FEDERAL ENERGY REGULATORY COMMISSION

Thursday, January 22, 2015

Hearing Room 2C

888 First Street, N.E.

Washington, D.C.20426

The Commission Meeting open session pursuant to notice at 10:10 a.m., when were present:

COMMISSIONERS:
CHERYL A. LaFLEUR, Chairman
PHILIP D, MOELLER, Commissioner
TONY CLARK, Commissioner
NORMAN C. BAY, Commissioner
COLETTE D. HONORABLE, Commissioner

FERC STAFF:

KIMBERLY D. BOSE, Secretary
LARRY GASTEIGER, Acting Dir. Office of Enforcement
JAY ARNOLD QUINN, Dir. Office of Energy and Innovation
JEFF WRIGHT, Dir. Office of Energy Projects
MICHAEL BARDEE, Director, OER
JOSEPH McCLELLAND, Dir Office of Energy Infrastructure Security
DAVID MORENOFF, General Counsel
JAMIE SIMLER, Dir. Office of Energy Market Regulation
MICHAEL BARDEE, Dir. Office of Electric Reliability

A P P E A R A N C E SS:

A-3 Coordination Across the PJM/MISO

Stu Bresler, VP, System Planning and Seams Coordination Midcontinent Independent System Operator

Jennifer Curran, VP of System Planning and Seams Coordination Midcontinent Independent System Operator

Dr. David Patton, President, Potomac Economics (MISO Independent Market Monitor

Dr. Joseph Bowring, President, Monitoring Analytics (PJM Independent Market Monitor.)

Chair Elizabeth Jacobs, Iowa Utilities Board

Comm. Greg White, Michigan Public Service Commission

Discussion Items Voted On

Electric Items: E1, E2, E3, E4, E5, E7, E8, E9, E10, E11, E12, E13, E14, E15, E16, E17, E18 and E20

gas Items: G1.

Hydro Items: H1, H2, H3, and H4.

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P R O C E E D I N G S

(The record reflects Chairman LaFleur opened the session as an open meeting, there was the Pledge of Allegiance, followed by several minutes of disruption by protesters, at which time the Chairman recessed the hearing and reopened after protesters voluntarily removed themselves and others had to be politely escorted from the hearing room.)

CHAIRMAN LAFLEUR: Good morning, again. We are going to resume the meeting to consider the items noticed under the Government in the Sunshine Act.

Thank you to those of you who are still with us for your patience.

This is relatively new territory for FERC. We are learning on-the-job how to handle situations like this. I appreciate Todd and Jerry and our security folks in helping to clear the room.

Our first important item of business today is to welcome Commissioner Colette Honorable.

It is wonderful to have five Commissioners at the table and it is especially wonderful to have Colette whom I have enjoyed working with in other capacities.

We are so delighted to have you here as well as having the benefit of your experience and expertise on the Commission. I know you will be introducing some of your team whom we also welcome.

Turning to less important opening items.

I am excited now that it is January to be wearing a Patriots' jersey once again, "Capture for Posterity," in the photography.

I know the team has had a tough couple of days with a lot of controversy. I did look into it and I don’t believe the Office of Enforcement has any jurisdiction over ball inflation in the NFL, but they are still my team, so I wore the jersey.

I have already begun twice, but I will now begin for the third time by commending folks at the Commission for all of your efforts in this year’s combined federal campaign which has just concluded last week.

I am happy to report that you all collectively contributed more than $415,000 really to a host of causes in our community and around the globe, that was 106.4% of our goal, and represented the efforts of almost 53% of employees which is more than double the participation in the federal government as a whole.

Thanks as always to our wonderful campaign

manager, Edward Gingold, Anton Porter, our cochair, and all the captains, key workers, and the committee for organizing the effort.

I want to announce a significant upcoming change in our senior leadership at FERC.

Jeff Wright, sitting to Commissioner Honorable’s right, is the Director of Office of Energy Projects as many of you know, and he will unfortunately for us, perhaps not so unfortunate for him, be retiring at the end of February.

He has been with the Commission since 1979 and has been part of the Office Energy Projects since its inception in 2000.

Next month we will honor his accomplishments a bit more fulsomely, but I wanted to mention since it has been announced internally, so I am happy that Anne Miles who has been the Deputy Director of Energy Projects has been named to the position of Director of Energy Projects on succeeding Jeff and I am happy to continue to work with her and Mike McGehee who has been the Director of the Division of Pipeland certificates will move up to the position of acting Deputy Director backfilling Anne's role.

Turning to upcoming events of which we have quite a few. Everyone knows next month we will be

starting the open meeting at 9:00 AM on February 19 to accommodate the first of a four day long conferences discussing the implications of compliance approaches with the EPA’s Clean Power Plant Rule.

The dates are February 19th, in Denver on February 25, and here again on March 11th and in St. Louis on March 31.

I hope and believe that these technical conferences will be an important opportunity to hear from a wide range of people on the Clean Power Plan's potential impacts on reliability, infrastructure, and markets.

I am most focused on trying to make a real start in considering the work that this Commission will have to do on these issues particularly infrastructure and markets.

I will be speaking at the National Press Club on Tuesday and I decided to devote my speech to setting up that topic of the Commission’s work on the Clean Power Plan.

Finally, every month you sit here patiently, while I recount how many orders we voted out since the last meeting, I thought I would switch it up a little since it is at the beginning of a new year and reflect on the work that the Commission did in the last

calendar year.

In 2014, the Commissioners voted out 1,046 orders and staff issued more than 8,000 delegated orders.

Obviously, volume is only one indication of effort, but it certainly shows a very active year across all aspects of our jurisdiction.

I want to thank my colleagues and especially the staff for all the work that goes behind that.

Just in case you were eager for this news, we have voted out 53 notational orders since the December open meeting.

We have a full agenda this month, although a limited discussion agenda because of our VIP guests who are seated in the front row.

I would like to highlight one of the orders on this month's agenda because it is not on discussion agenda, but we are issuing a press release that is a draft proposed policy statement, proposed for comment, to clarify aspects of hold harmless commitments in Section 203 Applications under the Federal Power Act.

Under the proposed policy statements, applicants who are proposing to complete transactions over which we have approval jurisdiction would retain the burden of showing that mergers and other

transactions do not have an adverse effect on rates.

But we would no longer accept time-limited hold harmless commitments and we also clarify the scope and definition of the cost that would be go to hold harmless, and how we anticipate, and how we expect the companies to institute controls and procedures for tracking the costs and we are extremely interested in getting comments on those proposals.

Something else the proposed policy statement clarifies is that in certain circumstances, the transaction will not have an adverse effect on rates, so that we don’t have to rely and hold harmless commitments particularly looking to asset acquisitions by traditional franchise utilities that might be acquiring assets to satisfy resource adequacy requirements which have somewhat different implications under the Act and corporate mergers and we draw those distinctions in the policy statement again for comment.

