

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

RTO Border Utility Issues

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Docket No. AD06-9-000

March 29, 2007

Comments of GEN~SYS Energy

Good morning. My name is Larry Thorson, President and CEO of GEN~SYS Energy, a Minnesota marketing and supply cooperative providing energy market services to its members. Prior to GEN~SYS I was an employee of Dairyland Power Cooperative for 32 years holding various positions in planning and operations. I am currently the Chairman of the MAPP Regional Transmission Committee, a member of the MAPP Executive Committee and a board member of the Midwest Reliability Organization.

GEN~SYS Energy provides marketing services to its members, including Dairyland Power Cooperative, a generation and transmission cooperative which is currently surrounded by the Midwest ISO. Dairyland has over 250 transmission interconnections with neighboring MISO Transmission Owner utilities, and of its 900 MW of member load, more than 200 MW is located within the MISO footprint. GEN~SYS serves as the MISO Market Participant for this load under the MISO Transmission and Energy Markets Tariff.

My purpose here today is to highlight seams related issues between MAPP and MISO, to demonstrate the value border entities provide and to dispel the notion that entities bordering RTOs and ISOs are not paying their way – what has been labeled “free riders”.

The MAPP region has a rich history of IOUs, state public power agencies, federal power administration, cooperatives, and municipals working together to provide reliable energy services at reasonable costs. Examples include:

- Joint agreements to build and share transmission to avoid duplication
 - a. Transmission ownership was not defined by load or control area but by least-cost plans to serve load
 - b. MAPP regional Schedule F tariff, a discounted short term transmission service
 - c. Loss repayment procedures with energy returned like in kind
- Joint ownership of generation
- MAPP Generation Reserve Sharing Pool
- Accordingly MISO and non-MISO load for Dairyland and for Load Serving Entities that historically have participated in MAPP as a whole are heavily integrated with multiple seams between the parties, necessitating a strong working relationship

The circumstances today are:

- Through a contractual arrangement with MAPP, MISO is the Reliability Coordinator for the MAPP region, performing these services out of the Carmel and St Paul Offices

- MISO is the MAPP Schedule F tariff administrator, which provides short-term point-to-point service MAPP-wide at a discounted rate that is also used by MISO members
- MAPP and MISO have a Seams Agreement (MISO has given notice to terminate)
- MAPP members are participating along with MISO members in the Midwest Contingency Reserve Sharing Group (“CRSG”)
 - a. MAPP participation enables MISO members to further lower their reserve obligations of the total 1569 MW in reductions, MISO members reductions totaled 1203 MW or 77%
- MISO flowgates are often the limiting factor in our ability to secure transmission service to facilitate bilateral transactions outside MISO. At the present time, flowgate coordination for the MAPP system involves 19 MAPP flowgates, 102 Midwest ISO flowgates, 11 PJM flowgates and 7 SPP flowgates.

Seams Issues and “Free Riders”

- Load served by Dairyland and GEN~SYS pay all applicable FERC approved charges to serve load within MISO and to do business with the MISO
- Like other MAPP participants having load outside the MISO footprint, Dairyland and GEN~SYS pay for their participation in the Contingency Reserve Sharing Group
- GEN~SYS would be willing to pay for firm MISO transmission service when and if it becomes available. Firm transmission across MISO is extremely limited. Anything other than firm service is very vulnerable to curtailment due to MISO market flows.
- The MAPP/MISO Seams Agreement, while providing for flow reporting between MISO and the non-market MAPP area and providing enhanced coordination of transmission service, has not, in my opinion, created any additional measurable transmission availability
- The MISO RC has directed re-dispatch of generation within MAPP during certain emergency conditions to relieve congestion on MISO transmission for which there has been no compensation to the MAPP generators
- GEN~SYS has purchased counter flow on the advice of the MISO, in its capacity as the RC, to facilitate a transaction (relieve congestion) only to have MISO’s market re-dispatch its system once congestion was relieved resulting in curtailing the transaction again. This is a failure of MISO’s business practices for fair and equitable treatment of non-MISO market participants.
- CRSG MISO members recently voted to incorporate MISO’s FERC approved ARC procedure into their contingency reserve obligations (effectively reducing their obligation) and in so doing placed greater reliance on non-MISO members.
- As MISO’s Ancillary Service Market evolves, transmission studies may show that MISO has insufficient transmission to deliver reserves to its MISO members within the traditional MAPP region without the use of Transmission Reserve Margin (TRM) provided by non-MISO member systems.
- Being a member of an RTO or ISO does not eliminate the fact that “loop flow” will continue to exist

The concept that entities bordering RTOs and ISOs somehow assumed a financial obligation because their neighbors chose to join the RTO or ISO is wrong on the facts and public policy:

- It ignores the history of where MAPP came from and existing relationships in the MAPP Region
- Is contrary to open market theory – the best means of influencing the seam is for RTOs and ISOs to provide cost effective services and benefits
- Ignores the benefits to the RTO /ISO provided by bordering entities
- Ignores the costs and curtailments imposed on non-RTO-members by the RTOs and ISOs for which there is no compensation.

- Is contrary to the development of a true partnership in which both parties support the endeavors of the other rather than attack each other in pursuit of their individual business and economic interests.

FERC correctly made RTO participation voluntary. FERC should foster an environment in which MAPP and MISO will continue to work together to meet the collective operational and reliability needs of the parties. Placing one party in a superior position to that of the other does not and will not foster the creation of partnerships necessary to accomplish these objectives.

Thank you for the opportunity to express my opinions regarding this issue.