

# Cost Allocation

**Institute for Regulatory Policy Studies Conference**  
**Illinois State University**  
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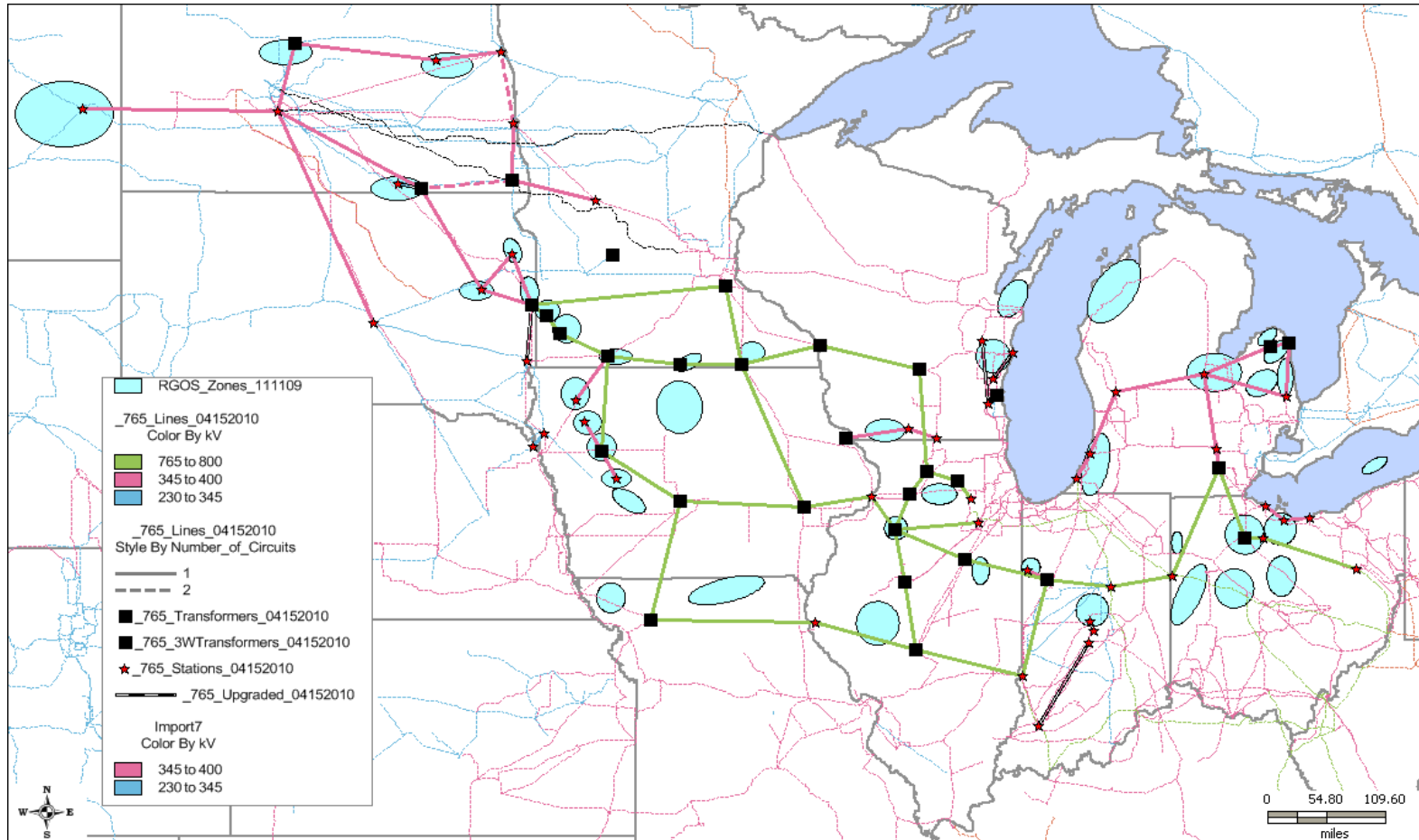
# Conditions Precedent to Increased Transmission Build

- A robust business case for the plan
- Increased consensus around regional energy policy
- A regional tariff that matches who benefits with who pays over time
- Cost recovery mechanisms that reduce financial risk