I thank the team for working on it, and I always say, I’m not cheering for the law firms, but I hope we get a wide range of comments and it is always true.

With that, I will turn it over to Commissioner Moeller.

COMM. MOELLER: Thank you, Chairman LaFleur, and thank you for highlighting the policy statement. Again, we expect people to comment which no doubt they will.

It is a little bittersweet today. Sweet because we welcome our newest colleague, Colette Honorable, who we have all worked with through the years. It is great to have you here as you are widely respected and admired.

We look forward to your getting "in the scrum" with us on some of these issues very soon.

It's all a little bitter because of the departure of Mr. Wright and we will talk more about that next month, but he is a fine American who has served American citizens well.

You may have noticed the color of tie? You know that I come from the State of Washington. Apparently there is a big game in a couple of weeks. So in honor of that, I have a little gift for you.

It may need a little air!

CHAIRMAN LAFLEUR: This is wonderful. Thank you. Unfortunately, I’m so busy with my FERC work, I will not be going to the Super Bowl, but of course, my husband will and I will make sure that this gets passed along. This is just how we

like them.

I completely lost my place.

Commissioner Clark.

COMM. CLARK: Thank you, Madame Chairman. Colette, welcome to you. It is great to have you here.

Jeff, we will toast you a little bit more next month, but, obviously, we will be sad to see you go.

A couple of staff announcements.

On my own staff, as you walk by my Commission office, you may see a new person sitting at the front desk, Jesse Fonker, who is right there who has joined my staff on the administrative side of things.

Jesse is a recent graduate of Augustana College in Sioux Falls, South Dakota, so welcome to you, Jesse.

This one is a little bit more painful of an announcement to make. I will be at the end of the month losing one of my advisors, Robin Lundt, who was really in some ways perhaps my first hire, I guess, because I brought her in from the outside where she had previously been and where I had worked with her at NERC is going to be leaving the Commission at the end of the month.

She and her lovely family, her husband Scott,

Olie and Elizer, are going to be moving to Colorado where she has accepted a position as general counsel for a tech company there, so off to greener pastures.

We will certainly miss her here in my office, but at the Commission generally, so we wish her well in her endeavors.

I don’t have an NDS jersey, Madame Chair, but I would wear it if I did, and instead it will suffice with the tie.

CHAIRMAN LAFLEUR: You can go on the Internet, though, where they are sold, but that's okay!

COMM. CLARK: North Dakota State won its fourth straight FCS Division 1 National Title last month, a record that has not yet been achieved up to this point in Division 1 AA.

Rumor has it that the NCAA has double checked all of the balls for those four championships and can verify that they were properly inflated, and therefore, your true champion.

CHAIRMAN LAFLEUR: Thank you. Commissioner Bay.

COMM. BAY: Thank you. It hard to top any of that. I feel like I should say something about my University of New Mexico Lobos, but there is not

really any good news to share about them, and so, I'm not wearing a UNM tie today, but I do want to welcome Colette to the Commission.

We are very excited that you are on board and we really look forward to working with you.

Then I want to thank Jeff Wright for his outstanding work on behalf of the Commission in advancing the public interest over the years. He has been a great director for the Office of Energy Projects and we are going to miss him.

Maybe the only silver lining here is that Anne Miles will be stepping in as the Director of OEP.

Thank you, Jeff, for all your great work over the years.

CHAIRMAN LAFLEUR: Last, but not least, Commissioner Honorable.

COMM. HONORABLE: Thank you, Madame Chairman, and good morning. It really is indeed an honor and a privilege to join this august body this morning.

I am delighted to serve in this capacity and I would certainly like to thank President Obama for this new opportunity and to Senators Mark Pryor and John Boozman of Arkansas along with the Senate for their overwhelming support.

I especially want to express my appreciation for the help, the support, and really, the collective embrace of the Chairman and the Commissioners and their staffs, and the staff here at FERC who have been simply wonderful.

I have worked with all of you and I have really gotten to know Norman in this last year and I am really excited to be here. This is important work and I am honored to join you at this time.

I want to express appreciation to the Chairman, to the Commissioners, and Executive Director Porter, to our Secretary of the Commission, Kimberly Bowes, who have gone above and beyond to ensure that my transition was seamless and your accommodation and hospitality have been simply overwhelming.

To walk into my office on the first day and see a U.S. flag, and a FERC flag, and then the beautiful flag from the great State of Arkansas, was really heartwarming, so I want to express my appreciation to you.

I am not wearing a tie today, but I am wearing a special lapel pin that the Chairman gave to me and it is an honor to wear this pin of our regulatory entity and to carry out its work from day to day.

We have a tremendous amount of work to get

together and those who know me know that I work hard and I will not ask anyone to do anything that I am not willing to do myself and I look forward to it.

I look forward to tackling the challenges in taking on new and important issues.

To support me in carrying out this work, I would like to take a moment to announce two new advisors who are the newest members of my team.

First is Frederick Wilson. He joins Team Honorable after having served as a trial attorney in the FERC Office of Administrative Litigation. I hope Fred is waving back there so we know who he is.

Fred is also an engineer who since 2001 has worked in various roles in the energy sector and previously served as an intern here at FERC as well.

I am also pleased to announce the addition of William Sauer, an economist by trade. Wil joins our team from the Office of Energy Policy and Innovation. I have learned to say OEP. I have a lot of new acronyms to learn.

And he has previously served as an energy industry analyst in the Office of Enforcement. I think Norman will be proud to know that.

He has also helped in positions in the energy sector and has experience on the Hill as well.

I hope you will help me welcome them. I am also grateful in advance to the other advisors who have been my "mother hens", who have helped all of us, and I know that you will help my advisors as well.

I will soon secure a confidential assistant that has not stopped at all the scheduling requests that were waiting for me when I arrived and a legal advisor and a receptionist to round out the team.

It is bitter sweet for me too, Phil, to learn that Jeff is leaving us. I have worked with Jeff in a number of capacities over the years and we have talked about the fact that we will sit together for two more meetings, I think.

Also to Robin Lundt with whom I worked at NERC. She arrived back on her first day, I was so delighted to see her, and then she told me she was leaving, so I will enjoy this time with Robin and Jesse and share our first day.

He seemed to have it more in hand than I do, but I have learned from Jesse, and I look forward to working with you. I am ready to get to work and I am especially looking forward to the technical conferences on the Clean Power Plan and looking forward to working with all of you.

Thank you.

CHAIRMAN LAFLEUR: Thank you so much. Madame Secretary, we can move on to the consent agenda.

THE SECRETARY: Good morning, Madame Chairman and good morning Commissioners.

