

110 FERC ¶ 61,374
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Pat Wood, III, Chairman;
Nora Mead Brownell, Joseph T. Kelliher,
and Suedeen G. Kelly.

Midwest Independent Transmission System Operator, Docket No. ER05-560-000
Inc.

ORDER CONDITIONALLY ACCEPTING REVISED COORDINATION
AGREEMENT AND ORDERING FURTHER FILINGS

(Issued March 28, 2005)

1. This order conditionally accepts the proposed revisions filed by Midwest Independent Transmission System Operator, Inc. (Midwest ISO) to the existing coordination agreement that it has with Manitoba Hydro.¹ The parties are revisiting their agreement now to provide for the development of a revised congestion management process that accommodates the planned start-up of the Midwest ISO energy markets, while preserving the remaining elements of the existing coordination framework between the parties. This order benefits customers by promoting more effective and efficient provision of transmission service.

Background

2. Manitoba Hydro is a Canadian Crown Corporation and is not permitted to transfer operational control over its facilities to a private foreign entity. Through their existing coordination agreement, the parties established a framework for coordinating their activities under the lead of Midwest ISO in order to secure the benefits of an international regional transmission organization (RTO) while respecting the fact that, as a Canadian Crown Corporation, Manitoba Hydro is not permitted to transfer operational control over its facilities to a private foreign entity. Under the coordination agreement, the parties coordinate congestion management practices, calculation of available transmission capability, processing of transmission service requests, and transmission planning. In

¹ Manitoba Hydro is a Canadian Crown Corporation incorporated pursuant to the provisions of the Manitoba Hydro Act, (Revised Statutes of Manitoba 1987, chapter H190) that owns and operates transmission facilities in the Province of Manitoba.

addition, Manitoba Hydro is treated as a Midwest ISO transmission-owning member for purposes of transmission tariff pricing. However, Manitoba Hydro's facilities are, in fact, governed by a separate tariff.

Proposed Revisions to Coordination Agreement

3. Midwest ISO is scheduled to begin operation of financially binding energy markets with locational marginal prices (LMP) under its Open Access Transmission and Energy Markets Tariff (TEMT) on April 1, 2005.² Midwest ISO states that Manitoba Hydro cannot dispatch its generation pursuant to the market rules of Midwest ISO's TEMT since it is a Canadian Crown Corporation. Accordingly, the proposed amendments would make the following principal changes in order to accommodate both the operation of Midwest ISO's energy markets and the continued participation of Manitoba Hydro as a Midwest ISO member: (1) Midwest ISO's obligation to provide congestion management services to Manitoba Hydro "comparable" to those provided to other transmission owners is eliminated and the parties commit to develop appropriate arrangements to coordinate Midwest ISO's market-based congestion management procedures with Manitoba Hydro's non-market congestion management procedures; and (2) Midwest ISO will no longer calculate and administer losses for the Manitoba system.

4. Section 6.4 of the amended coordination agreement outlines the elements of coordination of market-to-non-market congestion management procedures that are still subject to negotiation, including designating flowgates subject to reciprocal coordination, calculating flows over these flowgates, identifying curtailment priorities for flows associated with various classes of transactions, and identifying the circumstances under which and the extent to which each party will reduce flows or redispatch generation. Section 6.6 provides that remaining terms of the coordination agreement will continue in effect even if the parties are unable to reach agreement on the congestion management procedures listed in section 6.4.

5. In addition, Midwest ISO proposes other changes as conforming revisions, including several new definitions to include terminology found in the Congestion Management Process used in the joint operating agreements between Midwest ISO and other RTOs.

6. Midwest ISO requests waiver of the 60-day prior notice requirement to allow the proposed amendments to take effect one day after the date of filing, *i.e.*, February 8,

² See *Midwest Independent Transmission System Operator, Inc.*, 110 FERC ¶ 61,169 (2005).

2005. According to Midwest ISO, waiver is necessary for the orderly continuation of the coordination regime between it and Manitoba Hydro within the framework of Midwest ISO's new markets.

Notice and Responsive Filings

7. Notice of the filing was published in the *Federal Register*, 70 Fed. Reg. 3010 (2005), with protests and interventions due on or before February 28, 2005. Wisconsin Public Service Corporation and Upper Peninsula Power Company (together, Wisconsin Public Service) jointly filed a motion to intervene and comments. Consumers Energy Company also moved to intervene, but did not file substantive comments.

