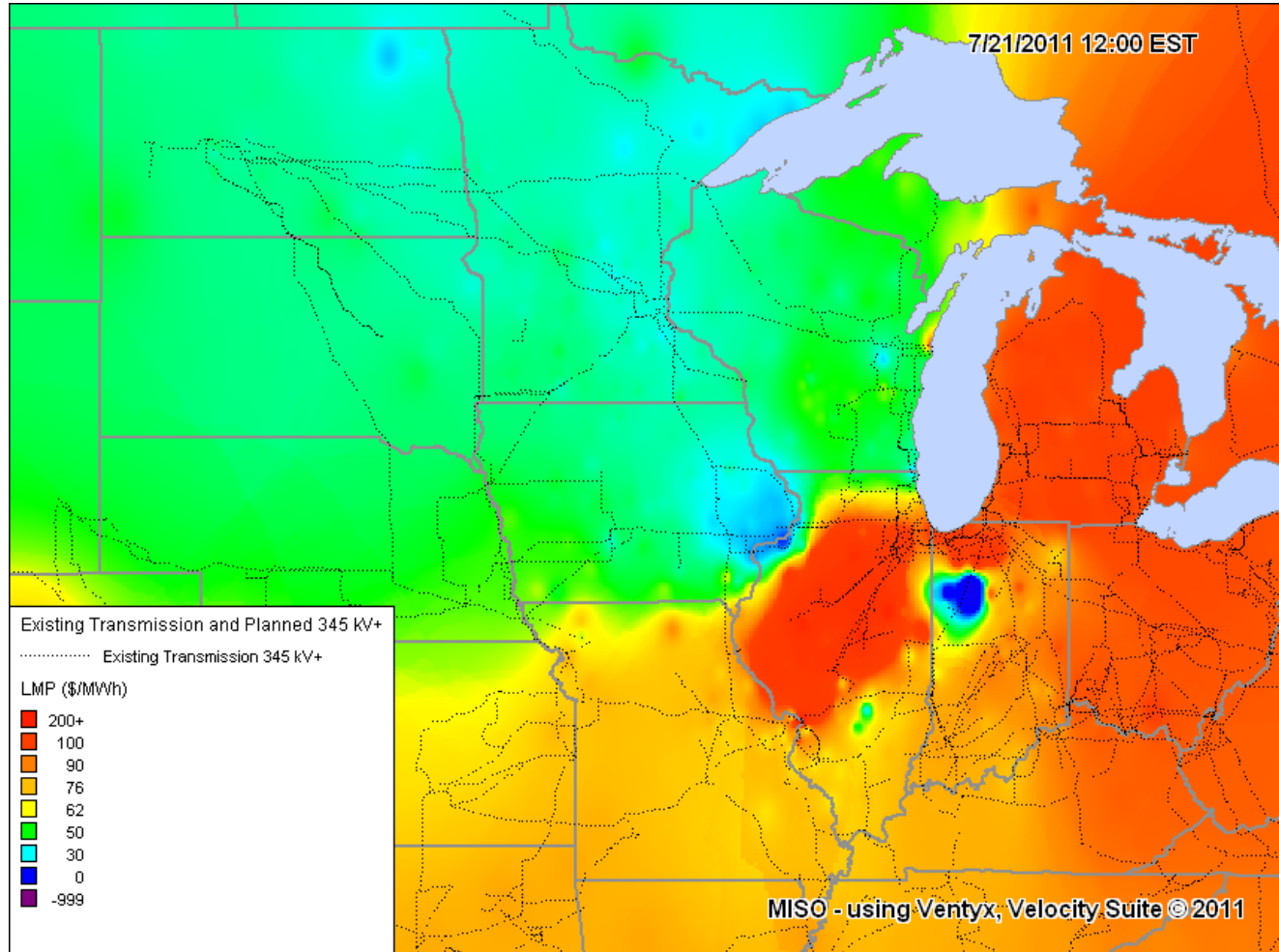
Improved Reliability

Reduce possibility (or severity) of blackout
Value = \$119 to \$178 million per year

