

---

---

# FEDERAL ENERGY REGULATORY COMMISSION



WASHINGTON, D.C. 20426

---

---

## NEWS RELEASE

### NEWS MEDIA CONTACT:

Barbara A. Connors  
(202) 502-8680

### FOR IMMEDIATE RELEASE

August 6, 2004  
Docket Nos. ER04-691-000 and  
EL04-104-000

## COMMISSION APPROVES PLAN FOR MIDWEST ISO ENERGY MARKETS, ADDS PROTECTIONS TO EASE TRANSITION IN 2005

The Federal Energy Regulatory Commission today conditionally accepted the Midwest Independent Transmission System Operator Inc.'s (Midwest ISO) open access Transmission and Energy Markets Tariff (TEMT), and further directed the ISO to implement safeguards to ensure additional protection for wholesale customers during its transition to a fully-functioning energy market in 2005.

Further development of the Midwest ISO opens the way for increased system reliability and competition in the broad region that extends from eastern Montana through the upper Midwest and south to parts of Kentucky and Missouri. The area covers more than 96,000 miles of high voltage transmission lines and also includes the Canadian province of Manitoba.

The Commission has been actively working with, and providing guidance to, the Midwest ISO and other stakeholders and affected parties in developing all the elements necessary for a reliable and competitive wholesale power market in the 15-state region. The Commission granted regional transmission organization (RTO) status to the Midwest ISO in December 2001.

The TEMT contains the terms and conditions necessary to implement a market-based congestion management program and energy spot markets. This includes a Day-ahead energy market and a Real-time energy market, locational marginal pricing (LMP) and a market for Financial Transmission Rights (FTRs)

The energy markets tariff incorporates the major features used successfully in three eastern Independent System Operators – PJM Interconnection, L.L.C. (PJM), New York Independent System Operator, Inc. (NYISO), and ISO New England (ISO-NE).

R-04-31

(more)

(2)

These features include centralized security-constrained economic dispatch, LMP and market power mitigation.

The Commission noted that the Midwest ISO does not have a history of centralized power pool dispatch, as do the three eastern ISOs. In order to address this unique feature, and in light of studies undertaken as a result of the August 2003 blackout, the Commission directed the Midwest ISO to implement additional safeguards.

Today's order calls for additional oversight and reporting requirements regarding reliability and readiness standards. The Commission also put in place mitigation measures to limit any potential price impacts during the early phases of market implementation. In addition, the Commission established measures to provide market participants in load pockets with enhanced protection against congestion charges associated with remote network resources or system purchases from outside of existing load pockets.

The Commission accepted the TEMT's proposed FTRs allocation plan with modifications. The primary objective of the initial FTR allocation is to hold existing transmission customers harmless and to ensure that customers under existing contracts continue to receive the same level of service. The Midwest ISO proposes to allocate FTRs to eligible entities as part of the conversion of existing open access transmission tariff network and point-to-point service to TEMT service. The Commission augmented the proposal to ensure that market participants receive sufficient FTRs initially and are able to subsequently adjust their FTR levels based on market experience.