

**Wind on the Wires Comments on the Midwest ISO's
March 22, 2010 Injection-Withdrawal Proposal**

Wind on the Wires (WOW) appreciates the work the Midwest ISO staff has done to develop, analyze and adjust the Injection-Withdrawal proposal for cost allocation. We believe there are several improvements in the March 22nd proposal over earlier versions of Injection-Withdrawal including removal of the regional layer charges to generators, and increased cost certainty through the use of forecasts of new transmission investments and a fixed distribution of costs between the local and regional layers five years out. We are also pleased that the Midwest ISO is considering charging generators on the local layer a rate that is based on something less than their nameplate capacity.

We offer the following comments and suggestions in the spirit of further improvements to this proposal to both address additional concerns of generators, and to provide greater assurance that new transmission capacity will get built to support state renewable energy policies and goals in the Midwest.

Transition Concerns

WOW has significant concerns regarding the lack of a “transition solution” during the time period between the date MISO files its proposal with FERC, and the date that proposal would go into effect for new transmission investments.

WOW requests that the Midwest ISO set the day after the filing date as the effective date for its proposal to apply to any network upgrade required for generators to interconnect, or for generators with temporary interconnection agreements.

1. Treatment of the Brookings Line Generators

The Injection-Withdrawal cost allocation approach should apply to overlay lines that have not been included in signed IAs prior to the July 15th filing date.

It is WOW's position that the interim 90/10 cost allocation methodology should not be applied to the Brookings line generators. However, the interim 90/10 cost allocation (approved by FERC in October of 2009) is currently in effect, and the Brookings line generators are being asked to sign interconnection agreements under this interim methodology.

We therefore request that the Midwest ISO include in their filing a transition solution that would require a review of any network upgrade that has been assigned to any generator in Group 5 or a later group during the time that the interim 90/10 cost allocation methodology was in effect, and provide the possibility that the costs of those upgrades could be allocated based on the new methodology.

2. Reconcile Lines Identified in the SPA and RGOS Processes, and Where Appropriate, Categorize These Lines as Overlay Projects

Also, many network upgrades that have been identified as needed for generator interconnection through the current SPA process look very much like lines that have been identified through the RGOS process. The Midwest ISO should therefore develop a set of criteria to determine which of

the lines currently identified in the SPA should be allocated through the local and regional layers as overlay projects, rather than as network upgrades for generator interconnection.

Ensuring Construction of New Transmission

WOW is concerned that without changes to the Midwest ISO's agreement with the transmission owners (TOs), there will be no assurance that transmission additions identified as needed through the MTEP and RGOS processes will actually get built. Currently, transmission projects do not get built (much less cost shared) unless Midwest ISO transmission owners choose to build them.

A timeline should be established for the construction of new infrastructure that has been identified through the MTEP process, and the Midwest ISO must have the authority - and an obligation to exercise such authority - to engage third party transmission providers in the event that existing Midwest ISO TOs do not begin construction within that set timeframe.¹

In addition, criteria need to be developed to determine which projects will qualify for Appendices A and B of MTEP and when that qualification process will take place. These criteria need to be detailed and wholly separate from a transmission owner's commitment to build those lines. WOW understands that criteria are being developed through the Planning Advisory Committee, but it is critical that the criteria they develop be complete prior to the filing of the Injection-Withdrawal proposal. The effectiveness of the Injection-Withdrawal proposal will not be evident without these criteria.

We also highlight the Brookings line as a perfect example of the kind of overlay line that is needed to support state renewable policy requirements, and that will bring reliability and economic benefits. WOW requests that the Midwest ISO demonstrate how this line, and lines of this type, would qualify for cost sharing under Injection-Withdrawal, as well as how that will be addressed during the transition period.

Charge Generators a Local Layer Rate Based on Net Capacity Factor

Again, we appreciate that the Midwest ISO is planning to develop a rate for generators at the local level that is based on something less than the peak generating capacity. WOW urges the Midwest ISO to base this rate or charge on the historic net capacity factor of a generator. The net capacity factor of a generator is a reasonable proxy for a generator's usage of - and therefore benefit from - the transmission system. Net capacity factor should be defined as the net annual energy production from a generator, divided by the total potential energy production from that same generator had it been operating at peak capacity for all hours of the year. The generator would then be charged on the number of MW of generating capacity that result from multiplying the net capacity factor by the peak generating capacity. A rate based on a generator's net capacity factor is more comparable to charging load on a 12-CP basis. To do otherwise would suggest that load should be charged on a 1-CP basis.

Additional Clarity Needed

WOW requests that the Midwest ISO provide more clarity on the following aspects of the Injection-Withdrawal proposal:

¹ MISO's backstop authority would not supersede any states' rights to issue certificates of need or address siting issues. Any third party transmission provider would be required to acquire all necessary regulatory approvals.

- How will the “higher of” test be applied to new generators in the local layer, especially in the early stages of implementation of Injection-Withdrawal when little or no costs are included in this layer? Will there be a floor rate which network upgrades would be compared against in the early stages when other transmission costs have yet to be folded into the local layer?
- What rate will existing generators pay at the local layer? Will the initial rate for generators be set to zero until costs have been folded into that layer? Or will generators be charged a rate based on the existing system?

We appreciate the opportunity to provide this input and welcome any questions the Midwest ISO or others have.

Sincerely,

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