



**Federal Energy Regulatory Commission  
December 18, 2008  
Open Commission Meeting  
Staff Presentation  
Items E-3, E-4, E-13 and E-32**

"Good Morning Mr. Chairman and Commissioners.

Today the Commission will be voting on a package of draft orders that enable the start of the Midwest ISO Ancillary Services Market and revise market rules and other procedures to accommodate the new market. As the Commission stated in its initial order accepting the Midwest ISO's proposal, the ancillary services market will minimize overall production costs in the Midwest ISO markets by coordinating the market-based procurement of energy and operating reserves. The Commission also noted that the Midwest ISO's Ancillary Services Market proposal incorporates the best design features that have worked successfully in other regional transmission organizations and independent system organizations, such as New York ISO, the PJM Interconnection and ISO New England. Therefore, the Commission conditionally accepted Midwest ISO's ancillary service market proposal subject to certain compliance filings which are before the Commission today.

Most significant of the draft orders is E-3 that authorizes the start of the Midwest ISO ancillary services market on January 6, 2009. The Commission's authorization is based on the Midwest ISO's successful completion of the Commission's market start requirements. These include certification of the Midwest ISO as the Balancing Authority for the Midwest ISO region by the North American Electric Reliability Corporation, Readiness Certification by the independent Readiness Advisor and submittal of a Reversion Plan.

To ensure a smooth market start, the draft order accepts the Midwest ISO's plan to limit the applicability of scarcity pricing to situations of true scarcity and to cap the regulating reserve price at the cost of a peak generator during periods of short-term, or transitory, scarcity. The draft order also accepts the Midwest ISO's proposal to share ramp capability among energy and reserve products, similar to procedures used by other Independent System Operators.

Also of note, E-4 is a draft order which conditionally accepts procedures proposed by the Midwest ISO to incorporate a new technology, stored energy resources, as a provider of reserve products in the Ancillary Services Market. Stored energy resources utilize a fly-wheel battery technology that recycles energy from the grid in order to follow moment-by-moment changes in demand and frequency. When generated power exceeds load, the fly-wheel technology absorbs excess energy; when load increases, the fly-wheel returns energy to the grid. These resources will be integrated into the Midwest ISO ancillary services market in June, 2009.

Thank you. The team would be happy to answer any questions."