# Midwest ISO Regional Generation Outlet Study Goals

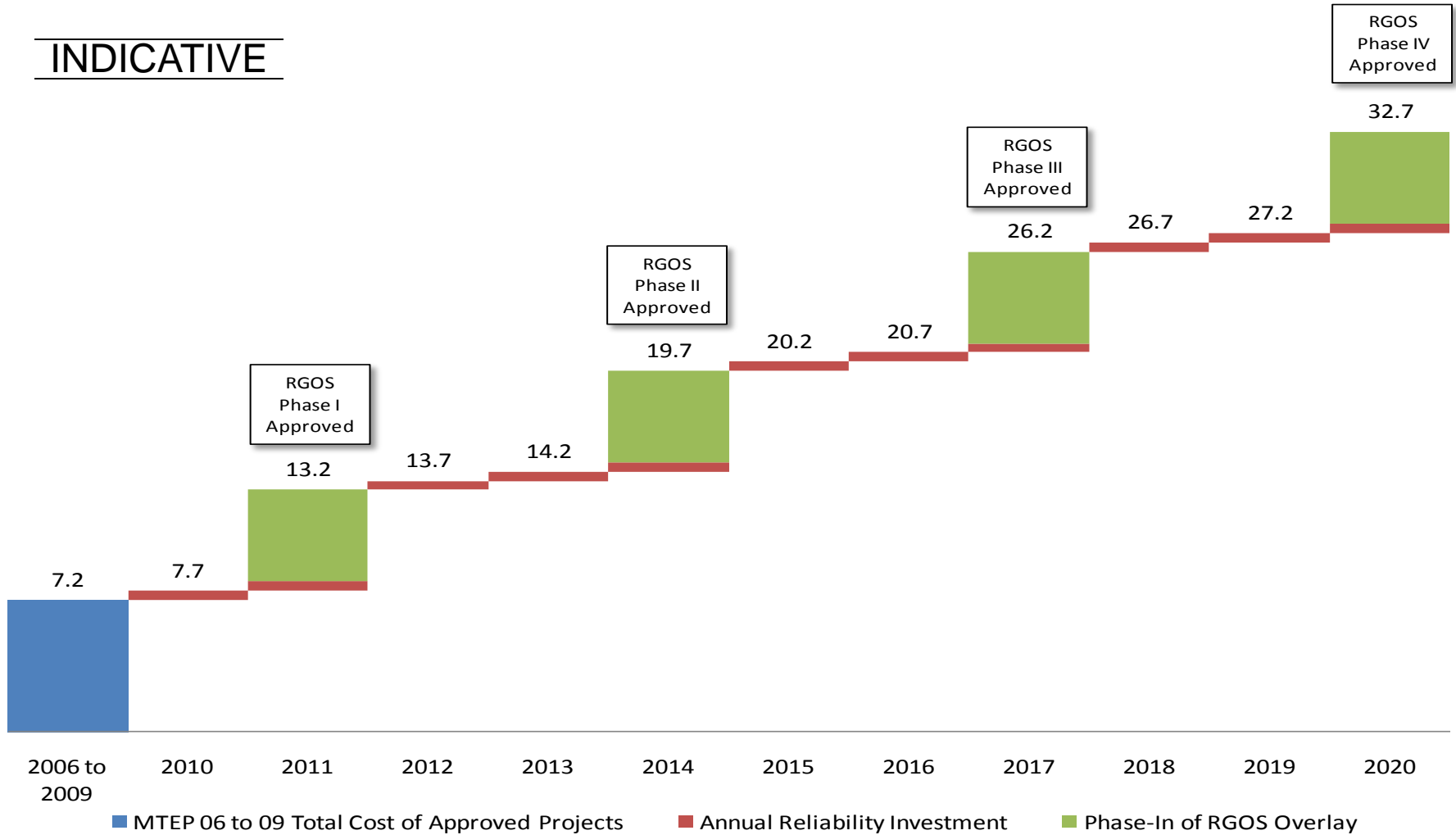
- Develop transmission alternatives needed to implement Renewable Portfolio Standards at the lowest delivered energy cost for Midwest ISO consumers while continuing to reliably serve load
- Perform analysis in an open and transparent fashion involving stakeholders throughout
- Coordinate with neighboring systems

# Indicative Regional Generation Outlet Study Plan



# Timing of Future Transmission Investment Approval

INDICATIVE



# Current Cost Allocation Issue

- Introduction of Renewable Portfolio Standards (currently ~23,000 MW for the Midwest ISO) highlighted gap in current transmission cost allocation methodologies
  - No sharing for regional plans such as the Regional Generation Outlet Study
  - Inequities in cost sharing method used for Generator Interconnect Projects
- In July 2009, Midwest ISO filed a solution which shifted bulk of interconnection costs to the generator
  - Accepted by the Federal Energy Regulatory Commission in October 2009, but deemed “interim”
  - Long-term solution due to be filed July 15, 2010

# Cost Allocation Challenges

- Different viewpoints on what constitutes a transmission benefit
- In a voluntary organization, it is important to ensure perceived benefits are commensurate with costs
- Gaining consensus is a challenge in a 13 state organization such as the Midwest ISO
  - Organization of MISO States Cost Allocation and Regional Planning group addressing

