

134 FERC ¶ 61,010  
UNITED STATES OF AMERICA  
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Jon Wellinghoff, Chairman;  
Marc Spitzer, Philip D. Moeller,  
John R. Norris, and Cheryl A. LaFleur.

Midwest Independent Transmission System Operator,                      Docket No. ER11-2053-000  
Inc.

ORDER CONDITIONALLY ACCEPTING TARIFF REVISIONS

(Issued January 7, 2011)

1. In this order, we conditionally accept for filing Midwest Independent Transmission System Operator, Inc.'s (Midwest ISO) proposed revisions to its Open Access Transmission, Energy and Operating Reserves Markets Tariff (Tariff) to permit the calculation of interface prices using both internal and external Elemental Pricing Nodes, to be effective November 9, 2010, as requested, subject to a compliance filing, as discussed below.

**I. Midwest ISO's Filing**

2. On November 8, 2010, Midwest ISO submitted for filing, under section 205 of the Federal Power Act,<sup>1</sup> proposed revisions to sections 39.2.9(h) and 40.2.17(g) of the Tariff to remove the word "external."<sup>2</sup> Midwest ISO states that it may have inadvertently narrowed the pricing provisions for the determination of LMPs at the Interfaces<sup>3</sup> when it

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<sup>1</sup> 16 U.S.C. § 824d (2006).

<sup>2</sup> In its transmittal letter, Midwest ISO states that it proposes similar modifications to section 40.2.15(h) of the Tariff. Midwest ISO November 8, 2010 Filing, Transmittal Letter at 4 (Midwest ISO Filing). However, Midwest ISO did not include any proposed revisions to this section of the Tariff in the filing.

<sup>3</sup> Section 1.327 of the Tariff defines Interface as "[a]n external Commercial Pricing Node where an LMP will be calculated to settle Market Activities associated with Import Schedules, Export Schedules, or Through Schedules. Interfaces are specified in the Business Practices Manuals." Midwest ISO, FERC Electric Tariff, Fourth Revised Vol. No. 1, First Revised Sheet No. 183.

revised the Tariff to incorporate its new markets for ancillary services. Specifically, Midwest ISO states that it determined that its currently effective Tariff pricing provisions inappropriately fail to permit the use of an internal Elemental Pricing Node (EPNode)<sup>4</sup> in developing the Locational Marginal Prices (LMP)<sup>5</sup> for an Interface Commercial Pricing Node (CPNode).<sup>6</sup> Midwest ISO asserts that it is proper to use internal EPNodes in some circumstances, and has been calculating an LMP for an Interface CPNode using internal EPNodes.<sup>7</sup>

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<sup>4</sup> Section 1.174 of the Tariff defines EPNode as “[a] single Bus where [Locational Marginal Price] is calculated.” Midwest ISO, FERC Electric Tariff, Fourth Revised Vol. No. 1, Original Sheet No. 132.

<sup>5</sup> Section 1.366 of the Tariff defines LMP as “[t]he market clearing price for Energy at a given Commercial Pricing Node in the Transmission Provider Region which shall be equivalent to the marginal cost of serving demand at the Commercial Pricing Node while meeting Zonal and Market-Wide Operating Reserve Requirements.” Midwest ISO, FERC Electric Tariff, Fourth Revised Vol. No. 1, First Revised Sheet No. 195.

<sup>6</sup> Section 1.74 of the Tariff defines CPNode as “[a]n Elemental Pricing Node or an Aggregate Price Node in the Commercial Model used to schedule and settle Market Activities. Commercial Pricing Nodes include Resources, Hubs, Load Zones and/or Interfaces.” Midwest ISO, FERC Electric Tariff, Fourth Revised Vol. No. 1, Original Sheet No. 98.