Since the issuance of the Sunshine Act Notice on January 15, 2015, no items have been struck from this morning's agenda.

Your consent agenda is as follows.

Electric Items: E1, E2, E3, E4, E5, E7, E8, E9, E10, E11, E12, E13, E14, E15, E16, E17, E18 and E20.

Gas Items: G1.

Hydro Items: H1, H2, H3, and H4.

Rather than rendering a substantive vote on today’s agenda, Commissioner Honorable will be voting present on all items.

As to E16, Commissioner Bay is concurring with a separate statement.

As to E17, Commissioner Bay is concurring with a separate statement.

As to 18, Commissioner Bay is concurring with a separate statement, and as to H4, Commissioner Bay is concurring with a separate statement.

We are now ready to take a vote on this morning's consent agenda. The vote begins with

Commissioner Honorable.

COMM. HONORABLE: I assent.

COMM. BAY: Noting my concurrences in H4, E16, E17, and E18, I vote aye.

COMM. CLARK: Aye.

COMM. MOELLER: Aye.

CHAIRMAN LAFLEUR: I vote aye. Move on to the discussion agenda.

THE SECRETARY: Thank you. The first item for discussion and presentation this morning is A3 concerning coordination across PJM, MISO seams.

There will be several presentations in this order, Stu Bresler, vice president of Market Operations for the PJM Interconnection, LLC.

Jennifer Curran, vice president of System Planning and Seams Coordination for the Midcontinent Independent System Operator Incorporated.

Dr. David Patton, president of Potomac Economics, the MISO Independent Market Monitor.

Dr. Joseph Bowring, president of Monitoring Analytics, the PJM Independent Market Monitor.

Chair Elizabeth Jacobs from the Iowa Utilities Board.

And Commissioner Greg White from the Michigan Public Service Commission.

CHAIRMAN LAFLEUR: Welcome. We will begin with Mr. Bresler.

MR. BRESLER: Thank you, Chairman LaFleur, and good morning Commissioners.

It is indeed a pleasure to be here and be before you this morning. Certainly we thank you for the invitation to participate in this morning's meeting and discuss the efforts that we have undertaken with the Joint and Common Market, or JCM - this is your first acronym, Comm. Honorable - JCM efforts we have undertaken for the last several years.

One of the common themes that you will likely hear this morning, I am gratified to say it, is that the process has been working very well.

Certainly the staffs of the two RTOs have been working very collaboratively during this process. The same is true for all the work between the RTOs and their stakeholders as well. Again, good news with respect to how well the process has been working.

We have sort of divided up, if you will, the array of various issues that have been before the Joint and Common Market Group combined between our two groups of stakeholders for the purposes of this morning's discussion, so I will cover some of the items that we have been discussing of late.

I will turn it over to Jennifer Curran from MISO to discuss some of the other items.

We did that both to ensure that we sort of maximized the value of our combined time before you this morning, but also to provide you just a little bit of a demonstration as to how we can coordinate well between our various staffs as we go through this process.

I thought what we would do is hit very quickly some of the items we have actually completed through our work on the JCM process and see what was reinitiated in 2012.

We have completed work on things such as RTO to RTO enhanced data exchange as well as data and information transparency with the market participants, so we have significantly beefed up the data we exchange on a regular basis both on a day ahead and on a real-time basis, and again, provided more markets, and market to market congestion management related information and made that transparent to our stakeholders.

We have achieved significant improvements with respect to how outages are scheduled and coordinated between the two RTOs resulting in more coordinated operation of our day ahead markets as well as the

market to market process and also contributed to better funding of our financial transmission rights or FTRs in both areas.

We have also further improved our financial transmission right market coordination by again exchanging more data and providing and performing more coordination ahead of our various FTR auction processes.

We have coordinated and improved the process by which market participant funded upgrades, transmission upgrades, can be submitted to the RTOs as well as transmission rights can be granted as a result of market participant funded transmission upgrades.

Some other things where we have completed our work and are awaiting implementation. We have coordinated on improvements to our interconnection and transmission service queue processes so the processes by which participants request service through those queues.

We have aligned the processes and rules by which participants schedule interchange transactions between the RTOs and that is awaiting one more implementation step on MISO's part this year in 2015.

We also have completed very technical and complicated discussions on how we model certain

controllable facilities known as the Michigan-Ontario Phase Angle Regulators in our market-to-market processes and in the market flow calculations and the entitlement calculations.

We look forward to implementation of those changes in 2015. You will probably not be surprised to hear that many of the things that we have completed work on are those that might be considered less complex and less difficult to reach mutual agreement between the RTOs and our stakeholders which means that the items we have still on our agendas of the JCM meetings are those that are more complex and may be more difficult to reach consensus between, again, the RTOs and our respective stakeholders.

But we continue to work very hard on them. We continue to schedule regular meetings of our joint stakeholders, and again, collaborate with the RTO staffs in between those meetings.

I will cover three items that remain under discussion and will again turn that over to Jennifer for the remainder of the items that are really at the top of our list.

I mentioned the transmission outage coordination and how that has helped with our day ahead market coordination. We continue to enhance the

way our day ahead markets operate.

We have had in our joint operating agreement provisions for day ahead coordination and specifically the exchange of entitlements between PJM and MISO in the day ahead market that had not yet been exercised.

If I were to encapsulate why that is in a nutshell, frankly, we have been very focused on the other items that result in better day ahead market coordination as well as making sure the real-time processes operate as well as possible.

I can safely say, though, that we intend to implement some enhanced processes by which we believe we will actually be able to get to the point of exchanging entitlements in the day ahead market this year, and therefore, our analysis shows to provide day ahead solutions that actually reduce production costs and reduce market-to-market payments between the RTOs as a result of real-time market-to-market operation. We intend to implement those changes in 2015.

Moving to some of the much more technical aspects of our discussions. One item that has been under discussion for some time now, not just between PJM and MISO, but also in the larger congestion management process council, includes other organizations in the Eastern Interconnection as well

as moving forward from the current mechanism by which we establish firm flow entitlements in the JCM process.

We refer to this as the "Freeze Date." the idea is that when we calculate historic transmission service usage we do so based on a reference year of 2004 which is just before we actually entered market to market coordination between PJM and MISO.

We are all discussing alternatives for how we might be able to evolve the calculation of entitlements and evolve those calculations recognizing the fact that the system has changed and changed somewhat significantly since that 2004 freeze date and those discussions continue in the congestion management process council arena.

Finally, before I turn it over to Jennifer. We are also discussing how interchange transactions between the RTOs are incorporated in these calculations.

We refer to this as the commercial market flow item on our agendas. The idea is, rather than a systemwide approach to recognizing transactions is to try to make the market flow and entitlement calculations more parallel to the way we actually settle those transactions within our respective

markets. Those discussions are continuing. We have been exchanging proposals with respect to those discussions.