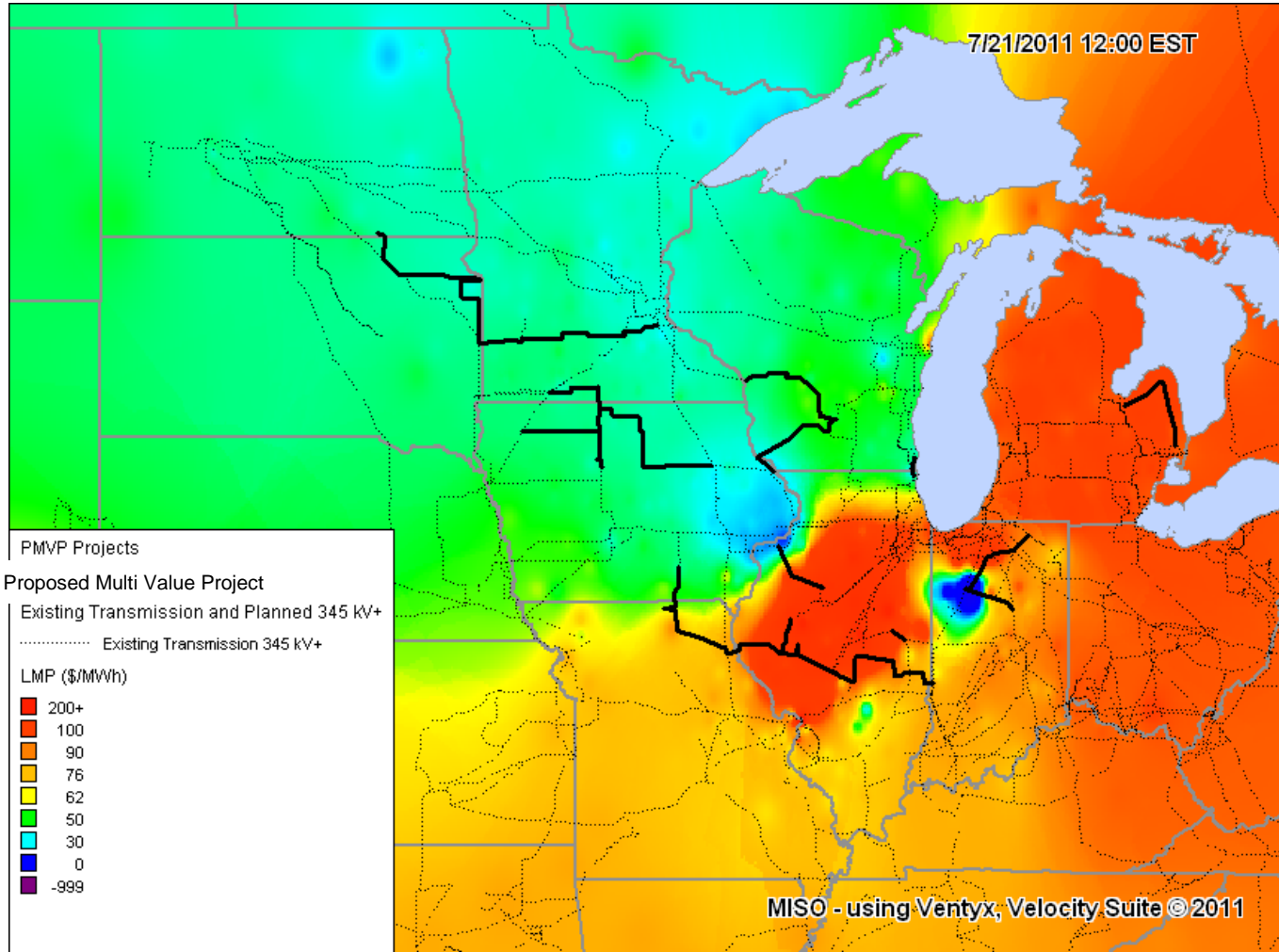
Improved Dispatch of Energy

Improve utilization of transmission grid
Value = \$3 to \$4 million per year

