



FEDERAL ENERGY REGULATORY COMMISSION

NEWS

February 19, 2009

Docket Nos.: ER08-637-000, -001; ER08-637-004, -005

NEWS MEDIA CONTACT

Mary O'Driscoll - 202.502.8680

FERC Cites Potential Consumer Harm in Rejection of Midwest ISO Market Service Proposal

Citing potential harm to consumers, the Federal Energy Regulatory Commission (FERC) today rejected a proposal by the Midwest Independent Transmission System Operator, Inc. (Midwest ISO) that would have created a new class of transmission owners getting the benefits of participating in the Midwest ISO without the obligations of membership in the regional transmission organization.

While FERC found Midwest ISO's Market Service proposal to be innovative in its approach to expanding the geographic footprint of its market, the Commission expressed concern that the proposal could create a new incentive for current members to withdraw from the Midwest ISO. FERC's concern is that Market Service could harm consumers by creating a new incentive for current members to avoid direct cost-sharing of new transmission investment while maintaining or gaining full access to Midwest ISO's markets. Such changes could generate large "holes" within the current Midwest ISO footprint and could threaten its ability to perform regional transmission operations and jeopardize the corresponding benefits that accrue to consumers.

"It is important that we consider the overall impact on consumers," Acting FERC Chairman Jon Wellinghoff said. "The introduction of Market Service could lead existing Midwest ISO transmission owners to withdraw from the RTO. That could be detrimental to the consumers who benefit from Midwest ISO's regional transmission operations, transmission planning and market management."

FERC also noted that there is concern that Market Service would create a disincentive for investment in new transmission by remaining Midwest ISO transmission-owning members. The Commission also said it was unclear whether Market Service would help bring more wind energy from the Mid Continent Area Power Pool (MAPP) into the market, noting that the proposal still contemplates use of pancaked rates on the MAPP seam, effectively institutionalizing the seam and thereby discouraging wind development in the MAPP regions of North and South Dakota.

(30)

R-09-08