One of the items that it is related to, and some of the discussion is how integral it is to this item, is how we price interchange transactions between RTOs.

I will simply mention today or highlight for you that that is another issue in front of the Joint Common Market Groups, how interface pricing is conducted.

We continue to work very hard on that item, both again with RTO staffs with our market monitors and with the Joint Common Market stakeholders.

I will not go into the substance this morning because I understand it is the subject of other open dockets in front of the Commission, but I did want to highlight it for you as an item that we continue to have discussions on.

I thank you for the opportunity this morning. I will now turn it over to Jennifer to finish up the JCM items under discussion.

MS. CURRAN: Thank you Stu, and thank you all for the opportunity to present here today on this important topic. I echo Stu's earlier comments

around the process and how successful we think it has been to date.

To pick up where he left off with respect to the substance of the work plan with respect to an enhancement around our market and operations.

The final key topic that we are currently working on is around interchange optimization, so PJM and MISO are working on a coordinated transaction scheduling product.

This largely mirrors a product that PJM and the New York ISO currently have in place. The primary exception is that MISO and PJM will actually perform joint clearing of those transactions.

We have developed the timeline for this item to allow there to be some experience on the PJM and New York ISO border.

We have had three workshops with our joint stakeholders. We are going to be looking for endorsement by our stakeholders in April and plan to be making a joint filing to the Commission in May of this year on this topic.

The implementation of the coordinated transaction scheduling is currently scheduled for 2016.

The other issues, although the Joint and

Common Market work plan may imply that we only focus on market issues, we certainly focus on transmission and other infrastructure related issues as well.

Cross-border planning is of key importance to ensure we have sufficient infrastructure to support these efficient markets.

Over the last twelve to eighteen months we have been coordinating on study efforts to identify transmission projects that can increase market efficiency.

Although the first study resulted in no new transmission projects, MISO, PJM, and our stakeholders have focused on lessons learned and have moved into a phase where we are trying to identify what we are calling "Quick Hit Projects," those projects that can really address some chronic congestion issues along that MISO, PJM seam.

Although the differences in our transmission planning approaches and our cost allocation philosophies present challenges, MISO and PJM remain committed to evolving our methodologies to address those transmission needs along this seam.

On a somewhat related and probably last, but not least topic is capacity deliverability.

The analysis that was identified in the

original work plan submitted to FERC is completed and we have drafted the fact-finding report around the efforts in that work plan.

MISO, PJM, and our staff successfully completed the analysis despite differences in our analytical approaches to deliverability.

The results of the study indicate that more than 90% percent of MISO and PJM units are jointly deliverable to the aggregate MISO and PJM load.

In the total transmission capability between the two systems, it is quite sufficient.

When we compared the study results with the existing transmission utilization, those existing transmission service requests that exist, we found that the transmission capability in the MISO to PJM direction is currently fully subscribed.

But we found that the transmission capability in the PJM to MISO direction is not fully subscribed for capacity and therefore we do see a potential benefit in the near term from looking at capacity deliverability in the PJM to MISO direction.

We will be working in 2015 to develop a process to implement that approach which will include evaluation of the current transmission service request processes. That will be the main focus of our efforts

on this for 2015.

We will also be looking to finalize the report on our work from 2014 in the coming weeks.

Let conclude by saying that with the upcoming changes to the generation portfolio, as the result of changing environmental regulation, it will be critical to ensure we are able to use our generation and transmission infrastructure as efficiently as we can.

Consumers benefit from increased reliability and lower costs when our seams are well managed and coordinated.

MISO, PJM, and our stakeholders have been working hard and have made a great deal of progress, and as Stu indicated earlier on a number of items, we will continue to work on these more complex items that challenge us, but we continue to make progress and we will continue to evolve our work plans and our efforts as new issues arise.

MISO looks forward to building on the successes and our experience in the PJM process to get similar results on our other RTO and non-RTO seams.

Thank you.

DR. PATTON: I have a few slides which I think I can control with the clicker.

First, I agree that the Joint Common Market is

an extremely valuable process. It is the one means for the stakeholders and the RTOs to get together and try to resolve some fairly difficult problems.

I may sound a little bit less optimistic than the others on the panel up here, so I will warn you in advance.

There are two primary issues that I am going to talk about or that I think are really at the core of what needs to be accomplished through the Joint Common Market.

A lot of the initiatives are very good and improve efficiency on the edges and some of them improve and address equity concerns like the work on entitlements in the market to market process.

But the two most significant efficiency related issues are removing inefficient barriers to capacity trading to allow capacity to flow freely back and forth so that when there are surpluses of capacity in one area they can be utilized in another.

This is extremely important because it lowers the overall cost of satisfying reliability in both areas and can have significant impacts on consumers.

While I would say not a lot has changed in the area of capacity deliverability there had been improvements. The ability to export capacity from

MISO to PJM has increased. A lot more capacity is being exported, so the priority on this side, I don't think we structurally have solved the problem, and I do not see a filing coming any time soon that will structurally solve this. The priority has diminished.

The serious problem is interface pricing and so I am going to talk at a very high level to avoid any specific issues that may be pending in other markets.

I want to explain sort of process wise where this has been and why it is important.

Generally, interface pricing, and this is the point at which I need to fight eyes glazing over, interface pricing is not some esoteric market design issue.

It is an absolutely essential component of RTO markets where at generator points and load points, generator points in particular, we send dispatch instructions and we set prices that will ensure that generators have an incentive to follow our dispatch.

There's only one way to get power to flow between these markets in an efficient manner and that is to set a price that reflects what it costs us to export power or how valuable it is to us when we import power.

That is the sole means to coordinate imports and exports, so if you do that wrong, you have serious problems, and we are doing it wrong between MISO and PJM.

This was an issue.

It is much more serious than you can imagine of how senseless it would seem to you if we needed a $50-megawatt hour generator to run and we set a price at $30, that, obviously, is a problem, right, but that would be a problem at one generator location.

The problem at the interface is that we have gigawatts of power flowing across these interfaces, and so if we do not set efficient incentives for participants to import and export, then predictably what is going to happen is you are going to generate large costs and we see large costs. We see tens of millions of dollars and uplift.

We see transactions being scheduled that are not efficient and the only way to really solve this is to get the prices right.

We identified this problem two years ago and a problem that we identified twelve years ago was the basic problem of relying on participants to schedule imports and exports in 30 minutes to an hour ahead of time.

We have been proposing for a very very long time to coordinate interchange to allow intra hour the interchange to be adjusted to reflect current market conditions.

What you heard is that there is a filing coming up in May to file provisions that would implement a regime that would do that which normally would be really good news.

