

TABLE OF CONTENTS

I.	INTRODUCTION	2
II.	NOTICES AND COMMUNICATIONS	2
III.	BACKGROUND	3
IV.	RESPONSE	3
V.	CONCLUSION	9

I. INTRODUCTION

The North American Electric Reliability Corporation (“NERC”), in compliance with the directive in the Federal Energy Regulatory Commission’s (“FERC” or the “Commission”) January 6, 2011 Order¹ approving NERC’s November 20, 2009 Petition for Approval of Two Reliability Standards Revisions to Withdraw the Midwest Independent Transmission System Operator (“MISO” or “Midwest ISO”) Waivers Docket No. RD10-4-000,² hereby submits this filing to identify the entity or entities that are responsible under Reliability Standard BAL-006-2 for calculating Inadvertent Interchange inside the Midwest ISO Balancing Authority Area (“Midwest ISO BAA”).

II. NOTICES AND COMMUNICATIONS

Notices and communications with respect to this filing may be addressed to the following:

Gerald W. Cauley
President and Chief Executive Officer
David N. Cook*
Senior Vice President and General Counsel
North American Electric Reliability
Corporation
116-390 Village Boulevard
Princeton, NJ 08540-5721
(609) 452-8060
(609) 452-9550 – facsimile
david.cook@nerc.net

Holly A. Hawkins*
Attorney
North American Electric Reliability
Corporation
1120 G Street, N.W.
Suite 990
Washington, D.C. 20005-3801
(202) 393-3998
(202) 393-3955 – facsimile
holly.hawkins@nerc.net

*Persons to be included on the
Commission’s official service list.

¹ *Order Approving Revisions to Two Reliability Standards and Directing a Compliance Filing*, 134 FERC ¶ 61,007 (January 6, 2011).

² *Petition of the North American Electric Reliability Corporation For Approval of Two Reliability Standards Revisions to Withdraw MISO Waivers*, Docket No. RD10-4-000 (November 20, 2009).

III. BACKGROUND

On January 6, 2011, the Commission issued an “Order Approving Revisions to Two Reliability Standards and Directing a Compliance Filing,” in which the Commission approved the removal of two waivers provided to the Midwest ISO, including elimination of the Regional Transmission Organization (“RTO”) Inadvertent Interchange Accounting Waiver in revised Reliability Standard BAL-006-2.³ In addition to approving removal of the waivers through the revised Reliability Standards, the Commission directed NERC to identify the entity or entities that are responsible under Reliability Standard BAL-006-2 for calculating Inadvertent Interchange inside the Midwest ISO Balancing Authority Area (“Midwest ISO BAA”).⁴

IV. RESPONSE

In compliance with FERC’s request, NERC provides a discussion of the following to address the Commission’s questions: 1) the registration process under which responsibility for the calculation of Inadvertent Interchange was assigned for the Midwest ISO BAA; 2) a brief history of the Inadvertent Interchange waiver and why the current registration for the Midwest ISO BAA allows for the removal of said waiver; and 3) an explanation of how Inadvertent Interchange is calculated for the Midwest ISO BAA.

There is only one Balancing Authority Area (“BAA”) in the Midwest ISO Ancillary Services Market⁵ (“ASM”) footprint rather than multiple smaller BAAs that fall under a larger, overlapping BAA. Because there is only one Midwest ISO BAA, the only Inadvertent

³ 134 FERC ¶ 61,007 (2011) (“January Order”).

⁴ January Order at P 9.

⁵ The term "Ancillary Services Market" or "ASM" refers collectively to the markets for Energy and Operating Reserves established pursuant to the Midwest ISO ASM Tariff, which the Commission accepted through a series of orders. *Midwest Independent Transmission System Operator, Inc.*, 122 FERC ¶ 61,172 (2008) (“ASM Order”), *order on rehearing*, 123 FERC ¶ 61,297; *Midwest Independent Transmission System Operator, Inc.*, 125 FERC ¶ 61,318 (2008) (“Order Approving ASM start-up”).

