UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

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

Midwest Independent Transmission System Operator, Inc. and PJM Interconnection, L.L.C. Docket No. ER07-940-000

ORDER CONDITIONALLY ACCEPTING REVISIONS
TO JOINT OPERATING AGREEMENT

(Issued July 24, 2007)

1. In this order, we conditionally accept Midwest Independent Transmission System Operator, Inc.'s (Midwest ISO) and PJM Interconnection, L.L.C.'s (PJM) (Applicant RTOs) proposed revisions to the Congestion Management Process (CMP) of their Joint Operating Agreement (JOA), to change the market flow threshold used to assign North American Electric Reliability Council Transmission Loading Relief (TLR) obligations to the Midwest ISO and PJM markets for a 12-month test period.

I. Background

2. In an order issued December 16, 1998, the Commission addressed a petition for declaratory order filed by the North American Electric Reliability Council (now North American Electric Reliability Corporation or "NERC") regarding NERC's proposed TLR procedures.[1] The TLR procedures were developed to bring overloaded transmission equipment within NERC's operating security limits by reducing or curtailing transactions over multiple transmission systems. In that order, the Commission determined that the TLR procedures must be filed with the Commission under section 205 of the Federal Power Act (FPA)[2] as tariff amendments and that they were generally consistent with or superior to the Commission's *pro forma* open access transmission tariff (OATT) with respect to these issues. The Commission also granted NERC's request to adopt an

[1] *North American Electric Reliability Council*, 85 FERC ¶ 61,353 at 62,362 (1998) (December 16 Order), *order on reh'g*, 87 FERC ¶ 61,161 at 61,649 (1999).

[2] 16 U.S.C. § 824d (2000).

efficient mechanism for transmission-operating public utilities to incorporate the changes into their tariffs. To that end the Commission accepted a generic amendment to the Commission's *pro forma* OATT and stated it would deem each public utility transmission provider's own OATT to be so modified upon that utility notifying the Commission of its adoption of NERC's TLR procedures. In a number of subsequent orders, the Commission has accepted revisions to NERC's TLR procedures.

3. *The Energy Policy Act of 2005* (*EPAct 2005*),[3] which was enacted into law on August 8, 2005, added section 215 to the FPA. Section 215 authorizes the Commission to certify an electric reliability organization (ERO) for purposes of developing mandatory reliability standards for the bulk-power system, subject to Commission review and approval. Once approved, the reliability standards may be enforced by the ERO, subject to Commission oversight. Alternatively, the Commission may independently enforce the reliability standards.[4] On February 3, 2006, the Commission issued Order No. 672, implementing section 215 of the FPA.[5] The Commission subsequently certified NERC as the ERO.[6]

4. On March 15, 2007, in Order No. 693,[7] the Commission approved 83 of 107 proposed reliability standards pursuant to section 215 of the FPA. Seven of the proposed reliability standards specifically incorporate one or more "regional differences," also referred to as "waivers," for a particular region or subregion, resulting in eight regional differences The Commission approved six of eight proposed regional differences. One of the 83 Commission-approved standards, Reliability Standard IRO-006-3, is NERC's TLR procedures. Reliability Standard IRO-006-3 provides a regional difference for

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[3] Energy Policy Act of 2005, Pub. L. No 109-58, Title XII, Subtitle A, 119 Stat. 594, 941 (2005), to be codified at 16 U.S.C. 824o.

[4] 16 U.S.C. 824o(e)(3).

[5] Rules Concerning Certification of the Electric Reliability Organization; Procedures for the Establishment, Approval and Enforcement of Electric Reliability Standards, Order No. 672, 71 FR 8662 (February 17, 2006), FERC Stats. & Regs. ¶ 31,204 (2006), order on reh'g, Order No. 672-A, 71 FR 19814 (April 18, 2006), FERC Stats. & Regs. ¶ 31,212 (2006).

