



PJM – MISO

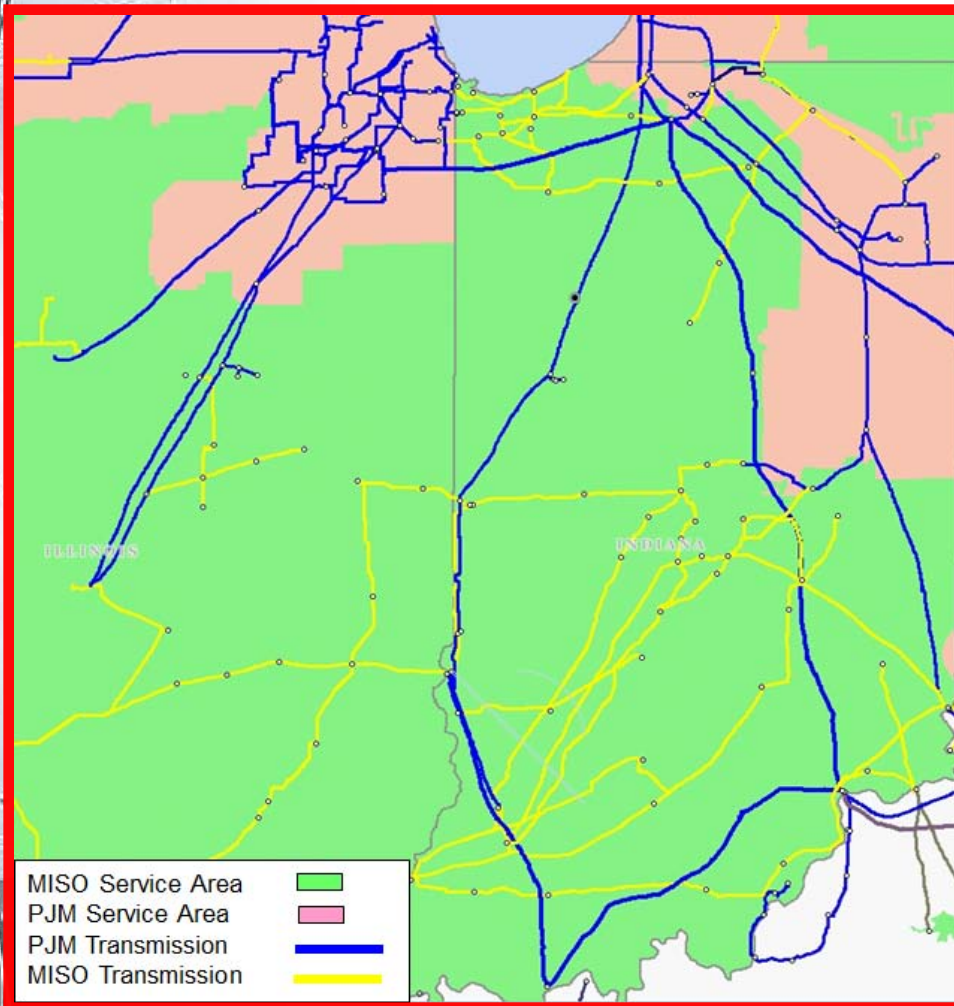
Joint & Common Market Initiative

July 16, 2012
Chicago, IL

AEP's Position

- A well planned transmission system promotes an efficient market**
- PJM-MISO seam is a complex interface and resolution will take steadfastness, engagement and collaboration from both sides of the fence**
- FERC Order 1000 recognizes regional differences**
- Seam concerns can be resolved by developing a more robust interregional planning process that is “actionable”**
- Collaborative interregional transmission planning is more critical and should be a high priority when compared to Capacity Portability or similar issues**
- All players must abide by the rules of the market(s)**
- Where such rules introduce inefficiencies, changes should be nondiscriminatory**