The problem is what those provisions do is, is they tell participants, "If we forecast a price difference, then we will strike a transaction and then adjust the interchange efficiently."

The problem with that is our interface prices are not correct and so if we were to implement that provision without first fixing the interface pricing, I cannot predict that that would be a beneficial move.

So when and if that gets filed, maybe you will see a filing from me giving you more detail on that.

But from a process perspective, I am going to skip past a couple of illustrations that talk about why interface pricing is important and skip right to sort of the progress to date.

We raised this two years ago and after a lot of discussion we got to the point where pretty much everyone recognized the nature of the problem.

Sometimes we talk about it is as double payment of congestion like we are pricing congestion twice when we pay people to import and export.

But, really, what the problem is, given the way that prices are set, is where our most serious constraint in MISO was priced at 600% higher, the congestion on that constraint last winter than it should have been and it motivated a huge number of exports from PJM to MISO.

It is not limited to just paying twice. The cost can actually be significantly greater.

While there has been a recognition of the problem there has been very little progress on the solution, and so what I think is necessary in this case, and I have said this before in limited instances, is we really need FERC's involvement on this issue.

We need a deadline to file a solution to this. We are going to be filing interchange optimization in May. That seems like a fine deadline.

I mean, we have talked about this for a very long time and that gives us a few months to try to either agree or to disagree or to come to some consensus solution.

I would respectfully recommend that the

Commission could do a lot of good by pushing the process along in that one area. Thank you.

DR. BOWRING: Thank you for the opportunity to be here today. I will be brief.

My colleagues have covered most of the list of issues that have been addressed by the JCM process.

I would agree with PJM and MISO and David, that the JCM process is working reasonably well, but I would also agree with David that there are a couple of key issues that continue to be addressed.

One is the question of capacity sales between MISO and PJM regardless of which direction that goes in.

And while there has been progress made on some of the analysis, there are some very real substantive issues. Again, I am not going to get into the issues at the moment, I am happy to address them in the question and answer, if you like. I am talking primarily about process here.

There will continue to be issues as long as there are very substantial differences between the design for procuring capacity in MISO and the design for procuring capacity in PJM.

The simple notion that there should be transfers no matter what is excessively simple minded

and everyone recognizes that, that the issues are complex there. It remains a core issue that requires continued attention.

Second, I do agree with David here as well, that probably the most significant core issue for energy transactions is interface pricing.

It is core in making the seams work. It is core in making the other elements of the interface work.

Put simply. Although at the moment it is probably almost possible to fully implement, but the goal is to make the prices at the seam and the prices for transaction look exactly as if they were inside one big LNP market.

That is really the goal, and in a sense, transactions across a seam are archaic. It looks very different. It looks as if transactions were occurring in a model prior to the LNP world.

But I would say that we are working and have recently accelerated our efforts working with MISO, with PJM, with David, to try to get to the bottom of these issues.

If the issues were simple, we would obviously have gotten to a solution before, but they are not simple. They are complicated.

We have directly been meeting bilaterally with David and his group to try to make sure that we all agree and understand about the definition of the problem, the underlying data and continue to work PJM and MISO.

I am sure that a deadline of May is exactly the right answer. We have to be careful that an arbitrary deadline does not force a bad answer rather than getting to the right answer, but we certainly have been working on it for a long time and we remain, and I know, that the other participants here remain committed to working on that and that relieves the core issue.

Thank you.

MR. WHITE: Thank you very much for the invitation to address the Commission of these issues on behalf of the organization of MISO States and the Organization of PJM states.

We have certainly been involved and interested as you all well know in the enhancement of the coordination across the MISO and PJM seam.

We are going to provide you with an update on the progress and then have some additional thoughts as OMS and OPSI submitted joint comments on this docket we are going to do a joint presentation.

I am very pleased to be joined by Chair Jacobs of the Iowa Utilities Board who I will note also is serving as the President of OMS at this time and that is a very significant position, so I am very pleased.

I will provide an update with some observations and Chair Jacobs will provide some thoughts in going forward.

As I indicated, and we would appreciate this opportunity to address the progress of the MISO of Joint Common Market initiative.

As state regulators we will continue to monitor the seams issues within the JCM and we are pleased to report that we have observed good progress on a number of seams issues.

We also would like to note that OMS and OPSI continue to support further efforts some of which have been addressed here on some outstanding issues.

We also would like to stress the need for a continued sense of urgency in addressing certain issues.

As I mentioned we have observed noticeable improvements in communication and collaboration between PJM and MISO throughout the course of the JCM initiative and it is our view that RTOs have demonstrated a willingness to negotiate and work

together through the myriad of coordination issues.

We are encouraged to see this progress in partnership between the RTO staffs and a greater sense of engagement by the stakeholders.

The stakeholders are very very actively involved in this process and is very well attended having very robust discussions at the JCM meetings.

Previously we advocated for a fact-finding process on issues surrounding capacity deliverability in particular.

In response to that request, the RTOs have answered a number of questions posed by OMS and OPSI and have completed considerable analysis to help inform the JCM initiative on these issues.

The fact finding results have helped shed light on potential future operations, the two RTOs and their systems capabilities.

At the last JCM meeting we observed some developments that we feel were promising in the area of capacity deliverability.

MISO has indicated its willingness to review a one-directional effort for transfers from PJM to MISO and we support MISO's decision to move forward on the concept of capacity deliverability in this manner at this time.

The importance of the MISO decision on capacity deliverability is highlighted by the projected reserve margin shortfalls in the MISO footprint.

As you well know the potential shortfalls are further complicated by retirement announcements in the states and as states and generators contend with compliance with EPA rules.

Also as noted by our panelists, PJM and MISO's engagement in this directional method makes sense with the states because MISO to PJM transfer capabilities essentially subscribe up to the recently implemented PJM capacity in Portland while there is, apparently, a remaining import potential on the MISO side.

It is a potential for a multitude of complicating issues associated with trying to use the MISO network resources and the PJM three or four-year capacity procurement process.

Those issues may well be explored in the future, but most likely would not limit the potential for additional capacity transfers from PJM to MISO.

We look forward to continued collaboration between the RTOs and the start of implementation as the details on these complex issues are worked out.

With that, I now turn it over.

MS. JACOBS: Thank you, Commissioner White, and Commissioners, thank you on behalf of the Organization of MISO States.

We appreciate the opportunity to be here today and provide the state regulatory perspective on the issue of MISO and PJM Joint and Common Market activity.

As the one who appears to be sitting in the cleanup batter role, it is a little hard to come up with something fresh and new to report to you based on what we have heard this morning.

I would like to bring out to you the three outstanding issues which OMS and OPSI considered to need further attention and also much more ongoing work.

I also know that a couple of these are open dockets, so I will dance around those things that I need to there as well. To us the most important issue that is currently before us is cross-border in regional planning.