[6] North American Electric Reliability Corp., 116 FERC ¶ 61,062, *order on reh'g & compliance*, 117 FERC ¶ 61,126 (2006), *order on compliance*, 118 FERC ¶ 61,030 (2007).

[7] *Mandatory Reliability Standards for the Bulk Power System,* Order No. 693, 72 Fed. Reg. 16,416, (2007), FERC Stats. & Regs. ¶ 31,242 (2007), *order on reh'g*, Order No. 693-A, 120 FERC ¶ 61,053 (2007).

Midwest ISO, PJM and the Southwest Power Pool (SPP), three regional transmission organizations (RTOs). As explained below, this regional difference was neither approved nor remanded by the Commission.

5. The regional difference under Reliability Standard IRO-006-3 implements the CMP in the JOAs among Midwest ISO, PJM and SPP, and in seams agreements reached between Midwest ISO, PJM and their neighboring non-market areas during Midwest ISO's and PJM market formation and expansion.[8] Midwest ISO and PJM each calculates an amount of energy from their market flowing on reciprocal coordinated flowgates in non-market areas, and these market flows are separated into their appropriate firm and non-firm priorities and are available for curtailment under the appropriate TLR levels in the NERC Interchange Distribution Calculator (IDC). Under the TLR procedures, NERC only requires curtailment of interchange transactions with a generation to load distribution factor on a constraint above a 5 percent threshold and does not require curtailment of internal generation-to-load transactions for their impacts off the contract path. However, all Midwest ISO and PJM market flows with a distribution factor above zero percent on a constraint are subject to curtailment.

6. Throughout the reliability standard proceedings, Midwest ISO and PJM expressed concerns that: (1) the CMP could be placing an undue burden on their regions to provide redispatch, especially on remote flowgates where their market dispatch has a small impact; (2) under the CMP, the calculation of market flows for relief assignments on reciprocal coordinated flowgates between Midwest ISO and the Mid-Continent Area Power Pool (MAPP) could create situations where Midwest ISO is unable to meet its relief obligation without curtailing load; and (3) these concerns are exacerbated by the possibility of civil penalties for non-compliance with the requirement to use market flows down to zero percent for relief assignments on reciprocal coordinated flowgates.

7. In light of these issues, Midwest ISO and PJM held extensive discussions with members from the NERC Operating Reliability Subcommittee (ORS) and the Congestions Management Process Working Group and performed analyses to examine situations where either Midwest ISO and/or PJM was unable to accomplish its TLR obligation down to zero percent. As a result of these discussions and analyses, the NERC ORS recommended that the market flow threshold used by the IDC to assign relief obligations to Midwest ISO and PJM be changed from zero percent to three percent for a 12-month interim period. During this interim period, the ORS will investigate all situations where Midwest ISO and PJM are unable to meet their relief assignment in order to determine whether the cause was due to the market flow threshold or some other factor, and a decision will be made at the end of the 12-month test about whether to

[8] *See* Order No. 693 at P 966.

recommend a permanent change to the market flow threshold from zero percent to three percent, or suggest a change to some other value.[9]

8. The proposed 12-month field test has the support of Midwest ISO, PJM, SPP and Tennessee Valley Authority (TVA), but it does not have the unanimous approval of all signatories to the seams agreements. Specifically, MAPP has not agreed to the NERC-recommended 12-month test and has asserted that Midwest ISO should honor its contractual obligations, as outlined in the Midwest ISO-MAPP Seams Operating Agreement (SOA), and continue to report market flow impacts down to zero percent for relief assignments on MAPP flowgates. In its comments in the reliability standard rulemaking proceeding, Midwest ISO stated that it agreed to meet its contractual obligations with MAPP and to structure the 12-month field test in such a manner that market flow impacts on reciprocal coordinated flowgates between Midwest ISO and MAPP, of which there are approximately 124, will continue to receive relief assignments based on a zero percent threshold.[10] Furthermore, Midwest ISO and PJM stated that as long as the regional difference does not become a mandatory standard during the field test, they were satisfied that appropriate steps were being taken to address reliability.