Discussion

A. Procedural Matter

8. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. §385.214 (2004), the timely, unopposed motions to intervene serve to make the intervenors parties to this proceeding.

B. Coordination of Congestion Management Systems

9. Wisconsin Public Service states that Midwest ISO should clarify how it will integrate its financially-based congestion management system with Manitoba Hydro's physical curtailment procedures. It points out that reciprocal coordination of flowgates is important to the arrangement between Midwest ISO and Manitoba Hydro and yet Midwest ISO fails to show how it will identify flowgates subject to reciprocal coordination or the method that it will use to calculate the power flows over them.

10. The issues raised by Wisconsin Public Service concerning the identification of flowgates subject to reciprocal coordination and the method to be used to calculate power flows over those flowgates are identified in the amended coordination agreement as subjects of further good faith negotiations. We agree that these issues must be clarified in the coordination agreement. Since Midwest ISO and Manitoba Hydro have indicated that they are already working to resolve these issues, as ordered below, we will conditionally accept the amended coordination agreement for filing, as ordered below, subject to Midwest ISO filing those negotiated terms and conditions within 30 days of reaching agreement on such provisions with Manitoba Hydro.

C. Loss Calculations

11. Wisconsin Public Service asserts that Midwest ISO does not explain how it will perform the quantification of losses on the flowgates between Manitoba Hydro and Midwest ISO. It argues that this loss calculation is as important as the method Midwest ISO will use to coordinate the parties' congestion management procedures, and, therefore, Midwest ISO should clarify how it will quantify losses on the flowgates between Manitoba Hydro and Midwest ISO.

12. We agree with Wisconsin Public Service that loss calculations are an important component of market operations. However, the methodology for calculating losses once Midwest ISO commences financially binding energy market operations is being addressed in another proceeding, and Wisconsin Public Service's concerns are more appropriately raised in that proceeding.³

D. Conclusion

13. We find that, subject to the conditions established above, the proposed amendments to Midwest ISO's coordination agreement with Manitoba Hydro provide a reasonable basis for continued participation of Manitoba Hydro as a Midwest ISO member once operation of Midwest ISO's energy markets commences and provide a reasonable framework for development of provisions for coordination of Midwest ISO's market-based congestion management procedures with Manitoba Hydro's non-market congestion management procedures. Accordingly, we will conditionally accept the proposed amendments for filing, subject to Midwest ISO filing negotiated terms and conditions of market-to-non-market coordination as discussed above, and will grant waiver of the prior notice requirement to permit the proposed amendments to become effective February 8, 2005, as requested.⁴

³ *Midwest Independent Transmission System Operator, Inc.*, 108 FERC ¶ 61,163 at PP 66-79, 225-241 (TEMT Order), *order on reh'g*, 109 FERC ¶61,157 at PP 92-96, *order on compliance*, 109 FERC ¶ 61,285 at PP 155-175, 195-198, 436 (TEMT Compliance Order) (2004). In a January 21, 2005 filing in compliance with the TEMT Compliance Order, Midwest ISO has proposed additional provisions for implementing the transitional marginal loss methodology approved by the Commission in the TEMT Order and accounting for inadvertent interchange between entities within the Eastern Interconnect. That filing is currently pending.

⁴ *See Central Hudson Gas & Elec. Corp.*, 60 FERC ¶ 61,106, *reh'g denied*, 61 FERC ¶ 61,089 (1992).

The Commission orders:

(A) The proposed amendments to Midwest ISO's coordination agreement with Manitoba Hydro are hereby accepted conditionally for filing, to become effective February 8, 2005, subject to the filing ordered in Ordering Paragraph (B) below.

(B) Within 30 days after Midwest ISO and Manitoba Hydro reach agreement on additional terms and conditions for coordination of Midwest ISO's market-based congestion management procedures with Manitoba Hydro's non-market congestion management procedures, Midwest ISO is hereby ordered to file those terms and conditions with the Commission, as discussed in the body of this order.

By the Commission.

(S E A L)

Magalie R. Salas,
Secretary.