

Additional Question 3. What are the effects on Michigan of belonging to multiple regional transmission organizations? What voting structures are used in both systems, and how many votes in each system are allocated to Michigan entities? What percentage of each system do Michigan customers represent?

Executive summary

1. The primary effect of Michigan utilities participating in multiple regional transmission organizations (RTO's) is that the efficient dispatch of transmission and generation is limited between the Lower Peninsula of Michigan and other states.
2. The Voting Structure of MISO and PJM are similar for policy recommendations, but very different for the election of Board members. For Board member elections, each holding company in MISO is entitled to one vote, and each vote has the same value as every other vote. At PJM, each company gets one vote during Board elections, but the voting is adjusted according to provisions in the PJM Operating Agreement. One of the primary differences in the PJM and MISO stakeholder processes is that in PJM the stakeholders must approve all tariff changes before they are filed with the Federal Energy Regulatory Commission (FERC), while in MISO the stakeholder votes are considered "advisory" only.
3. The sum of the Lower and Upper Peninsulas make up approximately 20.7% of the current MISO market. AEP is one of the largest Transmission Owners in PJM but, due to PJM's voting structure, controls 2% of the vote.

1. The primary effect of Michigan utilities participating in multiple RTO's is that the efficient dispatch of transmission and generation is limited between the Lower Peninsula of Michigan and other states.

An RTO is an organization responsible for moving electricity over large interstate areas, coordinating, controlling and monitoring the electricity transmission grid voltages higher than the typical energy provider's distribution system. The primary effect on Michigan from Michigan entities belonging to two RTO's is that there is a seam that separates American Electric Power's (AEP) Indiana Michigan Power Company (I&M) from the rest of the Lower Peninsula. (A seam is the point of separation between the system operated by one entity and the system operated by another. The creation of an RTO comprised of the systems of several transmission owners eliminates "seams" between those owners.)

The issue of seams management between PJM and MISO is being handled between the two RTO's. A FERC-approved Seams Elimination Charge Adjustment eliminates pancaking of rates between the two RTO's. If the Michigan Electric Transmission

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Company (METC) and the ITC Transmission Company (ITCT) were to withdraw from MISO and become Transmission Owners in PJM, the Lower Peninsula would no longer have a seam. The same would be true if AEP withdrew from PJM and became a Transmission Owner in MISO. If the Lower Peninsula was 100% in PJM, Michigan would still be split by a seam between PJM and MISO; the seam that presently exists in Southwest Michigan would be replaced by a seam at the Straits that separate the Lower and Upper Peninsulas. This seam would result from American Transmission Company (ATC), the Transmission Owner in the Upper Peninsula, being a member of MISO.

An inefficient market will limit access to the least cost solution. Seam issues limit the efficient dispatch of transmission and generation between the Lower Peninsula of Michigan and other states. Seam issues also limit access for some facilities to reach PJM and it limits PJM resources from accessing Michigan. Dispatching between Michigan and other states is unrelated to Michigan being in two RTO's, especially since the portion of Michigan served by PJM is limited to a 120,000 customer base in the most southwesterly corner of the Lower Peninsula.

2. The Voting Structure of MISO and PJM are similar for policy recommendations, but very different for the election of Board members. For Board member elections, each holding company in MISO is entitled to one vote, and each vote has the same value as every other vote. At PJM, each company gets one vote during Board elections, but the voting is adjusted according to provisions in the PJM Operating Agreement. One of the primary differences in the PJM and MISO stakeholder processes is that in PJM the stakeholders must approve all tariff changes before they are filed with FERC, while in MISO the stakeholder votes are considered "advisory" only.

For policy recommendations, voting structure between the two RTO's is similar but uses different levels of technology. Both MISO and PJM count votes by Sector. While PJM uses technology that allows each Member to vote electronically, and registers and weighs the vote by Sector, MISO utilizes voting Sector representatives which vote on behalf of their Sector.

In MISO there are nine Sectors: 1) Transmission Owners; 2) Independent Power Producers and Exempt Wholesale Generators; 3) Municipals, Cooperatives, and Transmission Dependent Utilities; 4) Power Marketers; 5) Public Consumer Advocates;

Response from Consumers Energy and MEGA

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6) State Regulatory Authorities; 7) Environmental Advocates; 8) Eligible End-Use Customers; and 9) Coordinating Members. In PJM, there are five sectors for Members: 1) Generation Owner; 2) Transmission Owner; 3) Electric Distribution; 4) End-Use Customer; and 5) Other Supplier.

For electing the Board members, the voting structure between MISO and PJM is very different. In MISO, each Market Participant is entitled to one vote. In PJM the voting process is more complicated. At MISO, each company gets one vote during Board elections; each vote has the same value as every other vote. At PJM, each company gets one vote during Board elections, but the voting is adjusted according to provisions in the PJM Operating Agreement.

3. The sum of the Lower and Upper Peninsulas make up approximately 20.7% of the current MISO market. AEP is one of the largest Transmission Owners in PJM but, due to PJM's voting structure, controls 2% of the vote.