9. In Order No. 693, the Commission recognized Midwest ISO's and PJM's concerns. However, it also recognized that the commencement or expansion of their markets can have an effect on loop flow experienced by neighboring non-market regions, and the redispatch required by the neighboring regions, due to fewer tagged transactions being reported to the IDC, and that the seams agreements and their CMP were adopted to address concerns by neighboring non-market entities that they be held harmless from increased redispatch responsibility due to commencement/expansion of the markets. The Commission concluded that the issues are best handled through the seams agreements rather than being subject to the NERC processes. The Commission recognized that the two areas of seams agreements and reliability standards could overlap if the agreements reached do not allow for reliable outcomes where parties can achieve the relief assigned. Therefore, the Commission decided to neither approve nor remand the regional difference for Reliability Standard IRO-006-3 while the 12 month test is being conducted, and stated that it would reexamine approval of the regional difference or waiver as a mandatory and enforceable reliability standard upon completion of the 12 month period.[11]

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[9] *See* Order No. 693 at P 976 and Comments of Midwest ISO and PJM in Docket No. RM06-16-000 at pages 31 (January 3, 2007) (Midwest ISO/PJM January 3 Comments).

[10] Midwest ISO/PJM January 3 Comments at 32-33.

[11] Order No. 693 at P 989-990.

II. Midwest ISO's and PJM's Proposed Revisions to their JOA

10. On May 25, 2007, Midwest ISO and PJM submitted to the Commission proposed revisions to their JOA, pursuant to section 205 of the FPA (May 25 Filing). Midwest ISO and PJM propose to revise the market flow thresholds specified in section 4 of the CMP of their JOA from the current zero percent level to "the percent required per the NERC TLR standard."

11. Midwest ISO and PJM state that the proposed revisions to their JOA are necessary in order to allow them, either together or individually, to make market flow calculations using the applicable NERC percent threshold for TLRs rather than a specific threshold. They assert that acceptance of the proposed revisions will provide flexibility to implement the 12-month trial approved by NERC and the Commission, and then later to adopt the threshold approved by NERC and the Commission for the RTOs at the end of the trial, without the need for additional filings to amend the JOA.

12. Midwest ISO and PJM state their belief that the Commission's determinations in Order No. 693 provide sufficient authorization for the Midwest ISO and/or PJM to begin the 12-month field test without filing changes to their JOA. However, they are filing their proposed revisions with the Commission out of an abundance of caution.

13. Midwest ISO and PJM request waiver of the Commission's 60-day notice requirements to permit an effective date of May 29, 2007, for the proposed revisions. Midwest ISO and PJM state that May 29, 2007, is the date on which PJM will be ready to implement the 12 month market flow test. They explain that although Midwest ISO is not ready to begin the 12-month field test prior to the summer season, PJM is able to start the field test before that date, and it is important for at least one entity impacted by Reliability Standard IRO-006-3 to begin the field test before the peak summer months, when most TLRs are called, in order to address reliability concerns and provide timely results to NERC concerning the impact of the increased market flow threshold percentage on reliability.

III. Notice of Filing and Responsive Pleadings

14. Notice of Midwest ISO and PJM's filing was published in the *Federal Register*, 72 Fed. Reg. 31,312 (2007), with interventions and protests due on or before June 8, 2007. Timely motions to intervene that raise no issues were filed by: DC Energy Midwest, LLC and DC Energy, LLC; Dominion Resources Services, Inc.;[12] Duke Energy

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[12] On behalf of its jurisdictional affiliates operating within PJM and having market based rate sales authority: Dominion Energy Marketing, Inc., Elwood Energy, LLC, Fairless Energy, LLC, Kincaid Generation, LLC and Virginia Electric and Power Company d/b/a Dominion Virginia Power.