A Complex Seam



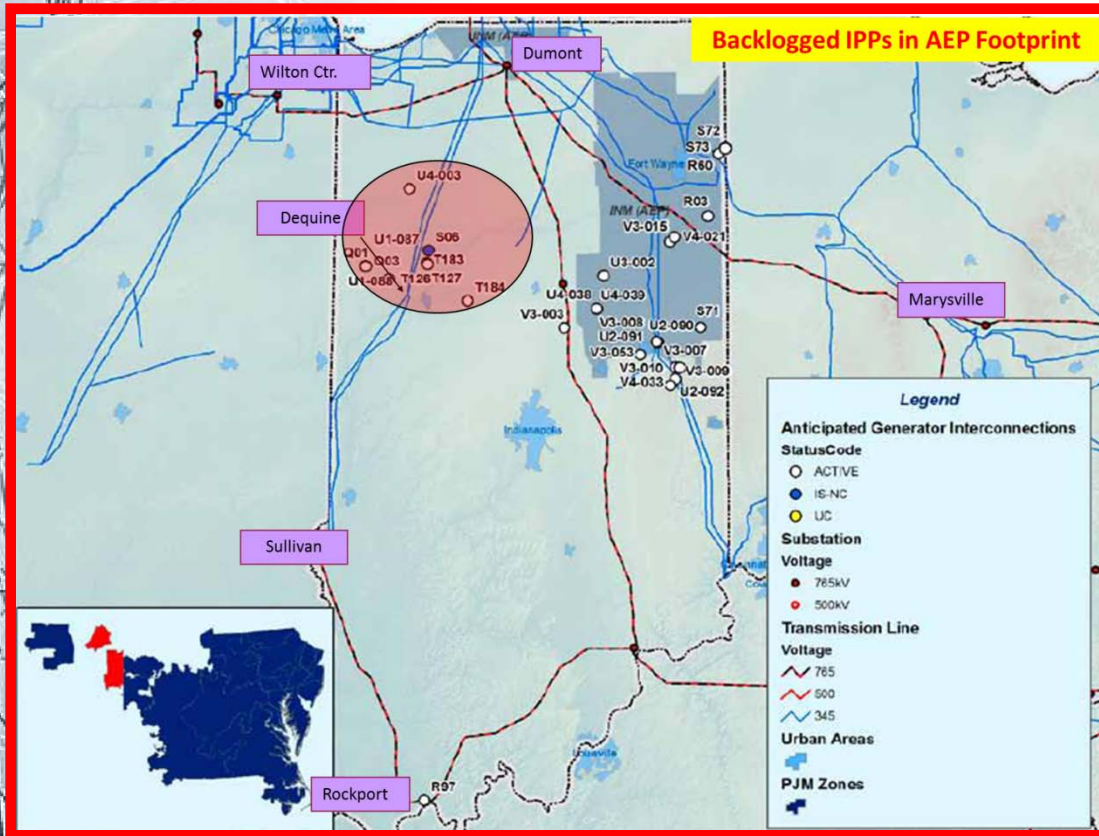
- ❑ **Service Territories overlap RTO Footprints**
- ❑ **Coordination of generation queues a challenge**
- ❑ **Complicates planning assumptions for the interface especially around prospective generation**
- ❑ **Different deliverability assumptions mask real issues and result in real time market congestion**

Interregional Planning – Today

- ❑ Existing interregional process does not result in actionable transmission plans
- ❑ Due to differing regional assumptions robust long-term cross border transmission is hard to justify
- ❑ New Reynolds – Greentown 765 kV MVP segment exemplifies the challenges
 - ❑ The project was originally proposed to connect at PJM's Meadow Lake station with 2500 MW of wind in PJM queue
 - ❑ Connection at Meadow Lake raised cross border cost allocation and justification concerns
- ❑ Lack of timely coordination results in a sub-optimal solution
- ❑ Sub-optimal planning solutions today become market constraints tomorrow

