

UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Joseph T. Kelliher, Chairman;
Sudeen G. Kelly, Marc Spitzer,
Philip D. Moeller, and Jon Wellinghoff.

Midwest Independent Transmission
System Operator, Inc.

Docket No. ER06-1253-000

ORDER CONDITIONALLY ACCEPTING TARIFF FILING

(Issued September 14, 2006)

1. On July 17, 2006, Midwest Independent Transmission System Operator, Inc. (Midwest ISO) proposed revisions to section 40 of its Open Access Transmission and Energy Markets Tariff (TEMT) to clarify the scheduling procedures for its Reliability Assessment Commitment (RAC) process. As discussed below, the Commission will conditionally accept the proposed tariff revisions, to become effective July 18, 2006, as requested.

Background

2. The RAC is a process that Midwest ISO performs to ensure that sufficient resources are available and on-line to meet load forecast and capacity requirements projected for each hour of the operating day.¹ According to Midwest ISO, the RAC process has three phases: 1) the pre-day-ahead RAC, which occurs seven days before each operating day; 2) the post-day-ahead or “next-day” RAC, which occurs after the close of the day-ahead energy market and before the start of the operating day; and

¹ Midwest ISO July 17 Transmittal Letter at 1.

3) the intra-day RAC, which, if required, occurs during the operating day. The RAC process uses a Security Constrained Unit Commitment (SCUC) program² to minimize the cost of committing the required capacity.

3. Midwest ISO's proposed revisions to the TEMT pertain to the next-day RAC phase. Specifically, the proposed changes would revise section 40.1.1 (Role, Responsibilities and Requirements of the Transmission Provider) to state that Midwest ISO performs a RAC process "[a]t 1700 hours EST," instead of "[f]rom 1600 to 1700 hours EST." The proposed changes would also revise section 40.1.2 (The RAC Process) to state that it is the RAC *rebid* process (instead of simply the RAC process) that starts at 1600 hours EST and ends at 1700 EST. Midwest ISO also proposes revisions in this section to reflect the 1700 hours EST start time for the RAC analysis. Midwest ISO states that these changes more accurately reflect the actual timing of the next-day RAC process, and are consistent with recent changes to sections 39 and 40 of the TEMT that the Commission recently accepted for filing.³

4. Additionally, Midwest ISO proposes revising existing language in sections 40.1.2(d) and 40.1.5(b) of the TEMT to state that after resources have been committed through the next-day RAC process, Midwest ISO will notify the affected market participants beginning, rather than by, 1900 hours EST of the day before the operating day. According to Midwest ISO, these proposed revisions more accurately reflect the current RAC timing, notification and selection process.

5. Midwest ISO seeks waiver of the 60-day prior notice requirement to allow the proposed revisions to become effective July 18, 2006. It states that the proposed effective date "supports the Midwest ISO's timing of its RAC process, supports notification of the Midwest ISO's RAC selection process, supports the Midwest ISO's Business Practice Manual for Energy Markets³ and supports prior Commission orders."⁴

² The SCUC is a computer program that uses an algorithm over a multi-hour time horizon that minimizes as-offered production costs, while respecting the physical operating characteristics of each selected resource and transmission system constraints.

³ *Midwest Independent Transmission System Operator, Inc.*, 115 FERC ¶ 61,164 (2006).

⁴ Midwest ISO July 17 Transmittal Letter at 4 (citing *Midwest Independent Transmission System Operator, Inc.*, 108 FERC ¶ 61,163 (2004) and *Midwest Independent Transmission System Operator, Inc.*, 110 FERC ¶ 61,049 (2006)).

Notice of Filing and Responsive Pleadings

6. Notice of Midwest ISO's filing was published in the *Federal Register*, 71 Fed. Reg. 43,146 (2006), with interventions and protests due on or before August 7, 2006. Consumers Energy Company (Consumers Energy) filed a motion to intervene and protest. Wisconsin Public Service Corporation, Upper Peninsula Power Company, WPS Energy Services Inc., and WPS Power Development, LLC (collectively, WPS Companies) filed a joint motion to intervene and comment. Midwest ISO filed a motion for leave to answer and answer.

7. Consumers Energy raises a variety of issues and concerns regarding Midwest ISO's request to move back the start time for the next-day RAC process from 1600 hours EST to 1700 hours EST. Consumers Energy asserts that Midwest ISO has neither indicated whether it could begin the RAC process earlier nor fully explained why this extra hour is necessary. It states that Midwest ISO should process the RAC information as soon as possible to give market participants adequate time to fulfill their obligations under the RAC process. While Consumers Energy does not object to reasonable, necessary revisions, it asks the Commission to reject these proposed revisions as unsupported.

8. Consumers Energy also expresses concern over the proposal to notify market participants of RAC results beginning 1900 hours EST. While Consumers Energy "supports the Midwest ISO's efforts to improve its performance, eliminating deadlines or moving deadlines back without a full explanation and evaluation of other alternatives is not the answer."⁵ According to Consumers Energy, Midwest ISO's proposal would eliminate entirely the deadline by which it must notify market participants of their RAC commitments. As a result, according to Consumers Energy, Midwest ISO could take up until 2400 EST to provide notification to market participants. Consumers Energy asserts that Midwest ISO has not provided sufficient justification to explain why an additional five hours is necessary to complete the RAC process, or why any extension or elimination of the deadline is necessary. It requests that the Commission reject these proposed revisions.