Shared Services, Inc.;[13] Exelon Corporation; Integrys Energy Group, Inc. and its subsidiaries, Wisconsin Public Service Corporation, Upper Peninsula Power Company and Integrys Energy Services, Inc.; and Progress Energy, Inc.[14] MAPPCOR[15] and the Mid-Continent Systems Group (MCSG)[16] filed motions to intervene and protest. On June 18, 2007, Xcel Energy Services (Xcel)[17] filed an untimely motion to intervene and comment. On June 25, 2007, Midwest ISO and PJM filed a motion for leave to answer and an answer to MAPPCOR's and MCSG's protests. On July 10, 2007, MAPPCOR filed a motion for leave to answer and an answer to Midwest ISO's and PJM's answer.

15. MAPPCOR claims that the proposed revisions to the Midwest ISO-PJM JOA are too broad and confusing because there is no current NERC TLR market flow threshold in effect that is consistent with the language of the proposed revisions in the JOA. Specifically, MAPPCOR argues that the NERC TLR market flow threshold does not specifically address reporting market flows down to three percent. It notes that the proposed regional difference to Reliability Standard IRO-006-3 is still pending before the Commission and will only be approved pending examination of the results of the 12 month test using the three percent threshold. Therefore, MAPPCOR states that the Commission should direct Midwest ISO and PJM to specifically state the three percent threshold in their proposed revisions in the instant filing, rather than incorporate by reference a NERC market flow threshold that is still awaiting approval. MAPPCOR also requests that the Commission direct the Applicant RTOs to expressly state the length of

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[13] On behalf of its franchised utility affiliates: Duke Energy Ohio, Inc., Duke Energy Indiana, Inc. and Duke Energy Kentucky, Inc.

[14] On behalf of its subsidiaries Carolina Power & Light Company d/b/a Progress Energy Carolinas, Inc. and Florida Power Corporation d/b/a Progress Energy Florida, Inc.

[15] MAPPCOR is the contractor for the MAPP members, of which there are currently 76. On behalf of the transmission-owning members of MAPP, MAPPCOR is a signatory to the Seams Operating Agreement between Midwest ISO and MAPP.

[16] The MCSG is a group of transmission-owning utilities in MAPP who are not Transmission Owners in the Midwest ISO and consist of: Basin Electric Power Cooperative, Corn Belt Power Cooperative, Dairyland Power Cooperative, Heartland Consumers Power District, Lincoln Electric System, MidAmerican Energy Company, Minnkota Power Cooperative, Muscatine Power and Water, Nebraska Public Power District, NorthWestern Energy, Omaha Public Power District, Rochester Public Utilities and the Western Area Power Administration, Upper Great Plains Region.

[17] On behalf of its utility operating affiliates Northern States Power Company, a Minnesota corporation, and Northern States Power Company, a Wisconsin Corporation.

the trial period (12 months) and provide an expiration date in the proposed revisions in order to reflect the limited term of the test period.

16. MAPPCOR states that the proposed revisions to the JOA do not reflect their alleged purpose and do not adequately protect MAPP's contractual rights under the Midwest ISO-MAPP SOA. MAPPCOR points out that Midwest ISO has an obligation under the Midwest ISO-MAPP SOA to report market flows on reciprocal coordinated flowgates at a zero percent threshold. Therefore, MAPPCOR is concerned that the 12 month test, where market flows on flowgates between Midwest ISO and PJM are reported at three percent, will affect overlapping flowgates, since several of the flowgates that are coordinated between Midwest ISO and PJM are on the MAPP system. MAPPCOR states that Midwest ISO's and PJM's proposed revisions should be further revised to explicitly recognize MAPP's contractual rights under the Midwest ISO-MAPP SOA. MAPP states that at present, the proposed revisions fail to make clear whether the three percent threshold is intended to be applied to MAPP flowgates that are currently administered by Midwest ISO and include PJM allocations. MAPPCOR asserts that a modification to the contractual obligations of Midwest ISO under the Midwest ISO-MAPP SOA cannot be effected through the May 25 Filing unless the Commission makes a finding pursuant to the public interest standard of review under *Mobile Sierra* doctrine.[18] MAPPCOR also notes that Midwest ISO agreed to continue to honor its contractual obligations with MAPP in rulemaking comments filed in Docket No. RM06-16-000. Therefore, MAPPCOR requests that the Commission direct Midwest ISO and PJM to modify their proposal to expressly preserve MAPP's contractual rights under the Midwest ISO-MAPP SOA and clarify that the three percent threshold will not apply to market flows on MAPP flowgates during the 12-month test period.