Planning Differences

Meadow Lake: A Case Study

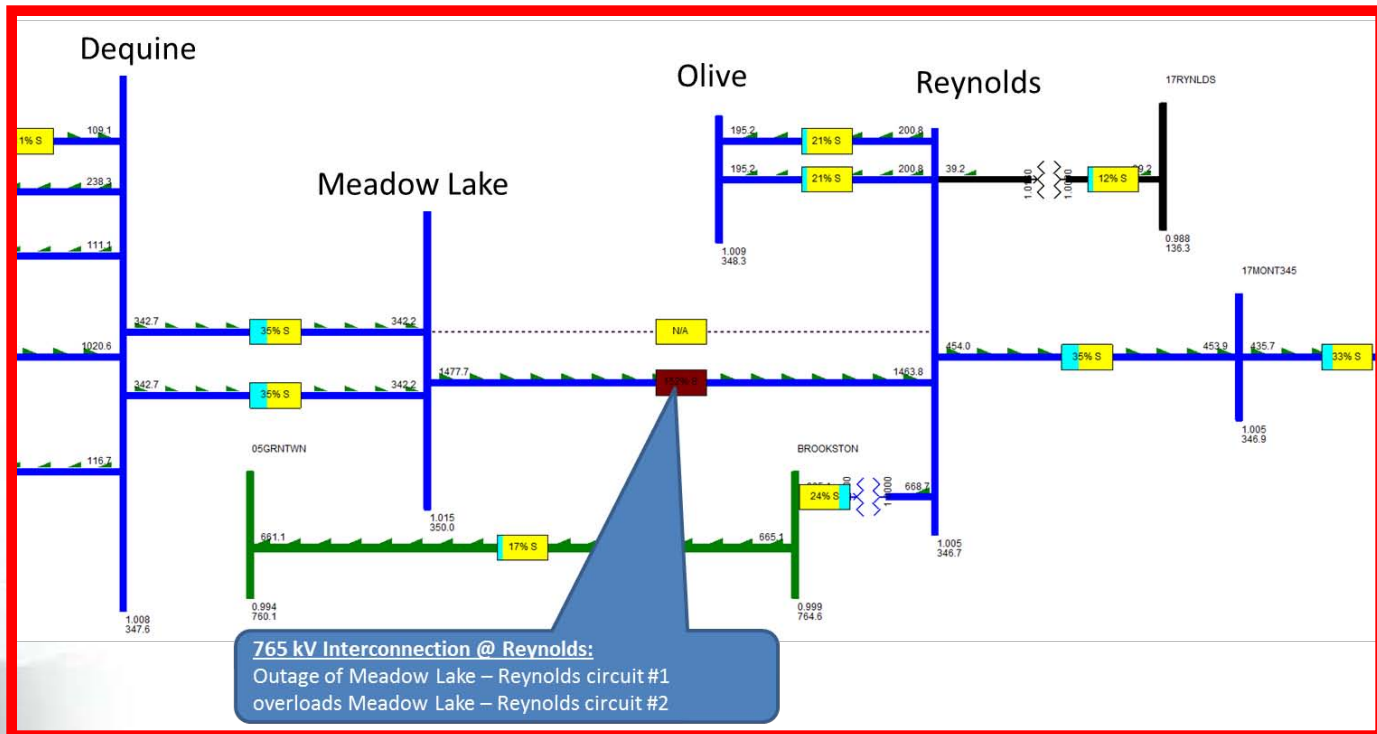


- ❑ 3750 MW of Generation in PJM queue in and around Chalmers County Indiana
- ❑ 1350 MW of the proposed 3750 MW with signed IAs
- ❑ Remainder 2400 MW backlogged due to transmission constraints
- ❑ MVP only included PJM wind with signed IAs

Planning Differences

Meadow Lake: A Case Study

- ❑ MISO generation assumptions show adequate transmission capacity with MVPs
- ❑ Same models with PJM queued generation show inadequate transmission capacity



Collaboration – The Key

- ❑ **FERC Order 1000 recognizes and respects regional differences**
- ❑ **Order 1000 mandates development of interregional planning and cost allocation methodologies**
- ❑ **Each RTO promoting a different paradigm to comply with regional and local mandates**
- ❑ **A perfect opportunity to shape interregional planning and cost allocation concepts to align with regional**
- ❑ **Collaborative Planning is the Key to address concerns on both sides**
- ❑ **Market and Operational concerns should be inputs to planning process**
- ❑ **An optimal transmission resolution today ducks a market inadequacy tomorrow**