Interchange calculation required is between the Midwest ISO Balancing Authority (“BA”) and adjacent external BAs.

A. Midwest ISO Balancing Authority Area Coordinated Functional Registration

As an initial matter, NERC believes that it is important to address the following language in the January Order:

Since the Local Balancing Authorities are registered with NERC, they are subject to BAL-006-1, and they are responsible for calculating the Inadvertent Interchange with other Local Balancing Authorities within the MISO footprint. They can contractually delegate this to another entity pursuant to a Joint Registration Organization agreement. However, it is not clear whether such delegation has, in fact, occurred.⁶

The above language – specifically the statement that there should be a calculation of Inadvertent Interchange between the Local Balancing Authorities (“LBAs”)⁷ – suggests that there may be some confusion with regard to how the responsibility for requirements and sub-requirements of the Reliability Standards are assigned under the Coordinated Functional Registration (“CFR”)⁸ through which the MISO BA and LBAs have registered for responsibility in accordance with the Balancing Authority requirements applicable to the Midwest ISO ASM footprint.⁹

Prior to registration under the CFR, the Midwest ISO area was composed of several localized BAAs, and coordination of the BA Inadvertent Interchange functions between the Midwest ISO and its members was conducted pursuant to the RTO Inadvertent Interchange Accounting Waiver. This waiver allowed the Midwest ISO to manage financially settled Inadvertent Interchange on behalf of its members. The Midwest ISO and LBAs coordinated Inadvertent Interchange responsibilities as described in the RTO Inadvertent Interchange

⁶ January Order at P 8.

⁷ The Midwest ISO Amended Balancing Authority Agreement includes a definition for “Local Balancing Authority Area” which is used to denote the “collection of generation, transmission, and loads that are within the metered boundaries of an LBA.” The “Local Balancing Authority Areas” are not Balancing Authority Areas as defined or contemplated by NERC.

⁸ See NERC Rules of Procedure at Section 508. CFRs were formerly known as Type 2 JROs.

⁹ The CFR is designated as JRO00001 on the NERC Compliance Registry.

Accounting Waiver from March, 25, 2004 until the start of the Midwest ISO ASM on January 6, 2009.¹⁰

As a part of the development of the Midwest ISO ASM, the Midwest ISO worked with its members to consolidate the BA responsibility in the Midwest ISO region.¹¹ On April 13, 2007, the Midwest ISO requested certification as a Joint-Registered Balancing Authority pursuant to the Co-Registrant Joint Registration Organization (“JRO”) process in the NERC Rules of Procedure. Under the JRO (hereinafter “JRO00001”), the Midwest ISO and its members co-registered for individual BA requirements and sub-requirements with each member being held accountable for the requirements for which it registered. The Midwest ISO’s BA certification under JRO00001 was granted on April 16, 2008, and operation of the Midwest ISO BAA under JRO00001 began with the start of the ASM on January 6, 2009.

The Co-Registrant, Type 2 JRO process, was replaced with the CFR process approved by FERC on June 10, 2010, which is Section 508 of the NERC Rules of Procedure. Under both the former Type 2 JRO and the CFR, the MISO BA and LBAs divided responsibility for the specific BA requirements and sub-requirements applicable to the Midwest ISO BAA. This division of responsibility was assumed by the Midwest ISO and the LBAs in the Midwest ISO Amended Balancing Authority Agreement,¹² which was approved by FERC as Rate Schedule No. 3 to the Midwest ISO ASM Tariff on July 21, 2008.¹³

¹⁰ The NERC Operating Committee approved the RTO Inadvertent Interchange Accounting Waiver for the Midwest ISO on March 25, 2004. This waiver was originally applicable to NERC Operating Policy 1 and was carried over to BAL-006-1 in the standards development process.

¹¹ See ASM Order at P 2.

¹² “Agreement between Midwest ISO and Midwest ISO Balancing Authorities Relating to Implementation of TEMT,” as amended on March 14, 2008, filed as “First Revised Rate Schedule FERC No. 3” to the Midwest ISO ASM Tariff.