This issue has already been identified for additional work within the JCM initiative and the MISO - PJM Inter-Regional Planning Stakeholders Advisory Committee and there seems to be good momentum among the stakeholders and RTOs to address this issue in a

robust manner. We have heard some of that this morning.

We do urge the RTOs to continue to work on this important issue bringing a sense of urgency to the table.

Commissioner White also mentioned "sense of urgency," and that is the phrase we would like to leave with all of you this morning as many of these issues have been perking for a while, and given where we may be going in the next few years in terms of reliability needs and other issues facing us, "sense of urgency" is kind of our mantra today.

There are other seam issues that we do believe need additional attention and focus from the RTOs in order to move towards completion, those that include interchange optimization and interface planning, ideas that you have already heard from the other presenters this morning.

It is encouraging to us to observe that the RTOs have developed a comprehensive timeline and plan for implementation of the coordinated transaction scheduling to address interchange optimization.

As the RTOs have noted, they anticipate filings on this in May of this year and implementation scheduled in 2016 and we applaud them for that

schedule.

While this is encouraging to us, we also note another issue of importance to state regulators is interface pricing.

While we understand that that is an issue currently being considered before FERC, I will try to dance around and to not go into too much detail, other than to leave with you the thought that the basis for our interest in this item is the idea that without appropriate interface prices, the benefits of the RTO efforts to address interchange optimization through the coordinated transaction scheduling may not be fully realized if the interface prices are not providing proper price signals to the market participants. I do not think I can say much more than that.

The states do urge the RTOs, the IMMs, and all the other participating stakeholders to strive to come to some agreements on the complex issue of interface pricing.

We applaud the Commission for tackling this issue and stand ready to offer any assistance in feedback, input, whatever you need from us.

I would also like to note on behalf of OMS, that while the proceedings this morning are reflective

on PJM and MISO, only a few of our states are dealing with that seams issue.

Other members of our organization are on the western front. Some are facing new issues with the SPP given the WAPA and Basin Integration, so we take very seriously as everyone here does, the overall arching national approach to how these issues work and why we are here today to talk about PJM and MISO. Many of our members would also want me to say very much that there are other RTOs we look at as well and we appreciate your knowledge of that.

With that, we greatly appreciate the opportunity to appear before you. Were are pleased that things are moving along as well as they are.

We do agree with Dr. Patton that there is more work to be done, but we appreciate the opportunity and we stand ready to be of assistance in any way possible. Thank you.

CHAIRMAN LAFLEUR: Thank you very much to all of you for being here for the written materials you submitted and for those thoughtful comments.

Just to echo something that I have been pining to say and Chair Jacobs said it well. The seams issues where we have been talking about PJM - MISO today, we have substantial issues between MISO and SPP

that are pending.

There are really seams across the country between markets and regions and unlocking the value across those seams is critical to delivering just and reasonable rates to customers and reliability and so it is a big piece of our collective work.

Before I forget, I want to thank Commission staff for their work in attending the meetings in recent years and months and keeping us updated which led us to scheduling it this morning for an update.

It has been more than a year and a half since we sat at this table and had this discussion.

I really appreciate since that time how much the schedule you turned in and how much you kicked up the process, especially the work beyond the RTOs and their monitors, the work of the state regulators and really moving the process along.

We very much appreciate that.

We all know you have made a lot of progress in a lot of areas as they are highly technical and in some cases highly contentious particularly because of the underlying market and state regulatory structures underneath them.

I would not be honest if I didn’t say, as I have been following the process, I have been a little

disappointed with the level of progress on some of the thorniest issues many of which have come up today.

On cross-border planning, we did vote out an order last month on the PJM - MISO intraregional work and scheduled a Tech Conference on a long-standing NIPSCO complaint directly on those.

There is a lot of more work to do here and some of it we tasked back to you and some that we still will be doing.

But the other ones that really rise to attention is our capacity deliverability, and interface pricing, which Dr. Patton spoke so much about.

As we think about what the Commission should do further to move the process along, Dr. Patton made a direct request on interface pricing, but do you think we have the key issues right?

I’m interested in anyone commenting because I am at least actively contemplating should we do something more active than to ask for another schedule which is what we decided to do after a lot of tough talk as that is what we did the last time.

It was, "Give us a schedule. We need that schedule," but what should we do, is there something more active such as to set a schedule on some of these

issues and invite comment from others who have not mentioned that. Beginning with whoever wants to pick it up. Mr. White?

MR. WHITE: Thank you, Chairman. I would like to echo Joe Bowring's comments on that point. There is value to setting deadlines because we tend to operate with a greater sense of urgency when we have deadlines in front of us.

At the same time, we don't want to set such a deadline as to end up with a product that is inferior because of lack of time.

These are very complex issues.

As you all well know, we do work over these issues pretty hard, so while the concept of setting a firm deadline is something that should be considered, we just want to express our concern that if it is too tight we could arbitrarily end up with something inferior to what we would all like to see.

DR. BOWRING: Providing the appropriate sense of urgency on this issue is critical.

As I said before, I do not think a hard line makes sense, but a deadline for example of June for us to report back collectively to you about where we are, and if we have not made progress to that point, then a short term deadline would certainly be an appropriate

response.

There is no reason why we should not be able to work it out, but if we knew the answer, we would have told you already.

We don’t.

Some can think on that answer more clearly than others, but we are working on that, and we continue to work hard on it and being directed to work even harder would be useful.

MR. BRESLER: I would echo some of those comments. A deadline that required a solution in a very near-term time frame would be very difficult and potentially damaging if it resulted in an inferior approach.

From PJM's standpoint, the proposal that Dr. Patton has made on this issue would be from PJM's standpoint a somewhat revolutionary approach to interface pricing.

There is no reason why that would not be the right answer just because of that.

Our only comment is that we need to make sure that we thoroughly analyze and vet it before we decide whether or not that is the right approach.

In the meantime, PJM has made a change to our interface price definition for transactions to and

from MISO and we believe that that change has improved the interface pricing performance and eliminated at least a part of the issues that Dr. Patton originally brought forward.

The point I am making is that we are not opposed to making change. Certainly there has been change already and there is a chance or the possibility that we would eventually adopt the approach that Dr. Patton has proposed. We just cannot do it without making sure that it is the right approach.

CHAIRMAN LAFLEUR: I appreciate those thoughts. You have really encapsulated what we struggle with. We want to add value and make the process work.

We have had this seams for a decade and we are all looking in the mirror saying, "What can we do to make this go better if this is the first out of the gate of these sorts of issues?"

We very much appreciate your thoughts and now I will turn it over to Phil.

