

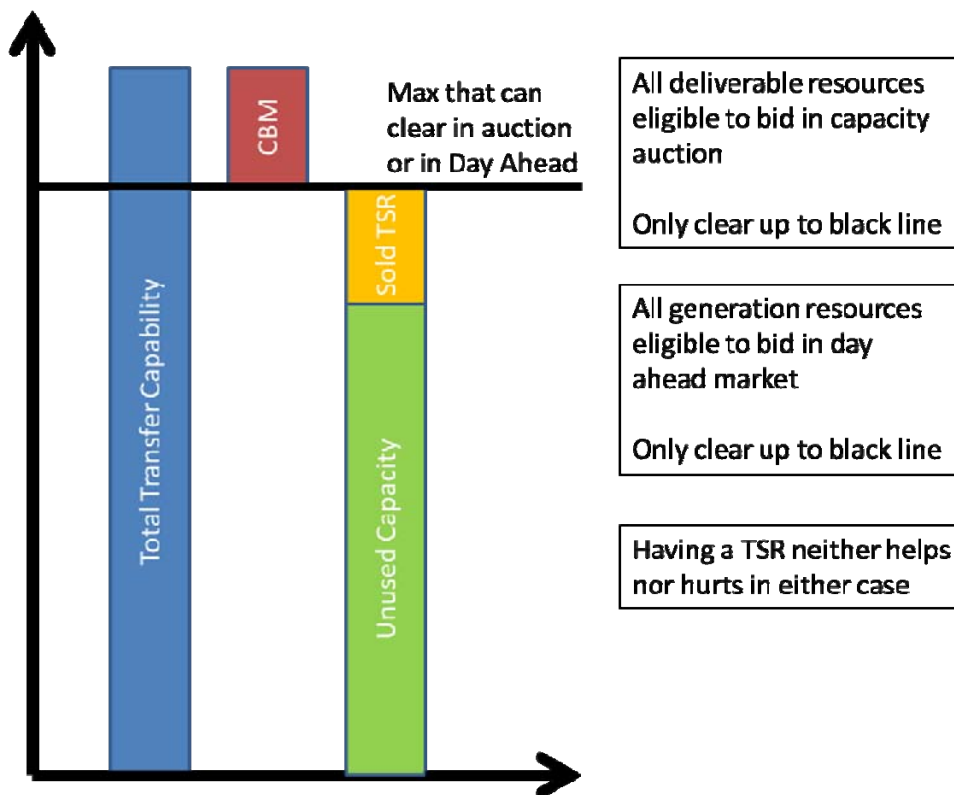
FirstEnergy submits the following questions and comments to MISO regarding their Cross-Border Network Service Proposal. This was presented at the 11/30/12 MISO-PJM JCM Meeting in Chicago (20121130-item-02-cross-border-network-service-proposal.pdf).

1) Does this proposal supersede the June 2012 MISO Capacity Deliverability Whitepaper, in whole or part, or does it correspond to all details expounded in the Whitepaper?

MISO Answer: The proposal presented at the 11/30/12 JCM meeting corresponds to the proposal documented in MISO's Capacity Deliverability Whitepaper.

2) The Whitepaper implies that existing capacity transactions are compromised by implementation of Capacity Market Awarded Firm Transmission Service (CMAFTS) ("Network Service across the seam" in that paper's vernacular). What about this process compromises the rights of existing transactions, making it necessary to assign Capacity Transfer Rights (CTRs) to make them whole? Would this proposal terminate and supersede existing rights? How would the cost of these CTRs be recovered?

MISO Answer: It really doesn't. In the absence of CMAFTS usage, customers with existing Firm service are not guaranteed to deliver in the operating day. Any transmission constraint that binds can affect the ability of a transmission customer to schedule on their firm service. Adding the CMAFTS into the equation merely raises the number of bidders required to offer their generation into the market. It doesn't change the ability of an existing customer to bid into either the capacity market or in the energy market. It doesn't change the physical capability of the system in either the day-ahead horizon or the 3-year forward horizon. (See Diagram below)



3) Does implementation of CMAFTS necessitate elimination of existing and future Point-to-Point (PTP)/Network External Designated (NED) arrangements? If so, why? And why should they not be replaced with equivalent CMAFTS with roll-over rights instead?