<sup>7</sup> Midwest ISO Filing at 2. Midwest ISO further states:

The subject Interface is comprised of transmission equipment that allows the ability to control the flow of energy across the equipment; in practice, flows across the equipment are controlled to pre-determined schedules. In calculating pricing, hypothetical increments to energy outflows are calculated at each EPNode. If a hypothetical incremental outflow of energy is added to a generator external to this controlled equipment, equipment that does not change flow as the generator changes output, the resultant flow would be forced along other paths, and would not be representative of the conditions experienced by the Midwest ISO at the Interface. To correctly reflect the system conditions on the MISO-side of the Interface, an EPNode internal to the Midwest ISO must make up the Interface. In other words, conditions external to MISO are not an adequate model of

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3. In support, Midwest ISO states that the definition for Interface, under section 1.327 of the Tariff, does not limit the [external] CPNode constituting the Interface to using only external EPNodes. Further, Midwest ISO explains that the applicable Business Practice Manual contemplates the possibility that an Interface CPNode may in fact include internal EPNodes in the LMP calculation.<sup>8</sup>

4. However, as explained above, Midwest ISO asserts that the currently effective pricing provisions in sections 39.2.9(h), 40.2.15(h), and 40.2.17(g) of its Tariff cannot accommodate this otherwise permissible composition of an Interface because the language limits the LMP calculation for an Interface CPNode to only including external EPNodes.<sup>9</sup> Midwest ISO states that sections 39.2.9(h), 40.2.15(h), and 40.2.17(g) of the Tariff provide a mechanism for calculating, respectively, the Day-Ahead, Real-Time ex-ante, and Real-Time ex-post LMP at Midwest ISO Interface CPNodes.<sup>10</sup> Accordingly, Midwest ISO states that it proposes to modify the interface pricing provisions in a manner that will not inhibit the pricing of an Interface CPNode where such CPNode is comprised of one or more internal EPNode(s).

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conditions at the Interface; instead, the most accurate model of conditions is represented through the use of one or more internal EPNodes.

*Id.* at 2 n.3.

<sup>8</sup> See Midwest ISO, BPM-002-r9, § 5.1.5 (stating “Midwest ISO calculates an External Interface price for all external BAs. These prices are generally based on the LMPs for a set of Generator EPNodes that exist in the external BAs, but could be based on other definitions as individual situations warrant. Generally speaking, the set of EPNodes used for an External Interface price is the set of Generators (excluding Nuclear Generation Resources) in the external BA for which the calculation is being done. If the external BA is not in the Midwest ISO Network Model, then an electrically approximate BA will be assigned for the BA and the Interface price for that non-modeled BA will use the same Interface price as is used for the electrical approximate BA (e.g., the Southern Company BA Interface bus price is used to settle any transactions that sourced or sink in Florida since facilities in Florida are not currently included in the Network Model, etc.). The Midwest ISO may need to change which EPNodes are used in the External Interface price calculations as operational experience dictates”).

<sup>9</sup> Midwest ISO Filing at 2-3.

<sup>10</sup> *Id.* at 3.

5. Midwest ISO asserts that the proposed revisions are just and reasonable and not unduly discriminatory. It states that these revisions will enable Midwest ISO to include EPNodes internal to Midwest ISO in the calculation of Interface LMPs where appropriate. Midwest ISO states that where conditions external to Midwest ISO are not an adequate model of conditions at the Interface, the modifications will permit Midwest ISO to determine the LMP at the Interface using the most accurate model of conditions, which may be represented through the use of one or more internal EPNodes.<sup>11</sup>

6. Midwest ISO requests that the Commission make the proposed Tariff revisions effective one day following the date of the filing (i.e., November 9, 2010). To permit this effective date, pursuant to 18 C.F.R. § 35.11 (2010), Midwest ISO requests waiver of the Commission's prior notice requirement. Midwest ISO states that the requested waiver and effective date is necessary to ensure timely and efficient resolution of the inconsistency in the Tariff.<sup>12</sup> In addition, Midwest ISO requests limited waiver of the Tariff's current provisions regarding Interface Pricing for the period between January 6, 2009, the initial effective date of the Tariff, and the effective date of the Tariff modifications contained in the instant filing.

## **II. Notice of Filing and Responsive Pleadings**

7. Notice of Midwest ISO's filing was published in the *Federal Register*, 75 Fed. Reg. 70,230 (2010), with interventions and protests due on or before November 29, 2010.

8. Ameren Services Company, American Municipal Power, Inc., Consumers Energy Company, The Detroit Edison Company, Otter Tail Power Company, and Wisconsin Electric Power Company filed timely motions to intervene. MidAmerican Energy Company (MidAmerican) filed a timely motion to intervene and comment.