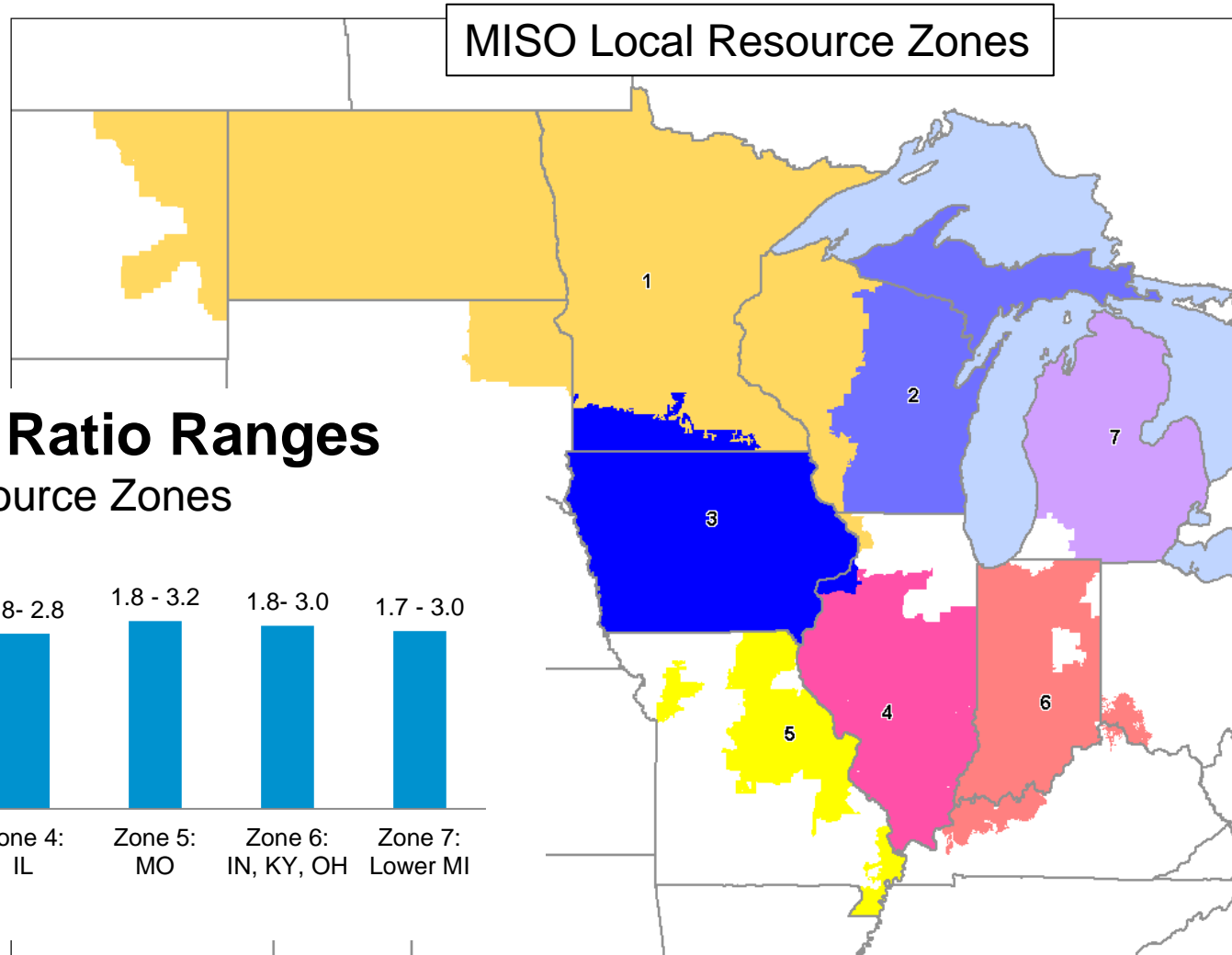
MISO's real time pricing during the 2011 peak dramatically illustrates the affect congestion can have on energy prices