COMM. MOELLER: Thank you, Chairman LaFleur for your last point which is the one I wanted to start with, which is, as I think back to my time of the Commission this issue of the Joint in

Common Market, this set of issues, it is probably the most frustrating because it is partly our fault.

I believed it was 2007 where we kind of took our foot off the gas and stopped requiring the quarterly reports and basically lost focus on the fact that these issues were not going away and were going to have to be solved eventually.

I appreciate the effort that has been gone into over the last year and a half.

Now put me in the sense of urgency camp.

Given the changes in resource adequacy in both markets, and they are going to toggle back and forth over the next few years with a MATS retirements, but certainly with a Clean Power Plan on the horizon, we really have to get going on this and of those three sets of issues that I think Chair Jacobs put out.

Some of those matters are pending, but there's a lot of efficiency in terms of greater inter-regional planning of transmission, getting the price right, obviously, and then dealing with this obvious difference in how capacity is treated between the markets, we really have to get going.

For fear of asking any questions to get into areas where we should not tread, if anybody has a

response to my comments, you are welcome to them.

MS. JACOBS: As I mentioned earlier, sense of urgency is important to us, and obviously, being mindful in how issues are approached, is very helpful.

We can almost look at a two-tier approach, the very formal approach with FERC and the medium deadlines and the filing of information.

Informally, the states can do a better job of having conversation across our state lines in talking with our peers on other commissions to see what we can do collectively kind of underneath the formal process to say how can we work, staff to staff, commission to commission, to try to move some things along as well.

That would be the pledge I could make from OMS, and I would assume, but I do not want to put words in Commissioner's White's mouth that would assume that OPSI would be willing to do the same thing, so informal dialogue tends to help move things along as well.

CHAIRMAN LAFLEUR: Thank you. We are blessed with two former OMS members here at the table and so we will start with Mr. Clark.

COMM. CLARK: Thank you, Madame Chairman. Just a couple of questions. It seems like we have

gone through a bit of an evolution, and Phil hinted at this as others have as well, where there was a period of somewhat benign neglect on behalf of the Commission and so all of us as stakeholders.

About a year and a half to two years ago that started to transition a little bit where the Commission was more actively engaged in terms of providing oversight, but didn’t interject itself in a full way into the proceeding and now we are hearing that there may be a little bit more need or a desire to push the gas pedal a little bit more.

I am curious from a strategic standpoint as you see the outstanding issues. There are different ways to prioritize those if the Commission were to look at and which areas do we want to put a little extra muscle into in terms of helping to push along the process.

One way to prioritize the issue, as I guess this is low hanging fruit, what I am sensing has probably been what has happened up to this point, as indicated, sometimes it is good just to have some victories in the process. They may not be the big dollar victories, but they are victories nonetheless.

Another way to prioritize this. Where is the

big money here that can benefit consumers?

If we were to prioritize on that basis looking at the outstanding issues of achievability, and big dollar impacts, looking at interface pricing and the Ontario Michigan Regulators, and the other issues that we have all identified, where would be the place to focus? I think I know what Dr. Patton may say.

DR. PATTON: Yes, that is generally how we prioritize our state market report recommendations is, "Where are the really big gains in efficiency that can be made that will impact consumers and improve reliability?"

Something interesting to think about when you think about markets are markets that perform well, improve reliability, and markets that don’t perform well undermine reliability. Sometimes people think of them as OPSI where you can do one or the other.

One of the examples that we showed on interface pricing is we massively overpriced congestion last winter and that resulted in an average of something like 3 gigawatts being exported from PJM to MISO.

This was during that timeframe when we were just coming out of a polar vortex and PJM had just incurred a half billion dollars in uplift committing

tons of generation under conservative operations and they are exporting gigawatts to MISO where it is demonstrably less valuable.

But they are doing that because we are setting a price telling them to do that.

Certainly interface pricing would be number one. Capacity deliverability would be number two and comment on the deadline issue.

The one concern you heard was, "We do not want to rush to an inferior solution," but we have only had two solutions on the table for more than a year and we have done an incredible amount of analysis on those two solutions.

Obviously, there is one clearly correct answer. Not everyone agrees with me. But if we did have a deadline to file, it would be useful just to file, and say, "We are agreeing to disagree," and hear the pros and cons of these two solutions that we have an enormous amount of research on and then allow the Commission to maybe weigh in and give some guidance and push the needle in one direction or the other, so it does not have to designate an answer.

MS. CURRAN: A quick follow-up to Dr. Patton. Generally, we agree that the two or three items that we have been talking about from a PJM

perspective on interface pricing, capacity deliverability, and making sure that you have the infrastructure are all important.

With respect to interface pricing deadline, I would note that MISO does support Dr. Patton's recommendation.

That has not made it any less complicated from our perspective in terms of making sure they were considering all the second and third order impacts, the unintended consequences as we work through implementation.

We have an appropriate sense of urgency, but it does take some time because it is a complicated issue.

From MISO's perspective, and I don't want to get into a lot of open dockets, but I want to echo something that Chair Jacobs said earlier.

From MISO's perspective we have a number of seams, and while these are the issues that we were talking about that may be most valuable with PJM, from MISO's perspective there is likely even greater value in some cases from advancing our other seams in the same direction to get to some of the same points where we with PJM today.

COMM. CLARK: One last question that I will

direct to Greg and Libby which is this issue of capacity deliverability which always comes up is number one or two depending on who is ranking issues we should be dealing with.

I am curious how much shoulder you think the Commission you think should be putting behind this understanding that it can become a sensitive issue for states in this regard which is the issue that both Dr. Patton and Dr. Bowring have brought up in a number of occasions, which is, when you really start wrestling with that issue you are getting at the heart of two very different capacity products that are basically designed around two very different regions in terms of how states regulate their utilities, and if the Commission really pushes on this, it might get us to asking some questions that might be very uncomfortable for some states who told us they normally like one or the other product being imposed on their region.

That is my question.

How much shoulder should we really be putting into this before we answer that really more "core" question about, "Do certain products work in certain regions and vice versa?"

The adjunct of that would be if we are not willing to go that far, are we sort of spinning our

wheels and wasting our time in the capacity deliverability side of things as opposed to some of these other issues?

MR. WHITE: I do not disagree, Commissioner, at all with your comments, but also with some of the comments that our panel submitted here today.

There is not a one-size-fits-all because if there was, then we would have done that long ago.

One of our challenges as you know very well is that we have different resources available in different situations. There is different infrastructure in place, however we are moving into a period where there is a sense of urgency.

Significant retirements will be taking place. The landscape for generations is changing, and as a result, maximizing those opportunities for capacity deliverability can be a huge part of the solution.

Continuing this process and continuing to work hard is going to deliver benefits to customers, benefits to the states, and the generators as we all try to comply with the regulations that are on the horizon.

