MEMORANDUM

To: WEQ Annual Plan Committee

From: Stu Bresler and Larry Middleton

Date: October 24, 2007

Subject: Annual Plan Item: Determine Future Path For TLR in Concert with NERC

The Midwest ISO and PJM would like to submit the following comments to the Annual Plan Item "Determine future path for TLR in concert with NERC", which is included in the Proposed 2008 WEQ Annual Plan.

History of TLR

TLR is the primary congestion management procedure that has been used by certain portions of the Eastern Interconnection (EI) during the last 10 years. In those areas of the EI where TLR is not the primary congestion management mechanism, it has been utilized as a reliability backstop when significant, externally induced parallel flows make localized congestion management procedures insufficient to control facility loadings. There have been only minor modifications to the procedure during this time period.

Historically, Reliability Coordinators (RCs) have relied on tags to curtail non-firm usage and a combination of tags and NNL relief obligations to curtail firm usage. These curtailments are considered a "share the pain" approach to managing congestion. There are three complaints that have been raised on this approach:

- The "share the pain" approach has resulted in large amounts of tag curtailments for small amounts of relief. This approach is disruptive to the markets and has resulted in attempts by some entities to schedule around bottlenecks to avoid tag curtailments.
- The NNL calculation is based on a static set of assumptions contained in the IDC and does not rely on real-time information in terms of what is the actual output of generators and what is the actual load levels and net interchange that is being met by these generators.
- Because the NNL calculation is based on a static set of assumptions, the RCs are lacking visualization of the magnitude and the source of parallel flows when an RC experiences congestion. The RC can see the impact of tags and should know the impact of their own generators serving their own load within their reliability area. However, there is no real-time information in the IDC on parallel flows due to gen-to-load impacts from outside the RC's area.

With the expansion of the PJM market in 2004 and the start of the Midwest ISO market and the SPP market in 2005 and 2007 respectively, the TLR procedure has been enhanced to include market flows on the systems of these entities (both firm and non-firm) in place of tags.

Midwest ISO and PJM have implemented a market-to-market congestion management process where they use the most cost effective generation in the two markets to meet their combined relief obligation during TLR.

Proposal to Address Complaints

Congestion management within the TLR procedure in the EI would be split into a reliability component managed by NERC and an equity component managed by NAESB.

Reliability Component

- The IDC would indicate the source of all flows on a flowgate and the priority of these flows. This would consist of tag impacts, gen-to-load impacts and market flow impacts for all entities in the EI.
- The Transmission Operator would be responsible for reporting their gen-to-load impacts to the IDC on a real-time basis similar to the market flow reporting that is made by Midwest ISO, PJM and SPP.
- An RC experiencing congestion on a flowgate would have visualization of the magnitude and the source of all flows affecting their flowgate using information contained in the IDC.
- The RC experiencing congestion would request an amount of flow reduction that would be processed by the IDC and a relief obligation would be issued to all parties contributing to the loading.

Equity Component

- The parties with an assigned relief obligation would rely on the business practices and procedures in their own tariffs to meet the relief obligations. The business practices and procedure would be developed through the NAESB stakeholder process.
- If a party with an assigned relief obligation has both redispatch and tag curtailments available to them, they could use either method or a combination of both methods to meet their relief obligation depending on the business practices and procedures in their tariff.
- Equity issues on how the relief obligation will be accomplished in the most cost effective manner should be addressed in the filed tariffs with FERC.
- All parties would be encouraged to expand the tools they have available to meet their relief obligations. NAESB would lead the effort to identify methods available to the parties to meet their relief obligation and inclusion of the methods in the filed tariffs.

Summary of Future Path for TLR Proposal

This proposal has the benefit of providing RCs with visualization of the magnitude and source of all flows they experience which are then used in the assignment of relief obligations. It also allows the parties responsible for meeting relief obligations to do so using FERC filed business practices and procedures. To the extent there are any equity issues associated with these business practices and procedures, FERC is the proper forum to address equity issues. It is anticipated that the IDC would be expanded to allow gen-to-load impacts be reported by the Transmission Operators similar to market flow reported by the three markets (Midwest ISO, PJM and SPP). Gen-to-load information is available from the EMS used in transmission operations. The IDC would be used to

assign relief obligations based on tag impacts, market flow impacts and gen-to-load impacts.

Since this proposal has both a reliability component and an equity component, it will need to be a joint effort by NERC and NAESB. There needs to be agreement on what comprises the reliability component versus the equity component and the hand-off that will occur between the two. The development of this proposal could be accomplished by assigning it to the NERC/NAESB TLR Standard Drafting Team to coordinate both the reliability component and the equity component beginning in first quarter 2008, with a goal of having a draft proposal prior to the end of 2008.