MISO Answer: No. See answer to #2 (and the picture)

4) In Slide 3, the “Proposed” example implies a simultaneous, common deliverability study. This would not make sense unless MISO/PJM were one market. Anyway, that contradicts details of the proposal in Step 1, which indicates separate deliverability studies. Which is being proposed?

MISO Answer: Both a separate deliverability study and a common deliverability study. A generator that is not deliverable to its host RTO load based on the current processes for evaluating deliverability would not get tested in the common study.

5) Why is it necessary that a resource requesting CMAFTS first pass deliverability in its native RTO, before being evaluated for deliverability to any external RTO? Doesn't that create a potentially iterative process?

MISO Answer: Not at all. There is no iteration, as the resource is tested for deliverability in the host RTO upon its request, either at the time of interconnection, the time of market integration, or at another time of its choosing to increase its deliverable amount. Although theoretically possible, it is highly unlikely, even implausible, that a non-deliverable unit in one RTO could pass a common deliverability test.

6) Does this propose any change to the methods of calculating deliverability in each RTO?

MISO Answer: No

7) Regarding the transfer limits from Step 2, as applied to deliverable external resources in the auction (Step 3), would those limits be calculated in a fashion similar to how Available Transfer Capability (ATC) and Available Flowgate Capacity (AFC) are currently defined by NERC?

MISO Answer: Similar to the ATC calculations, yes. MISO would propose that the GETC study process and methodology that MISO and PJM jointly developed with leadership from Chairman Montgomery from the Wisconsin PSC should be used to calculate the transfer limits in Step 2.

8) Is this proposal predicated on the assumption that the neighboring RTOs will establish a common ATCID, and that the resulting ATC values of the two RTOs would be the same?

MISO Answer: This would not be required, but MISO would be open to exploring options for coordination of a common ATC values for these transfer limits.

9) Does this presume the net AFC/ATC impact of simultaneous transfers for all CMAFTS requests that would clear the auction?

MISO Answer: Clearing would be subject to the offer prices associated with units that are eligible to participate in the auction based on the common deliverability test.

10) Is there no priority in allocating ATC/AFC among multiple CMAFTS requests on a constrained path, e.g., relative to their queue position?

MISO Answer: Queue position becomes irrelevant here. Rather, the transfer capability is allocated using the capacity market offer prices up to the transfer limit.

11) Would CMAFTS allocated this way reserve transmission in both RTOs: export CMAFTS service in one RTO and import CMAFTS in the other. Is this correct?

MISO Answer: Yes

12) In Slide 5, the last bullet asserts that “Deliverability designations is [sic] a key eligibility requirement that ensures reliability.” Would MISO agree that ensuring deliverability is but one element of ensuring reliability?

MISO Answer: A key element, but yes, one element.

13) This process indicates that CMAFTS is reserved/allocated for only one year, as a consequence of the auction, and only studied once a year.

(a) How would CMAFTS requests synchronize with the queue of other Transmission Service Requests (TSRs)?

MISO Answer: Cleared values of CMAFTS become base-flow in AFC calculations.

(b) How are CMAFTS requests time-stamped for the queue?

MISO Answer: They are not.

(c) Does a queue date for CMAFTS mean anything with this process?

MISO Answer: No.

(d) If studied and allocated only once a year, would that interfere with progress of TSRs queued subsequent to these CMAFTS requests but well before the annual study?

MISO Answer: No.

14) Does this CMAFTS proposal preclude the option of submitting an independent transmission request, if desired? Consider the situation where the customer acknowledges and anticipates potential transmission system limitations, but where the customer would be willing to pay for system upgrades for a guarantee of cross-border rights (including cross-border deliverability of capacity, e.g.). Even if they exist, not every transmission constraint requires many years to resolve.)

MISO Answer: The option to request long-term Firm service still exists. As is the case today, even the construction of a network upgrade does not guarantee the clearing of a bid in the day-ahead market. Said another way, firm transmission service for internal or external generation resources does not guarantee clearing in any of the energy or capacity markets conducted by RTOs.