17. MCSG raises many of the same concerns as MAPPCOR. MCSG claims the proposed revisions in the May 25 Filing are too broad and vague. Specifically, MCSG argues that the proposed revisions should specify that the trial will not impact MAPP flowgates consistent with the Midwest ISO-MAPP SOA, should specify the three percent threshold for the trial, and should specify that the trial will expire after the 12-month term. MCSG also argues that the May 25 Filing fails to clarify the scope of the data to be collected so that the trial will determine whether the threshold obligation can be changed without impairing the Applicant RTOs' abilities to protect neighboring systems' redispatch obligations without a loss in reliability. MCSG states that a proper test would measure whether the relief obligation threshold is actually the cause of Midwest ISO and PJM generators' inability to meet their relief obligations, or instead whether some other factor, such as scheduling or bidding practices or computer software, is the problem.

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[18] MAPPCOR Protest at Page 5, *citing* the Midwest ISO-MAPP SOA, § 13.12.1. *See United Gas Pipe Line Co. v. Mobile Gas Service Corp.*, 350 U.S. 332 (1956); *Federal Power Commission v. Sierra Pacific Power Co.*, 350 U.S. 348 (1956).

MCSG states that the trial should also demonstrate whether changing the relief obligation results in a degradation of reliability on neighboring systems or an impairment of Midwest ISO's or PJM's ability to meet their hold harmless commitments. Therefore, MCSG requests that the Commission either direct Midwest ISO and PJ M to clarify the scope of the trial in this regard, or otherwise order Midwest ISO and PJM to collect and maintain the necessary data.

18. Xcel comments that it supports the proposed revisions to the JOA to the extent that they are necessary to allow the proposed 12 month field test. Furthermore, Xcel believes that MAPPCOR's proposal in its protest to use a lower threshold on MAPP flowgates should be rejected as unworkable. Xcel argues that Midwest ISO systems do not have the capability to differentiate threshold values by flowgate and therefore use of the higher threshold on the MAPP flowgates is necessarily part and parcel of the 12-month test. Xcel expresses concern that absent approval of the proposed revisions to the JOA, Midwest ISO will not be able to move forward with the test and its ability to assess whether a higher threshold will enhance efficiency and alleviate related reliability problems will be compromised.

19. In their answer, Midwest ISO and PJM dispute the allegations that their proposed revisions are too vague because they refer to a NERC TLR market flow threshold that is not currently in effect. Midwest ISO and PJM claim that reference to the "percentage required by the NERC TLR standard" instead of the inclusion of a specific percentage threshold in the JOA will allow Midwest ISO and PJM to change the percentage to reflect the NERC approved market flow threshold or applicable waivers without the need for additional regulatory filings. Midwest ISO and PJM also seek to clarify any possible confusion surrounding the issue of the NERC market flow threshold being a waiver to the broadly applicable NERC standard; Midwest ISO and PJM state that the waiver, which is the 12-month field test using a three percent threshold, is approved by NERC and, therefore, is part of the NERC TLR standard.[19] However, Midwest ISO and PJM agree to amend the proposed revisions to add "or applicable NERC approved waiver" if such clarity is needed.

20. Midwest ISO and PJM also state that MCSG's assertion that Midwest ISO and PJM gave assurances that the MAPP flowgates would not be affected by the trial is inaccurate. Midwest ISO acknowledges that it did agree to honor its contract with MAPP, but points out that the instant filing is proposing revisions to the JOA between Midwest ISO and PJM, and is not seeking to revise the Midwest ISO-MAPP SOA. In their answer, the Midwest ISO and PJM state that they did not propose or intend in their May 25 filing to make any exceptions for the MAPP flowgates.

