



Federal Energy Regulatory Commission
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Open Commission Meeting
Staff Presentation
Item E-1

"Good morning Chairman Wellinghoff and Commissioners.

The draft order conditionally accepts, subject to compliance filings, Midwest ISO's proposal to create a new category, designated as Multi Value Projects, for transmission projects that are determined to enable the reliable and economic delivery of energy in support of documented energy policy mandates or that address, through the development of a robust transmission system, multiple reliability and/or economic issues affecting multiple transmission zones. In its proposal, Midwest ISO has developed a functional approach to identifying Multi Value Projects in a manner that will allow Midwest ISO and its members to: 1) identify transmission projects that will benefit the grid and that may also satisfy documented energy mandates and laws; 2) ensure thorough, transparent consideration of the many factors that will determine which transmission projects should receive 100 percent regional cost sharing within the region; 3) allow Midwest ISO flexibility to move forward Multi Value Projects to maximize benefits within and across the region; and 4) further progress toward the goal of facilitating efficient regional transmission planning.

Additionally, the draft order accepts Midwest ISO's proposal to make permanent the interim cost allocation methodology for generator interconnection projects conditionally approved by the Commission on October 23, 2009 in conjunction with the Multi Value Project proposal and create a new class of generator interconnection projects called Shared Network Upgrades. Shared Network Upgrades reduce the financial burden faced by an initial generator interconnection customer that funds a network upgrade by requiring subsequent interconnection customers that benefit from the same upgrade to contribute to the costs of such upgrade.

As proposed, to qualify as a Multi Value Project, a project must meet at least one of three criteria. Criterion 1 requires that the project be developed through Midwest ISO's transmission expansion planning process for the purpose of enabling the transmission system to deliver energy in support of documented energy policy mandates or laws that have been adopted through state or federal legislation or regulatory requirement. The Multi Value Project must be shown to enable the transmission system to deliver such energy in a manner that is more reliable and/or more economic than it otherwise would be without the transmission upgrade.

Criterion 2 requires that the project provide multiple types of economic value across multiple pricing zones with a total project benefit-to-cost ratio of 1.0 or higher. Criterion 3 requires that the project address at least one transmission issue associated with a projected reliability violation and at least one economic-based transmission issue that provides economic value across multiple pricing zones and generates financially quantifiable benefits in excess of the total project cost.

In its proposal Midwest ISO submitted a list of 16 potential starter projects that are illustrative of the projects that could be selected as Multi Value Projects. Midwest ISO performed an analysis of the starter projects and estimates that these projects will deliver between \$582 million and \$798 million in annual economic benefits starting in 2015 in the form of production cost savings, reductions in transmission losses, and a reduction in the region's reserve margins. Additionally, Midwest ISO states that further benefits, though not

quantified, may be realized. Specifically, Midwest ISO explains in its proposal that even a relatively small reduction of 0.5 percent in reserve requirements would result in a deferral of about 500 MW of capacity investment, saving approximately \$500 million annually.

The draft order accepts Midwest ISO's proposal to recover the costs associated with Multi Value Projects through a system usage charge (i.e., MWh) allocated to all load in, and exports from Midwest ISO with the exception of exports to serve load in the neighboring PJM RTO.

The draft order requires Midwest ISO to make two compliance filings. The first compliance filing requires Midwest ISO to: 1) add tariff language stating that it will use a portfolio approach to identify Multi Value Projects; 2) file annual informational reports detailing the selection of Multi Value Projects; 3) ensure that the Multi Value Project usage rate is not applied to export or wheel-through transactions that sink in the PJM region; 4) clarify the proposed definition of Monthly Net Actual Energy Withdrawal; and 5) clarify that the divisor of the Multi Value Project usage rate reflects the MWhs of grandfathered service provided by each transmission owner to reflect an allocation of costs of Multi Value Projects recovered under grandfathered agreements.

The second compliance filing requires Midwest ISO to describe what changes to its allocation of congestion rights are necessary to reflect the allocation of Multi Value Project costs.

That concludes our presentation on this draft order. We would be happy to take any questions you may have."