9. WPS Companies also raise concerns regarding the elimination of the 1900 hours EST deadline. WPS Companies state that they do not oppose the change, which will give Midwest ISO more temporal flexibility. They ask, however, that Midwest ISO provide

⁵ Consumers Energy Protest at 4.

notification as early as reasonably practical to allow owners/operators to prepare their generating units for next-day operation, and that Midwest ISO recognize and respect the generators' operational and design restrictions.

10. In its answer, with regard to pushing back the beginning of the RAC process to 1700 hours EST, Midwest ISO clarifies that it has always been the RAC rebid process that starts at 1600 hours EST, while the actual RAC process begins at 1700 hours EST. Midwest ISO further clarifies that the rebid process is a period of time during which market participants that were not selected by the close of the day-ahead energy market at 1600 hours EST would be allowed to adjust their offer templates to improve their chances of being selected in the next-day RAC process. Midwest ISO explains that the rebid process is not itself a part of the RAC process, although the rebid results are intended for use in the RAC process. The proposed revisions in sections 40.1.1 and 40.1.2, therefore, seek to clarify that it is the rebid process that occurs at 1600 hours EST and the next-day RAC process that begins at 1700 hours EST. Accordingly, "the Midwest ISO's proposed changes involve semantics, not substance."⁶

11. Second, in answer to Consumers Energy's protest and WPS Companies' comments regarding the elimination of the 1900 hour EST notification deadline, Midwest ISO states that "its general obligation to reliably operate the Transmission System and the Energy Markets already includes the responsibility to provide Market Participants reasonable and timely notification of the tasks they need to perform in connection with reliable operation of the system and the markets."⁷ It contends that the proposed revisions to of sections 40.1.2(d) and 40.1.5(b) reflect operational realities, such as the considerable time it takes to run the SCUC program, but do not disregard the obligation to notify relevant market participants. Midwest ISO also notes its flexibility with regard to notification, given that the RAC analysis is a continuous analytical process to identify constraints and contingencies. Midwest ISO adds that if the Commission deems it necessary, Midwest ISO can add tariff language to state that RAC notification must be provided far enough in advance to permit a committed resource to respond, consistent with its design and operating characteristics and limitations.

Procedural Matters

12. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2006), the notices of intervention and timely, unopposed motions to

⁶ Midwest ISO Answer at 2.

⁷ *Id.*

intervene serve to make the entities that filed them parties to this proceeding. Rule 213(a)(2) of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.213(a)(2) (2006), prohibits an answer to a protest unless otherwise ordered by the decisional authority. We will accept Midwest ISO's answer because it has provided information that assisted us in our decision-making process.

Discussion

13. We will accept for filing Midwest ISO's proposed revisions to section 40 of its TEMT to be effective July 18, 2006, as requested, subject to the conditions discussed below.

14. With regard to the proposed changes that would move the start time for the next-day RAC process from 1600 hours EST to 1700 EST, we find that Midwest ISO has adequately explained and clarified the nature of these changes. In particular, Midwest ISO clarified in its answer that the RAC *rebid* phase begins at 1600 EST, after the close of the day-ahead energy market, with the actual RAC *process* starting at 1700 EST. We find that the proposed changes appropriately clarify the timeline and, accordingly, will accept them.

15. With regard to Midwest ISO's proposed changes to replace "by" with "beginning" 1900 hours EST in section 40.1.2(d), we agree with Consumers Energy and WPS Companies that market participants must receive notice of their RAC commitments in sufficient time to be prepared to meet their RAC obligations. We note that WPS Companies and Consumers Energy, while raising concerns, state that they do not oppose reasonable changes to the deadline. Midwest ISO explains in its answer that it has an implied obligation to provide timely notice to market participants of their RAC obligations. Midwest ISO also states that it is willing to add language to the TEMT to specify its obligation to provide RAC notification far enough in advance that a generating resource may comply, consistent with its design and operating characteristics and limitations. Therefore, we will conditionally accept Midwest ISO's proposed changes in this regard and direct Midwest ISO to revise the proposed language to make this notification obligation explicit. We will direct Midwest ISO to make a compliance filing to this effect within 30 days of the date of this order.

16. Finally, we will grant waiver of the 60-day notice requirement to allow the proposed changes to the TEMT to become effective July 18, 2006, as requested.⁸

⁸ *Central Hudson Gas & Electric Corp.*, 60 FERC ¶ 61,106, *reh'g denied*, 61 FERC ¶ 61,089 (1992).

The Commission orders:

(A) Midwest ISO's proposed tariff revisions are hereby conditionally accepted for filing, effective July 18, 2006, as discussed in the body of this order.

(B) Midwest ISO is hereby directed to submit a compliance filing within 30 days of the date of this order, as discussed in the body of this order.

By the Commission.

(S E A L)

Magalie R. Salas,
Secretary.