9. In its comment, MidAmerican states that it is unable to locate the revisions to section 40.2.15(h) among the tariff sheets submitted with the filing despite Midwest ISO's transmittal letter noting that the filing proposes revisions to the real time ex-ante prices in section 40.2.15(h) of the Tariff.<sup>13</sup>

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<sup>11</sup> *Id.*

<sup>12</sup> *Id.* at 4.

<sup>13</sup> MidAmerican November 29, 2010 Comment at 3.

### III. Discussion

#### A. Procedural Matters

10. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2010), the timely, unopposed motions to intervene serve to make the entities that filed them parties to this proceeding.

#### B. Substantive Matters

11. We conditionally accept Midwest ISO's proposed revisions to the Tariff, to be effective November 9, 2010, as requested. We find that the proposed tariff revisions will allow Midwest ISO to calculate Interface LMPs using the most accurate model of system conditions at the Interface, which may include internal EPNodes under certain circumstances. As Midwest ISO notes, in certain instances, external resources do not accurately represent system characteristics at the Midwest ISO-side of the Interface, particularly when phase shifters or other control devices exist at an Interface. Therefore, the tariff revisions will allow Midwest ISO to make certain that the system conditions on the Midwest ISO-side of an Interface are accurately reflected in the LMP calculation.

12. However, it appears that Midwest ISO did not include revisions to section 40.2.15(h) of its Tariff, as stated in its transmittal letter. Therefore, we direct Midwest ISO to include the revisions to section 40.2.15(h) of its Tariff in a compliance filing to be filed within 30 days of the date of this order.

13. We will grant waiver of the 60-day prior notice requirement<sup>14</sup> for good cause shown so that the proposed Tariff revisions become effective one day after the date of the filing.

14. With regard to Midwest ISO's request for a limited waiver of its current Tariff provisions, where good cause for a waiver of limited scope exists, there are no undesirable consequences, and the resultant benefits to customers are evident, the Commission has found that a one-time waiver is appropriate.<sup>15</sup> We find the waiver

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<sup>14</sup> See *Central Hudson Gas & Elec. Corp.*, 60 FERC ¶ 61,106, *reh'g denied*, 61 FERC ¶ 61,089 (1992).

<sup>15</sup> See, e.g., *Cal. Indep. Sys. Operator Corp.*, 133 FERC ¶ 61,020, at P 8 (2010) (finding good cause exists to grant waiver to avoid potentially unnecessary expenditure of resources and promote efficiency, no undesirable consequences will result from granting waiver, and customers will benefit from conservation of resources); *Southwest Power Pool, Inc.*, 126 FERC ¶ 61,088 (2009) (granting waiver to avoid paying for transmission

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request in the instant proceeding meets these criteria. Specifically, we find that good cause exists to grant the waiver request to avoid the inconsistencies described above and allow Midwest ISO to continue to ensure the accurate calculation of Interface LMPs. We further find that no undesirable consequences will result from granting the waiver and customers benefit from LMP calculations based on the most accurate model of system conditions at the Interface. Therefore, we grant Midwest ISO's limited waiver request of its Tariff provisions for the period between January 6, 2009 and the effective date of the Tariff modifications being accepted in this order.

The Commission orders:

- (A) Midwest ISO's filing is hereby accepted to be effective November 9, 2010, as requested, as discussed in the body of this order.
- (B) Midwest ISO is hereby directed to submit a compliance filing within 30 days of the date of this order, as discussed in the body of this order.
- (C) Midwest ISO's request for limited waiver is hereby granted, as discussed in the body of this order.

By the Commission.

( S E A L )

Kimberly D. Bose,  
Secretary.

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services not needed); *Cal. Indep. Sys. Operator Corp.*, 124 FERC ¶ 61,031, at P 19, *reh'g denied*, 124 FERC ¶ 61,293 (2008) (granting waiver to facilitate a more efficient and timely interconnection queue management process); *Cal. Indep. Sys. Operator Corp.*, 109 FERC ¶ 61,153, at P 28 (2003) (granting waiver from a tariff provision for a high-value project with overriding regional significance that provides substantial benefits to customers); *TransColorado Gas Transmission Co.*, 102 FERC ¶ 61,330, at P 5 (2003) (granting waiver for good cause shown to address calculation in variance adjustment). *See also Midwest Indep. Transmission Sys. Operator, Inc.*, 129 FERC ¶ 61,125 (2009).