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April 25, 2008

Mr. Rick Sergel, President
North American Electric Reliability Corporation
Princeton Forrestal Village
116-390 Village Boulevard
Princeton, New Jersey 08540-5721

Mr. Gerry Cauley, President
SERC Reliability Corporation
2815 Coliseum Centre Drive, Suite 500
Charlotte, North Carolina 28217-1468

Mr. Dan Skaar, President
Midwest Reliability Organization
2774 Cleveland Avenue, North
Roseville, Minnesota 55113-1127

Mr. Timothy R. Gallagher, President
ReliabilityFirst Corporation
320 Springside Drive, Suite 300
Akron, Ohio 44333-4542



Re: Interchange Authority Registration

Dear Sirs:

The Balancing Authorities¹ in the Midwest Independent Transmission System Operator, Inc. ("Midwest ISO") and the Midwest ISO submit this letter to express their concerns related to registration for the Interchange Authority function. As discussed below, without further clarification, at this time neither the Midwest ISO nor its Balancing Authorities believe they should register as an Interchange Authority.

An Interchange Authority is defined as "[t]he responsible entity that authorizes implementation of valid and balanced Interchange Schedules between Balancing Authority Areas, and ensures communication of Interchange information for reliability assessment purposes."²

The North American Electric Reliability Corporation ("NERC") has added Interchange Authority to the list of functional entities that are required to be included on the NERC Compliance Registry Criteria ("NRC") (Revision 4.0). NERC delegated the responsibility to the Regional Entities for identifying the organization to be registered in the NRC. Various Balancing Authorities and the Midwest ISO are members of Midwest Reliability Organization ("MRO"), SERC Reliability Corporation ("SERC"), and ReliabilityFirst Corporation ("RFC"). The MRO has requested that its members register as Interchange Authorities by April 25, 2008, and SERC has also contacted its members about registration.

While the Midwest ISO and its Balancing Authorities do not dispute the need for the industry to determine what entity should register as an Interchange Authority, they have

¹ Alliant Energy; Ameren; City of Springfield, IL; Duke Energy; First Energy; Great River Energy; Madison Gas and Electric Company; Michigan Electric Coordinated System; Minnesota Power, Inc.; Montana-Dakota Utilities Co.; Northern Indiana Public Service Company; Northern States Power Company / Xcel Energy; Otter Tail Power Company; Southern Indiana Gas & Electric Co.; Southern Minnesota Municipal Power Agency; Upper Peninsula Power Co.; Wisconsin Electric Power Co.; Wisconsin Public Service Corporation

² As defined in the "Glossary of Terms Used in Reliability Standards" in the "Reliability Standards for the Bulk Electric Systems of North America" dated March 26, 2008.

the following concerns about registration at this time. First, there is not a common understanding of the Interchange Authority function in the industry. The conversion of NERC Policy 3 to the Version 0 and subsequent standards, took procedure steps in the e-tag process and created requirements, some of which were assigned to a function called the Interchange Authority, while others were assigned to the Balancing Authority, Purchasing-Selling Entity, Reliability Coordinator and Transmission Service Provider. Throughout the development of the standards there has not been clarity on whether the Interchange Authority function is an entity or a function provided by software.

Second, the requirements in the standards that deal with the Interchange Authority are primarily those tasks done by e-tagging services and not the Midwest ISO or its Balancing Authorities.

Third, the standards and associated requirements assigned to the Balancing Authority were developed, and should continue to be developed, under the Reliability Standard Development Procedure approved by the Federal Energy Regulatory Commission. Throughout the development of the Interchange Scheduling and Coordination ("INT") Standards, the industry comments and subsequent voting on the Standards were based upon the understanding of the requirements applicable to the Balancing Authority. If the intent was to have the Balancing Authority perform the function of the Interchange Authority, or to have the Balancing Authority responsible for ensuring the Interchange Authority function was performed, such requirements should have been stated in the proposed standards to allow the industry to comment through the ANSI-approved NERC process.

Fourth, in its letter to the Regional Entities, NERC provided the following guidance on the registration of Interchange Authorities:

1. If a Balancing Authority performs the Interchange Authority function or is responsible for ensuring the Interchange Authority function is performed, then that Balancing Authority should be registered as an Interchange Authority in the Compliance Registry.
2. Balancing Authorities currently listed in the Compliance Registry should be able to assist in identifying the responsible entity that is performing the Interchange Authority function for their interchange transactions.
3. A software company that develops software that is used as a tool to enable an entity to perform the Interchange Authority function shall not be registered as an Interchange Authority unless the software company is an owner, operator, or user of the bulk power system. The entity that is using the software tool to perform the Interchange Authority function is responsible for compliance with the NERC Reliability Standards applicable to Interchange Authority and shall be registered as the Interchange Authority.

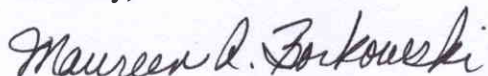
Though the Midwest ISO voluntarily provides the tasks of the Interchange Authority through use of the e-tagging software, it is not required to provide those tasks under the current standards; nor do the Standards require the Balancing Authority to be responsible for ensuring the Interchange Authority function is performed.

Fifth, it is not known what requirements under the Critical Infrastructure Protection Standards would apply, if any, to software being used from a remote vendor. The Midwest ISO and its Balancing Authorities would be interested in NERC interpretation of the applicability, as the voluntary provision of the Interchange Authority function must consider whether the provision justifies the compliance risk assumed for the function.

Finally, under the Enhanced Scheduling Agent Waiver, the Midwest ISO, on behalf of its Balancing Authorities, performs the tasks typically assigned to the Balancing Authority in the INT Standards. In fact, the waiver is listed in the Regional Differences for the INT Standards applicable to the Balancing Authority. As the INT Standards did not include requirements for the Balancing Authorities to assume the responsibilities of the Interchange Authority, or otherwise ensure that the Interchange Authority function is provided, the Midwest ISO and its Balancing Authorities did not request that the Enhanced Scheduling Agent Waiver be included as a Regional Difference for the INT Standards applicable to the Interchange Authority.

In conclusion, the requirements in the Standards for the Interchange Authority appear to point to something other than the Midwest ISO or its Balancing Authorities. As the Midwest ISO and its Balancing Authorities believe that NERC and the industry need to come to an informed decision following the ANSI-approved process, if NERC believes that certain Interchange Authority tasks should default to the Balancing Authority, or the Balancing Authority otherwise should be held responsible for the provision of the Interchange Authority tasks, the Midwest ISO and the Balancing Authorities ask that Standard Authorization Requests be submitted with the necessary changes for industry review.

Sincerely,

A handwritten signature in cursive script that reads "Maureen A. Borkowski".

Maureen A. Borkowski
Chair, Midwest ISO Balancing Authority Committee