¹³ *Order Conditionally Accepting Amended Balancing Authority Agreement and Requiring Compliance Filing*, 124 FERC ¶61,074 (2008); with acceptance of amendments to the Amended Balancing Authority Agreement in accordance with the Compliance Filing on December 4, 2008.

Through JRO00001 and the Midwest ISO Amended Balancing Authority Agreement, one BAA was created for the Midwest ISO ASM footprint.¹⁴ JRO00001 eliminated the multiple local BAAs within the Midwest ISO footprint as well as any associated need to calculate Inadvertent Interchange for these individual Midwest ISO members. As such, the RTO Inadvertent Interchange Accounting Waiver was no longer needed after the Midwest ISO and its members began to operate pursuant to JRO00001, and the Midwest ISO became solely accountable for calculating the Inadvertent Interchange for the complete Midwest ISO BAA footprint. Accordingly, the Midwest ISO submitted a Standard Authorization Request Form (“SAR”) requesting removal of the RTO Inadvertent Interchange Accounting Waiver from BAL-006-1 on April 2, 2009. The NERC Board of Trustees approved the withdrawal of the waiver on November 5, 2009. NERC submitted the petition for FERC approval of the removal of the waiver on November 20, 2009.

The Commission’s statement in the Order that the registration of the LBAs under JRO00001 makes them subject to BAL-006-1 and therefore responsible for calculating the Inadvertent Interchange with other LBAs within the MISO footprint does not take into account the fact that there was only one BAA created in JRO00001—namely, the Midwest ISO BAA. The LBAs registered for specific requirements and sub-requirements for the BA function as it pertains to the Midwest ISO BAA, and their registration under the CFR process did not create multiple LBAs.

B. MISO Procedure for Calculating Inadvertent Interchange

Section 1.364 of the Midwest ISO ASM Tariff defines LBAs as entities other than the Midwest ISO that are parties to the Balancing Authority Agreement that formed the basis for

¹⁴ See ASM Order, 122 FERC ¶ 61,172; Order Approving ASM Start Up, 125 FERC ¶ 61,318; Midwest Independent Transmission System Operator, Inc., 125 FERC ¶ 61,322 (2008) (“Order on Compliance Filing”).

JRO00001.¹⁵ Identification as an LBA is not intended to imply that these entities are BAs in a broader context – the registration of the LBAs was only for discrete BA requirements and sub-requirements, as identified below.

Pursuant to the Balancing Authority Agreement and JRO00001, the Midwest ISO LBAs have been assigned only a select subset of requirements and sub-requirements applicable to the BA function. The limited requirements and sub-requirements assigned to the LBAs in JRO00001 reflect that the registration was designed to allow for the creation of one Midwest ISO BAA for the Midwest ISO ASM footprint. The Commission determined that consolidation of the BA responsibility was appropriate as part of the development of the Midwest ISO ASM and has previously recognized the Midwest ISO BAA as the sole BAA for Midwest ISO region.¹⁶

Under JRO00001, the Midwest ISO has assumed most of the BA responsibilities associated with the calculation of Inadvertent Interchange under Reliability Standard BAL-006-2. Inadvertent Interchange is only calculated between the Midwest ISO BAA and external adjacent BAAs. The Midwest ISO is registered as solely responsible for requirements R1, R2, R4, R4.1.1, R4.2 and R4.5 of Reliability Standard BAL-006-2 for the Midwest ISO BAA. The LBAs are not registered for any requirement or sub-requirement under which they would be responsible for the calculation of Inadvertent Interchange because, as noted above, Inadvertent Interchange and Net Scheduled Interchange are not calculated between the LBAs because the Midwest ISO BAA is the only BAA for the Midwest ISO ASM footprint.

¹⁵ “Agreement between Midwest ISO and Midwest ISO Balancing Authorities Relating to Implementation of TEMT,” as amended on March 14, 2008, filed as “First Revised Rate Schedule FERC No. 3” to the Midwest ISO ASM Tariff.