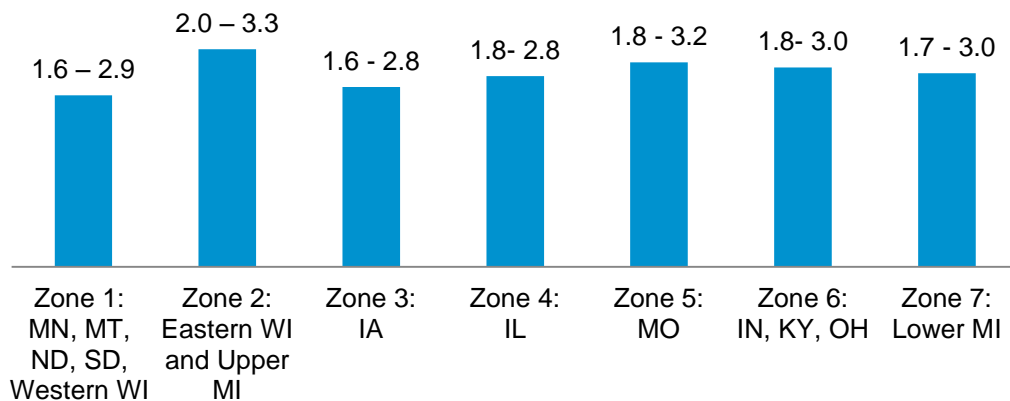
Proposed transmission expansion projects will greatly reduce system congestion allowing low cost generation to reach load



Multi-Value Projects will cost an average residential customer \$11 a year but will provide \$23 in annual benefits



Benefit/Cost Ratio Ranges Local Resource Zones



FERC Order 1000 is intended to promote transmission investment by increasing coordination among regions and providing cost allocation guidance

Regional Planning

- **Promote collaboration among neighboring utilities to find more cost-effective transmission solutions**
- **Enhance transparency and openness of regional planning**
- Affirmative requirement to create a regional plan
- Creates obligation to consider public policy objectives
- Region must be larger than a single, incumbent provider footprint
- Compliance in 12 months

Interregional Planning

- **Facilitate evaluation of interregional facilities that may address the individual needs of neighboring regions more efficiently**
- **Promote broad geographic transmission planning**
- Neighboring regions must jointly consider proposed facilities that cross regional boundaries
- Data exchange and transparency provisions must be jointly developed
- Compliance in 18 months

Cost Allocation

- **Accounts for benefits in order to promote transmission investment**
- **Addresses “freerider” concerns by promoting cost allocation, while addressing the socialization critique**
- Must incorporate a “beneficiaries pay” cost allocation methodology
- Costs cannot be allocated outside the region without external party consent
- Cost allocation can vary for different types of projects

Federal Right of First Refusal

- **Promote efficient transmission investment by allowing non-incumbent developers to participate in cost allocation**
- **Eliminate the use of ROFR rights to prevent projects that would deliver market benefits**
- Federal ROFR rights must be removed from tariffs
- Regions must create non-discriminatory selection criteria for competing projects
- ROFR rights retained for upgrades to a company’s own facilities

MISO is largely compliant with Intra-regional requirements. However, significant work remains to address Inter-regional planning with our neighbors

	Requirement	Status	Comment
Intraregional 12 Month Compliance	Planning		Already Compliant
	Cost Allocation		Discussions underway to adjust benefit/cost ratio
	Right of First Refusal		Highly polarized, requested rehearing
Interregional 18 Month	Planning		Multiple boundaries on tight timeline; some progress with PJM
	Cost Allocation		Highly polarized, tight timeline

MISO continues to work with our RTO neighbors to optimize the efficiency of the market at our borders

Interchange Optimization

- Increase the economic efficiency of energy flows between markets
- Evaluating options to optimize real time interchange between adjacent markets
- Results in lowering the overall operating costs across the markets

Capacity Deliverability

- Eliminate artificial (Policy) barriers to capacity transactions between markets
- The only barrier to transactions should be actual physical transfer constraints
- Goal is to improve the transparency and efficiency of cross-border capacity deliverability between markets