

**UNITED STATES OF AMERICA  
BEFORE THE  
FEDERAL ENERGY REGULATORY COMMISSION**

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**RTO BORDER UTILITY ISSUES**

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**COMMENTS OF THE MID-CONTINENT SYSTEMS GROUP**

**FERC Technical Conference on Seams Issues  
For RTOs and ISOs in the Eastern Interconnection  
March 29, 2007**

**Panel 3 - Transmission and Operational Issues**

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Good Afternoon. I appreciate the opportunity to participate in this technical conference on behalf of the Mid-Continent Systems Group (MCSG).<sup>1</sup> MCSG is a group of thirteen transmission-owning utilities who are members of the Mid-Continent Area Power Pool (MAPP). MAPP is a FERC-approved Regional Transmission Group and offers transmission service under a short-term regional tariff in conjunction with long-term service under member tariffs. The MCSG participants' systems represent over 19,000 miles of transmission lines, 18,500 MW of generation, and 14,500 MW of load. Our transmission system is adjacent to and interconnected with the Midwest ISO, PJM and SPP RTOs, as well as other non-RTO utilities.

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<sup>1</sup> MCSG participants are 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 Western Area Power Administration, Upper Great Plains Region

The three main points I would like to emphasize today are:

- i) Non-RTO systems contribute fully to fund and implement reliability services;
- ii) Congestion and seams issues are continuing concerns that should be resolved through negotiations between neighboring systems or the NERC committee process; and
- iii) Recent proposals to revise the RTO to non-RTO Congestion Management Process (CMP) must not adversely affect reliability.

**1. MCSG PARTICIPANTS PAY ALL APPROPRIATE COSTS FOR RELIABILITY SERVICES AND TRANSMISSION SERVICES.**

The MCSG participants receive, and pay for, NERC Reliability Coordination and tariff administration services under a Transmission Services Agreement (TSA) that has been in effect since 2001 between MAPPCOR, the contractor for MAPP, and the Midwest ISO. These services support reliable operations under the MAPP regional tariff and member tariffs. MCSG participants pay over \$4 million per year for the Reliability Coordination service alone. When the TSA terminates in February 2008, the MCSG participants intend to negotiate a new agreement so that the Midwest ISO will continue to provide Reliability Coordination service for the MCSG participants. Further, MCSG participants pay for all required tariff service from adjacent RTOs when our merchant function personnel conduct transactions under the RTO tariffs. These facts demonstrate that the MCSG participants contribute their fair share of the financial burdens of administering and coordinating reliability services through the TSA.

In addition, the MCSG participants share fully in the operational burdens necessary to meet the Reliability Coordinator's instructions. The MCSG participants' transmission operators follow all directives issued by the Midwest ISO as the Reliability Coordinator, including redispatching generators during TLR Level 5 events and other

emergencies. Unlike Midwest ISO members, MCSG participants do not receive any compensation for emergency redispatch, even though the MCSG participants and the Midwest ISO members are in the same reliability footprint.

**2. SEAMS ISSUES AND RESULTANT TRANSMISSION CONGESTION WILL CONTINUE TO EXIST AND SHOULD BE RESOLVED THROUGH NEGOTIATION OF CHANGES TO SEAMS AGREEMENTS OR THROUGH THE NERC STANDARDS PROCESS.**

The MAPP region presents some unique challenges to seams management due to its long history of coordinated transmission and generation development. In 2002, approximately one-half of the MAPP members left MAPP and joined the Midwest ISO. The remaining members have chosen to continue to operate their systems on a bilateral basis and participate in a bilateral market under the MAPP Restated Agreement. Of course, certain members' choices to leave MAPP and join the Midwest ISO did not by themselves eliminate the parallel flows across the newly created seam, though for a time the flows across the tariff seam were similar to those that existed prior to the MAPP members joining the Midwest ISO. As the former MAPP members integrated their operations into the Midwest ISO markets, it became apparent that seams issues needed to be addressed. With the MAPP members' concurrence, MAPPCOR entered into a Seams Operating Agreement (SOA) with the Midwest ISO prior to the start of the Midwest ISO LMP market in part to ensure that parallel flows were properly accounted for and addressed.

MCSG participants have actively participated in a Seams Team and Seams Implementation Working Group between MAPP and the Midwest ISO. These groups have met on a regular basis to resolve complex technical issues related to implementation of the SOA. However, there are some technical issues which the

parties have been unable to resolve. As a result, on January 30, 2007, the Midwest ISO provided a notice of termination of the SOA, effective January 31, 2008. MCSG participants are committed to working with the Midwest ISO to renegotiate the SOA and understand that the Midwest ISO shares this commitment, based on statements in their termination notice.

To address the Midwest ISO's concerns, MAPPCOR has requested a list of specific issues of concern to the Midwest ISO which formed the basis for the notice of termination so that they can be addressed. The MCSG participants believe that many of the unresolved issues relate to the Congestion Management Process (CMP), the related NERC TLR standards and waivers granted to the RTOs, and the NERC Interchange Distribution Calculator (IDC). As such, if we are unable to resolve the issues through renegotiation of the SOA, we believe that NERC is the appropriate forum for resolution.

Since the NERC standard is applicable to the entire Eastern Interconnection, any changes to the standard should receive input from a broader audience than just those parties to seams agreements. For instance, if the RTOs current concerns are an indication that neighboring systems should report more internal generation-to-load data, the revised reporting requirement should be applied to all similarly situated parties through a NERC standard.

**3. RELIABILITY MUST NOT BE ADVERSELY AFFECTED BY CHANGES TO THE CMP.**

MCSG participants are concerned about an increase in the number of TLR events, particularly TLR Level 5B events, since the start of the Midwest ISO LMP market. There have been 38 TLR Level 5B events in the two years since the Midwest

ISO market started (1.6 per month), whereas there were only 26 TLR Level 5B events in the three years prior to the commencement of Midwest ISO LMP operations (0.7 per month). Thus, even with the existing CMP procedures, TLR Level 5 activity has increased sharply. The MCSG participants believe that the increase in TLR Level 5 events is a sign of degraded reliability.

It is widely recognized that TLR is not as effective or fast as redispatching generation to resolve congestion. However, during these TLR Level 5 events, the MCSG participants redispatch generation just as the RTOs do. The main concern is that systems operators should work to minimize serious reliability issues embodied in the number of TLR Level 5 events. The changes currently being discussed to revise the NERC TLR standard, associated waivers for the RTOs and the IDC must be shown to not result in an increase in TLR Level 5 events.

Bilateral markets, like that operated by MAPP, are bound by the TLR standard. The TLR standard does not provide for any alternative for redispatch prior to firm curtailments by systems operating in bilateral markets. Instead, the IDC identifies all non-firm tagged transactions to be curtailed first. Therefore, the MCSG participants, in meeting their TLR obligations as directed by the Reliability Coordinator, are fulfilling all of their obligations under the current TLR procedures.

In summary, the MCSG participants believe they pay all of the appropriate reliability costs related to their operations as a border to several RTOs. In addition, we are committed to working with the Midwest ISO to renegotiate our SOA and to work with other bordering RTOs to address and resolve seams issues. We believe that it will be absolutely necessary for NERC and other non-RTO entities in the Eastern

Interconnection to engage in resolution of the issues as changes to the TLR standard, waivers and IDC are contemplated.

Again, I wish to express my thanks for the opportunity to participate in this important technical conference.

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