¹⁶ See ASM Order, 122 FERC ¶ 61,172; Order Approving ASM Start Up, 125 FERC ¶ 61,318; Midwest Independent Transmission System Operator, Inc., 125 FERC ¶ 61,322 (2008) (“Order on Compliance Filing”).

In the Amended Balancing Authority Agreement, each LBA with tie lines with external adjacent BAs agreed to assume responsibility for metering, collecting, calculating,¹⁷ and verifying Actual Interchange values for each such tie line and providing these Actual Interchange values to the Midwest ISO BA. Each LBA with tie lines with external adjacent BAs also agreed to assume responsibility for gathering after-the-fact tie line accounting data for each such tie line and providing this actual after-the-fact tie line accounting data to the Midwest ISO. The division of responsibility agreed to in the Amended Balancing Authority Agreement is the basis for the JRO00001 registration.

JRO00001 reflects the division of responsibility by assigning to the LBAs the metering requirements of BAL-006 R.3 for the Midwest ISO BAA. In conjunction with the requirement to perform metering, the LBAs also accepted responsibility for the requirements and sub-requirements that require agreement with regard to metered actual data. Specifically, the Midwest ISO is responsible for calculating Inadvertent Interchange for the Midwest ISO BAA. Pursuant to R4.1.2 of BAL-006-2, the Midwest ISO must base its Inadvertent Interchange calculation, in part, on the hourly integrated megawatt-hour values of Net Actual Interchange for the Midwest ISO BAA.¹⁸ The Midwest ISO receives the Actual Interchange values from the LBAs. Each LBA is responsible for producing hourly integrated megawatt hour values from the metered data produced by meters under its ownership or control for the purpose of calculating Net Actual Interchange as required by BAL-006-2 R4.1.2. Furthermore, under JRO0001, each LBA is responsible for resolving any disagreement with Adjacent BAs as to hourly integrated megawatt-hour values of Net Actual Interchange associated with meters under its ownership or

¹⁷ This is an hourly integrated metered value.

¹⁸ The Inadvertent Interchange calculation of must include the hourly values of Net Interchange Schedule as determined through agreement with Adjacent Balancing Authorities under BAL-006-2 R4.1.1. Under JRO00001, the Midwest ISO is responsible for calculating the hourly values of Net Interchange Schedule.

control in accordance with BAL-006-2 R.4.1. Each LBA has also assumed responsibility for making any corrections to its metered data after-the-fact in order to reflect actual operations, such as a meter sending out bad data, in accordance with BAL-006 R.4.3. The actual calculation of Inadvertent Interchange based on this metered actual data remains the sole responsibility of the Midwest ISO and is only conducted for the Midwest ISO BAA as a whole.

Assigning the metering requirements and sub-requirements to the LBAs and the remainder of the requirements to the Midwest ISO BA, pursuant to JRO00001 and the BA Agreement ensures that all of the requirements of BAL-006-2 are met for the Midwest ISO BAA without gaps or undue overlaps.

V. CONCLUSION

The North American Electric Reliability Corporation respectfully requests that the Commission accept this Compliance Filing in accordance with the Commission's directives in the January 6, 2011 Letter Order.

Respectfully submitted,

Gerald W. Cauley
President and Chief Executive Officer
David N. Cook
Senior Vice President and General Counsel
North American Electric Reliability Corporation
116-390 Village Boulevard
Princeton, NJ 08540-5721
(609) 452-8060
(609) 452-9550 – facsimile
david.cook@nerc.net

/s/ Holly A. Hawkins
Holly A. Hawkins
Attorney
North American Electric Reliability
Corporation
1120 G Street, N.W.
Suite 990
Washington, D.C. 20005-3801
(202) 393-3998
(202) 393-3955 – facsimile
holly.hawkins@nerc.net

CERTIFICATE OF SERVICE

I hereby certify that I have served a copy of the foregoing document upon all parties listed on the official service list compiled by the Secretary in this proceeding.

Dated at Washington, D.C. this 22nd day of February, 2011.

/s/ Holly A. Hawkins
Holly A. Hawkins
*Attorney for North American Electric
Reliability Corporation*