[19] Order No. 693 at P 989.

21. Furthermore, Midwest ISO and PJM note that in Order No. 693, the Commission expressed concern that if the MAPP flowgates did not participate in the field test, then NERC would not have the appropriate data to determine whether or not changing the threshold from zero percent to three percent has any effect on those particular flowgates. The Applicant RTOs interpret the Commission's determination in Order No. 693 as providing authorization for PJM and/or Midwest ISO to begin the NERC-approved field test. In addition, Midwest ISO and PJM state that it would not be practical for PJM to conduct the field test with an exception for MAPP flowgates; not only would such an exception leave NERC without necessary data on MAPP flowgates, but coding exceptions for MAPP flowgates would also require costly and time consuming efforts.

IV. <u>Discussion</u>

A. <u>Procedural Issues</u>

22. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2006), the timely unopposed Motions to Intervene serve to make the entities that filed them parties to the proceeding. Given the early stage of this proceeding, the absence of any undue prejudice or delay, and their interest in this proceeding, the Commission finds good cause to grant the untimely, unopposed motion to intervene and comments of Xcel.

23. 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 and PJM's answer to MAPPCOR's and MCSG's protests, because it has provided information that assisted us in our decision making process. We are not persuaded to accept MAPPCOR's answer to Midwest ISO's and PJM's answer and therefore reject it.

B. <u>Commission Analysis</u>

24. As an initial matter we address the Applicant RTOs' assertion that the Commission's determination in Order No. 693 provides sufficient authorization for PJM and/or Midwest ISO to begin the NERC market flow field test without filing changes to the JOA CMP. We disagree. The Commission has previously found that when changes in operating practices affect, for example, reservation, scheduling, and curtailment provisions of the open access transmission tariff, those changes must be filed pursuant to section 205 of the FPA.[20] Because the specific thresholds for determining the curtailment obligation of the market regions affect the curtailment priorities and

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[20] *See, e.g.*, December 16 Order at 62,362, *citing Coalition Against Private Tariffs and Western Resources, Inc.*, 83 FERC ¶ 61,015 at 61,043-44, *order on reh'g*, 84 FERC ¶ 61,059 (1998).

redispatch obligations of both market and non-market regions, those thresholds, and any changes to them, must be filed pursuant to section 205 of the FPA. We accordingly find that the 12-month field test requires authorization under section 205.

25. The CMP in the seams agreements between the RTOs and their neighboring non-market areas was adopted to address concerns that the commencement or expansion of the RTOs' centrally dispatched markets could result in increased redispatch required of the neighboring non-market regions due to fewer tagged transactions being reported to the IDC. As noted above, in Order No. 693, the Commission acknowledged the RTOs' concerns that the current provisions of the CMP may place an undue burden on the RTO regions, and that the seams agreements and reliability standards could conflict if the seams agreements do not allow for reliable outcomes where parties can achieve the relief assigned. However, the Commission found that these issues should be addressed through the seams agreements rather than through NERC processes. Accordingly, the Commission directed the RTOs to continue to work with the non-market regions to develop revised seams agreements that allow for equitable and feasible treatment of market flows in the NERC TLR process. We find that the NERC-approved 12-month field test, subject to conditions discussed below, will help the parties to the seams agreements, NERC and the Commission evaluate the impact and effectiveness of the CMP and determine what, if any, permanent modifications to the seams agreements or the NERC TLR procedures may be appropriate. Accordingly, the Commission will accept Midwest ISO and PJM's proposed revisions to their JOA to implement the field test subject to the following conditions.

