

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

Capacity Deliverability Across the Midwest)
Independent Transmission System Operator,) Docket No. AD12-16-000
Inc./PJM Interconnection, L.L.C., Seam)

**JOINT COMMENTS OF THE
ORGANIZATION OF PJM STATES, INC.
AND THE ORGANIZATION OF MISO STATES**

The Organization of PJM States Inc. (OPSI) and Organization of MISO States (OMS) appreciate the invitation to address the issue of capacity deliverability between MISO and PJM before the Federal Energy Regulatory Commission (Commission) today. OPSI and OMS will provide our perspective on the most important aspects of the capacity deliverability issue.

Two of the nation's leading regional transmission organizations (RTOs) are the PJM Interconnection (PJM) and the Midcontinent Independent System Operator (MISO). The Commission is familiar with the arduous process that initially led to the complicated PJM/MISO seam and with the ongoing processes to manage that seam. Defining processes to effectively manage this seam has long been an issue. For over a decade, seams issues have been addressed on a case-by-case basis by PJM, MISO, and the other stakeholders in a somewhat limited process, often resulting in markets and policy outcomes that some stakeholders find disappointing.

Within the last 18 months, and with much stakeholder urging, PJM and MISO renewed their combined efforts to confront the many challenges along their shared seam by renewing the Joint and Common Market (JCM) initiative. State regulators, as well as all PJM and MISO stakeholders, now have an opportunity to participate in the more comprehensive and collaborative JCM initiative. OPSI and OMS have been active participants in this much-welcomed process.

A flashpoint JCM issue is capacity deliverability between the two regions. MISO identified its concerns regarding efficient delivery of capacity between the two RTOs and circulated a capacity deliverability White Paper in support. Many JCM participants from both RTO stakeholder groups and including PJM did not agree with the conclusions. This

disagreement evolved over time and eventually became this FERC Docket, No. AD12-16-000, which was opened prior to the reinstatement of the JCM.

The Commission has identified the following issues in this proceeding: (1) identifying the progress of efforts to address whether existing market rules and operating protocols concerning the transfer of capacity between MISO and PJM act as barriers to the delivery of capacity between those markets; (2) identifying any unaddressed barriers to the transfer of capacity between those markets; and (3), identifying the measures that the Commission may take to address those barriers that may result in unjust and unreasonable rates.

In order to inform the Commission and stakeholders on potential barriers and alternatives, OPSI and OMS believe that additional fact finding within the JCM process is necessary. After an initial fact finding has been accurately completed it will finally be possible to determine if any additional work within the JCM process would be necessary. If it is determined in the JCM process that the RTOs cannot work together to accurately identify the facts surrounding capacity deliverability, OPSI and OMS suggest bringing an independent consultant into the JCM process, to appropriately gather the necessary information, with input from the RTOs and stakeholders.

Steps in this comprehensive initial joint fact finding should include: (1) identifying an agreed upon methodology for determining transfer capability between MISO and PJM, in both directions; (2) identifying a methodology for determining the magnitude of capacity that can reliably bid into PJM's capacity market from MISO and vice versa; (3) identifying and studying the reliability impacts and the feasibility of potential revisions to existing market rules and operating protocols concerning the transfer of capacity between MISO and PJM; and (4) identifying a methodology for determining a cost/benefit analysis of implementing any necessary solutions.

OPSI and OMS agree that potential barriers to participation in the MISO and PJM capacity markets may exist, but the paramount question in this proceeding should be the appropriateness or reasonableness of those potential barriers. The framework of each RTO's capacity market entrance requirements was developed through their respective Stakeholder processes. Those requirements, and any barriers that they impose, are based upon each RTO's individual economic market designs and electrical engineering considerations for reliability purposes. With this in mind OPSI and OMS would like to present specific questions that the

Commission may wish to consider, and believe all JCM stakeholders should be informed of, before any solutions to this issue are implemented:

- Are any of the asserted barriers to participation in the capacity markets unjust or unreasonable? May some of these barriers be characteristics of each RTO's capacity market necessary to maintain the reliability and economics of each or both capacity markets?
- Would the use of any remaining transmission capability between MISO and PJM for long term capacity transfers be discriminatory to other parties' ability to otherwise utilize the transmission capability that currently remains?
- Is there potential discrimination against either internal RTO generation or other generators external to MISO and PJM that would also desire a similar ability to provide capacity to MISO or PJM, or otherwise participate in their capacity markets in the same manner as RTO generation?

OPSI and OMS believe the initial fact finding must be utilized to evaluate and analyze the following critical issues: (1) the possibility and significance of any cost shifts between the two involved RTOs; (2) the reliability impact of any proposed revised deliverability schemes; (3) whether further work on capacity deliverability is cost effective; (4) the overall additional incremental joint deliverability benefit over that currently occurring; (5) whether any proposals can be cost-effectively and realistically implemented, and; (6) the long-term rate impact on each RTO's retail customers.

An accurate fact finding that provides RTOs and all stakeholders with the requisite information to take well informed positions is necessary to advance vital coordination, while still allowing RTOs to maintain their unique characteristics. RTOs and stakeholders need to fully understand the facts surrounding the issue and to identify the necessity and impact of any capacity deliverability proposals on RTOs' energy and capacity markets, generator owners, transmission owners, state regulation, other stakeholders, and energy consumers. It is not helpful for either RTO to insist upon an end-result or outcome without having supportive documentation and analysis. Without collaborative involvement from both RTOs the output of any fact finding and subsequent analysis would likely be unreliable.

In its February 5, 2013 Joint Comments in this docket OMS and OPSI described the role that state regulators proposed to serve in the JCM process.¹ Since February, the productivity of the JCM process has improved. OMS and OPSI expect the JCM process to continue to be productive, and to include progress on the issue of capacity deliverability in this expectation. State regulators do not want to actively direct or moderate fact finding or the particular technical efforts described herein. Instead, it is expected that State regulators will continue to be active JCM participants and provide feedback, suggestions, and information for the assessment of the capacity deliverability issue and on the most effective implementation of any necessary solutions to issues identified, as it is expected of all other participants in the JCM.

All JCM participants should be confident that a proper identification of the facts surrounding this issue will finally allow the JCM stakeholders to determine the need, appropriateness, and timing of the implementation of any proposed capacity deliverability solutions that might need to be developed.

OPSI and OMS appreciate this opportunity to discuss these issues with the Commission and we look forward to working with PJM and MISO in a cooperative examination of capacity deliverability.

Respectfully Submitted,

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Dated: June 13, 2013

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon each person designated on the official service list compiled by the Secretary in this proceeding.
Dated at Des Moines, Iowa, this 13th day of June, 2013.

William H. Smith, Jr.
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¹ Joint OMS/OPSI Comments at 4-6