# Objectives of New Methodology

- Eliminate / minimize free riders
- Ensure the “right” loads pay
- Reflect changing system usage over time
- Balance attributes of system use
  - Cost causer vs. beneficiary
  - Local vs. regional
  - Access (demand) vs. Usage (energy)



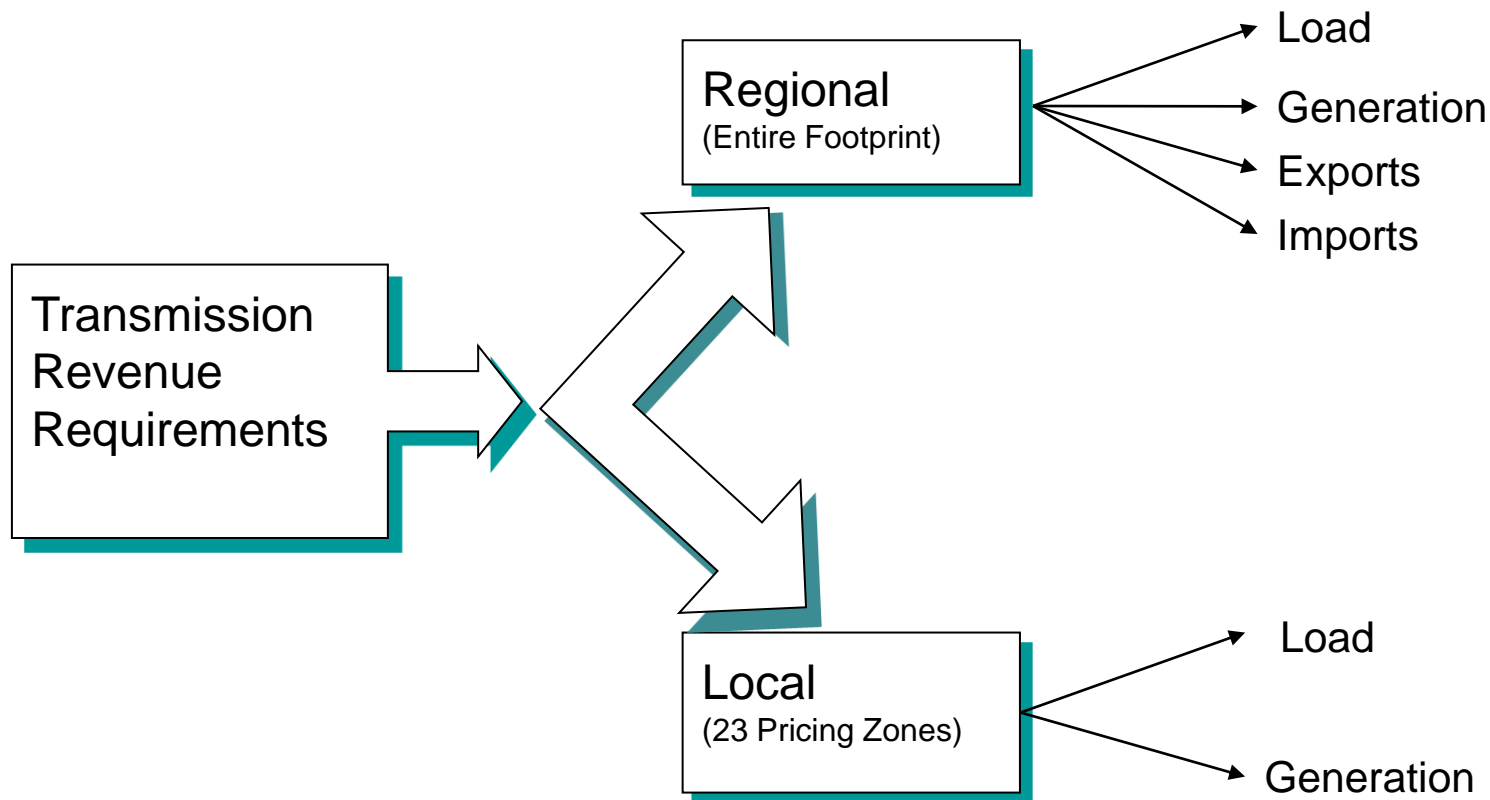
A fair cost allocation system to enable transmission development to support renewable integration, public policy, reliability and economic goals while maintaining the Midwest ISO Value Proposition



# Cost Allocation: A different way of thinking about it

- Hypothesis: Whoever uses the system is who benefits
  - Can define multiple use types to balance extremes (i.e. capacity vs. energy, regional vs. local, etc.) and better define which aspects of the system are being used

# Underlying Concept for Proposals Under Discussion



# Next Steps

- Recommend cost allocation solution
- Tariff filing at the Federal Energy Regulatory Commission July 15, 2010

# Questions?

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