Transmission Cost Allocation in MISO High Level Summary

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Why is this being discussed in MISO?

1. Development of State Renewable Portfolio Standards
2. Location of high capacity factor wind zones
3. Existing cost allocation rules created problems
   – The “OtterTail Issue"
Cost Allocation Groups

- Regional Expansion Criteria and Benefits Task Force reinstated (RECB TF)
  1. Phase 1 – Address “OtterTail Issue”
  2. Phase 2 – Develop cost allocation methodology to incorporate large quantities of generation located remote from load. (wind)
  3. Address any other RECB I and RECB II Issues

- Organization of MISO States Cost Allocation and Regional Planning group formed (OMS CARP)
Cost Allocation Methods Being Discussed

• “Injection/Withdrawal” (I/W) Method
  – “Proposed” by MISO
  – Apply to new transmission only (Post MTEP 09)
  – All generators pay an “Injection” fee
    • Regional $/MWh charge for all MWh generated
    • Local $/MW charge based on installed capacity
  – All load will pay a “Withdrawal” fee
    • Regional $/MWh charge for all MWH of load
    • Local $/MW charge based on 12 month average coincident peak demand
  – Imports and exports will pay a new charge across all interfaces. Including those to and from PJM!
  – I/W supported by OMS CARP. Split vote at RECB TF.

• Highway/Byway Method
  – Proposed by wind companies
  – Rejected by OMS CARP
  – Plan B method at RECB TF
What’s Next

• OMS CARP and RECB TF continue to meet monthly
• Draft tariff language by end of March
• FERC filing on July 15, 2010