In terms of the impetus that FERC puts on which carries tremendous weight, you are in the right place to do that and we would welcome your support of

that sense of urgency.

I do see that there are opportunities for benefits on multiple of parts of the region in multiple states.

MS. JACOBS: Commissioner Clark, I agree with the comments made by Commissioner White.

On a couple other things.

In order to have that dialogue state-by-state we have to remember, just like you, we have certain statutory requirements and in most states it is to look out for the consumer interests and financial viability of the industry.

It seems to me a sense of urgency around the topic you raise make sense and does fit within those statutory requirements that most of us have to fulfill on a daily basis.

With that said, I also know there are several states that would probably offer to push back to the concept. We just need to continue to talk and try to figure out what makes the most sense for the consumer and for the reliability that is needed as well.

In OMS we have several states that are touched by three different RTOs, so it is not just, "Maybe on this seam or that seam," but how do we deal with a multitude of RTOs and the issue of capacity

deliverability?

If you can find some low hanging fruit on that topic, that would be terrific.

I call myself a pragmatic optimist. We can work through this, but I do believe that there is a role for FERC to play in trying to push it forward.

It is not one of those things that should be just put aside because as you know it is controversy on something that no one really wants to talk about.

Not that FERC would ever do that, but it is important that we continue to have the dialogue and try to find a "sliver of common ground" to begin and with that we can build off of that.

COMM. BAY: I would like to thank MISO and PJM for the progress that has been made to date.

Clearly, more work remains to be done. It sounds like low hanging fruit has been plucked and now we are talking about the high hanging fruit and one of the highest hanging pieces of fruit would be interchange pricing.

What would be helpful to me is to get a sense from some of you as to what your perspective is in a general way as to what the obstacles are in trying to figure out that problem.

MR. BRESLER: Dr. Patton referred to how long

we have been talking about the issue. I will certainly not deny that at all. It has been a long time and there has been a lot of analysis done.

PJM has made a change to our interface definition for MISO in direct response to the concern that was expressed.

Given the change we made, I am not sure I understand the reference with respect to prioritization, the polar vortex, and the uplift payments as I do not see a direct correlation there.

I do agree it is a high priority item because it could involve significant amounts of settlements. But the challenge in getting to a solution is in making sure that the changes we made to the interface pricing does not have negative impacts elsewhere.

PJM has always defined our interface prices, so that we reflect the impact of energy transactions on the transmission system and more specifically on the transmission constraints for which we are actually operating.

Part of the solution of Dr. Patton as proposed is essentially eliminating the impact of some transmission constraints in the interface price.

That may end up being the right solution, but

the other difficulty in the analysis and the technicality behind it is in making sure that doing so does not have detrimental effects elsewhere.

PJM has also proposed a solution that we think does eliminate the initial concern that was expressed. It does eliminate the double counting of the congestion.

Dr. Patton has expressed concerns with that proposal and I do not disagree at all that there is more work to be done and more things that we can do to improve the market results from our coordination.

But I do think that PJM's proposal would be a step in the right direction while we continue to evaluate whether or not for the something like Dr. Patton's solution is right for the long term.

DR. PATTON: Yes, the core of the issue is that when you market-to-market process, your neighbor is going to include your constraints in their dispatch which makes a lot of sense.

There is no way that PJM generators are going to move to help relieve a MISO constraint unless LNPs include the MISO constraint and the loads.

That part of it makes sense.

The oversight, when we put in market-to-market was that there is one market participant that settles

with both of us and that is somebody importing and exporting power.

They paid PJM to export and they pay MISO to import. We calculate the benefit or the cost of that import or export on the MISO constraint and then both of us price it and then we are going to pay them twice so even going with the double counting.

The problem is it is more complicated than that and what we are actually doing is paying them way more than twice, so it is actually a more serious problem than we initially thought it was.

The very simple solution is that the PJM should pay importers and exporters for PJM constraints and MISO should pay importers and exporters for MISO constraints and the problem goes away and it is efficient.

That is the solution we have been trying to work our way through. This may be the first issue where I really can't understand why there is not a rush to adopt it.

Usually we make recommendations to the day ahead market report and we get a wave of protest, and I can say, "I know why that participant is protesting because it is going to hurt his pocketbook," or, "The utility does not like it because it is going to

increase the cost to its consumers."

This is the case where I have no idea why we have adopted this solution. It costs MISO some money. It costs PJM a huge amount. We have it estimated for 2014, but conservatively it is going to be in the $50 million to $60 million of balancing congestion range. Maybe more.

I am mystified and that is why I think in part I don't know how to put any odds on us breaking the logjam and solving the problem.

DR. BOWRING: I do not agree with everything that David said about the major issue or the quantification of it, but the essential point is, and is part of the reason it has taken a long time, is to make sure that we are all on the same page with respect to both modeling.

We should be able to model this systematically and show one another what the impacts are or are not and the same thing is true with the underlying theory of LNP.

We have got to be able to show theoretically why one answer is better or is not, and rather than rely on specific examples, we need to do it systematically.

That is the direction we need to go in and I

do not think it has been done adequately.

We are in the process of trying to do that coordinating closely with David in trying to meet with him almost every week recently.

There is no reason it should have taken this long. I do not think there was adequate attention paid to it, but that is the reason that it has been taking time right now.

COMM. HONORABLE: Thank you, Chairman and thank you for the presentations.

I would like to commend you, Commissioner Bay, on the progress that you have made thus far.

It is also clear to me that the hanging fruit that is not as low is very complex, but it is also clear to me that time is of the essence and I appreciate both presentations from Drs. Patton and Bowring into taking into account the differences.

It is still very clear that this issue with regard to interface pricing is significant.

The fact that money is being overpaid, that there is overpricing, should get all of our attention.

With regard to how we move forward, how you move forward, how the Commission would move forward, I see value in both approaches, clearly.

Maybe there has been benign neglect, but I

won't say that this is FERC's problem initially. I am familiar with how you work. I am familiar with your processes and how task oriented it is to get consensus and to work with a number of very diverse stakeholders.

But you are very capable because you have very bright and committed people to do the work.

I see value in both, the stakeholders working, including the states, and all of the myriad of stakeholders that you interact with from day-to-day along with some prodding by this Commission. I do not think it would be too difficult to tackle this if we all focus together on it.

It is clear from the presentations today that maybe we collectively have not done that and I certainly support an effort whether it is additional quarterly reporting, honestly, whether it is deadlines because it is clear that this has gone on for some time and time, clearly, is of the essence, and I look forward to focusing more on this issue.

CHAIRMAN LAFLEUR: Thank you all, again, very much for this discussion. We will clearly be stepping back and thinking about how we can help to take it forward and I know you already are actively working on it.

Thank you for your comments on the other items on our list as well, and with that, this meeting is adjourned.