26. First, the Commission agrees with MAPPCOR and MCSG that Midwest ISO must honor its obligation under the Midwest ISO – MAPP SOA to redispatch its market for impacts on MAPP flowgates down to the zero threshold.[21] Accordingly, as a condition of our acceptance of the proposed revisions to the Midwest ISO-PJM JOA, we will require that Midwest ISO implement the field test in such a manner that its market flow impacts on reciprocal coordinated flowgates between Midwest ISO and MAPP will continue to receive relief assignments based on the zero percent threshold required in the Midwest ISO-MAPP SOA so long as that agreement is in effect.

27. Second, we note that the specific thresholds for determining the curtailment obligation of the market regions are not contained in the May 25 Filing. Instead, the RTOs proposed revisions to the CMP of the JOA refer to market flow thresholds "required by the NERC TLR standard" rather than a specific market-flow threshold.

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[21] *See* Attachment B (Congestion Management Process) to the Midwest ISO-MAPP SOA at sections 4.1 and 4.4. In a recent status report filed in Docket No. ER04-691-000 on March 20, 2007, Midwest ISO notified the Commission of its intent to terminate the Midwest ISO-MAPP SOA, effective February 1, 2008.

Accordingly, we will require Midwest ISO and PJM to file, within 30 days of the date of this order, revisions to their JOA to specify the three percent threshold and other terms and conditions of the 12-month field test, as well as the effective date on which each Applicant RTO will commence and terminate implementation of the field test, if known. Midwest ISO and PJM indicate that PJM was ready to implement the field test on May 29, 2007, but that Midwest ISO was not ready to implement the field test prior to the peak summer season. If the date upon which Midwest ISO will commence and terminate implementing the field test is not known when the RTOs make their compliance filing within 30 days of the date of this order, they are directed to file a further compliance filing specifying that date prior to Midwest ISO's implementation of the field test.

28. Finally, MCSG argues that Midwest ISO and PJM should be required to clarify the scope of the 12-month field test to specify that it will measure: (1) whether any difficulties faced by Midwest ISO and PJM in meeting their relief obligations are caused by the percentage threshold or by some other cause; and (2) whether changing the relief obligation results in a degradation of reliability on neighboring systems or an impairment of Midwest ISO or PJM's ability to meet their hold harmless commitments. We note that, in describing the field test in their rulemaking comments in Docket No. RM06-16-000, Midwest ISO and PJM stated that the NERC ORS will investigate all situations during the 12-month trial period where Midwest ISO and PJM are unable to meet their relief assignments in order to determine whether the cause was due to the market flow threshold or some other factor.[22] We will require Midwest ISO and PJM to file for informational purposes, within 60 days of the completion of the field test, a report of NERC's findings in the course of conducting these investigations. However, we will not further define the scope of the field test.

29. We expect, however, that the RTOs and other interested parties will evaluate the impacts of the field test on their redispatch obligations under the NERC TLR procedures and the CMP and compile information necessary to determine whether permanent modifications to the seams agreements are appropriate. We expect that this information would include the redispatch amounts and associated costs, including unit commitment costs, under the different redispatch obligations to demonstrate whether the 3% threshold provides a reasonable allocation of the redispatch responsibilities. It would also include the reliability impacts of situations where entities could not achieve the required redispatch and the reason why the required redispatch could not be achieved in such situations.

The Commission orders:

(A) The revisions to the Congestion Management Process of the Midwest ISO/PJM Joint Operating Agreement, to change the market flow threshold used to assign

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[22] January 3 Comments at Page 31.

North American Reliability Council Transmission Loading Relief obligations to the Midwest ISO and PJM markets for a 12-month test period are hereby conditionally accepted, as discussed in the body of this order.

(B) Within 30 day of the date of this order, Midwest ISO and PJM shall make the compliance filing discussed in the body of this order. Midwest ISO and PJM shall make a further compliance filing as necessary as discussed in the body of this order.

(C) Midwest ISO and PJM shall submit an informational filing within 60 days of the completion of the field test, as discussed in the body of this order.

By the Commission.

(S E A L)

Kimberly D. Bose,
Secretary.