15) With this proposal, is MISO acknowledging non-recallability and must-offer requirements?

MISO Answer: Yes

16) If this process intends to allocate CMAFTS solely on the basis of transmission limits inherent in deliverability and auction procedures as they currently exist (i.e., without recognizing limitations inherent in the study of exporting PTP and importing NED TSRs), doesn't that necessarily: (a) eliminate CBM in consideration of CMAFTS; (b) increase Installed Reserve Margin (IRM) in the delivery RTO; (c) discriminate against PTP service requests which must respect CBM requirements?

MISO Answer: (a) No, (b) and (c) MISO's CMAFTS proposal does not require changing current CBM methodologies for determining Installed Reserve margin or CBM usage in the AFC processes.

17) Will the firm transmission rights embodied in CMAFTS to move energy from outside a BAA to inside a BAA require or contemplate a higher degree of coordinated energy market operation between PJM and MISO than exists today, e.g., common day-ahead dispatch? Please explain and describe that higher degree of coordinated energy market operation.

MISO Answer: No. If a higher degree of coordinated energy market operation were required to move capacity across the seam, then there would be no external designations today. As there are external designations today, clearly such improved coordination is not a prerequisite for CMAFTS.

Enhanced coordination may in fact be desirable, just not a prerequisite.

18) How will CBM and counter-flows be accounted for in determining transfer capabilities?

MISO Answer: For capacity purposes, counter-flows will be modeled, and their impacts netted, when determining the transfer capabilities.

The mechanics around CBM can either be used as it is today, i.e. through a flowgate ratings adjustment, or some other mutually agreed to method.

19) Will the implementation of CMAFTS require that PJM and MISO coordinate the timing of their respective capacity auction processes? Please explain.

MISO Answer: No, coordination of network deliverability and transfer analysis processes between MISO and PJM does not cause a need to coordinate the timing of the capacity auction processes. Also, capacity transfers exist today without coordinated timing between the capacity auctions. There may be other reasons to coordinate timing, but implementation of CMAFTS is not one of them.

20) Would CMAFTS be priced in a fashion to keep transmission owners whole for any lost point-to-point revenues?

MISO Answer: CMAFTS would be priced the same as a firm PTP request.

21) On slide 7 it states that “Economic units will be awarded firm transmission service”. Using the example where a generator in MISO is a winning bidder in PJM’s capacity auction, indicate just what entity (PJM or MISO or both) does the “awarding” of firm transmission service and who the customer is.

MISO Answer: Both award transmission service. The customer is the entity that bid the generator into the auction.

22) In prior MISO presentations (e.g., MISO's Capacity Deliverability Whitepaper dated June 2012) MISO cites a study performed to determine simultaneous & non-simultaneous transfer limits, which indicated 6000 MW of simultaneous transfer capability between MISO and PJM. What transmission models were used in that study? Why were those particular models used? How can FE obtain copies of those models, and what process shall we follow to allow our consultant to use those models?

MISO Answer: 2011 MTEP models the first time, 2012 the second time. These were chosen as they had the most vetted representations of MISO and PJM available at the time. These models are available after the appropriate non-disclosure agreements are executed. The process can be found at <https://www.midwestiso.org/Planning/Models/Pages/Models.aspx>

23) What transmission models does MISO intend to use in the PJM/MISO joint study process, to determine transfer capability between MISO & PJM, as indicated on Slide 6 of MISO's CMAFTS proposal at the 11/30/12 JCM meeting? Why are you using those models? Are those models available to both MISO and PJM stakeholders, and by what process?

MISO Answer: That is a detail yet to be worked out.

24) In performing coordinated MISO and PJM deliverability studies, as proposed on Slide 5, what transmission models does MISO propose to use for each RTO's deliverability analysis? Are those models available to both MISO and PJM stakeholders, and by what process?

MISO Answer: The coordinated study is discussed in question 23. The individual studies for each RTO will follow their existing interconnection process. Model availability will be subject to the rules of each RTO.