



Organization of MISO States

October 17, 2006

The Honorable XXX
Commissioner
Missouri Public Service Commission
P.O. Box 360
Jefferson City, MO 65102

Dear Commissioner :

With the increasing requirements on our electric system and the corresponding upward pressures on consumer prices, it is vital that we understand the opportunities that exist to meet the added system stresses and find ways to soften price impacts. States are very familiar with the standard answers to meeting increasing electricity needs, that being the construction of new generation and transmission. However, demand response, one of the important tools available to address this challenge, has often been under-utilized.

As the Midwest ISO has wrestled with the issues of contingent reserves and resource adequacy, it has become apparent that a viable and active demand response capability is an essential ingredient to having a power grid that can effectively respond to intermittent supply shortages. The Organization of MISO States (OMS) has formed the same conclusion, recognizing that retail programs must be structured to coordinate with the wholesale market.

The plan the Midwest ISO is exploring for resource adequacy relies on a significant role for demand response resources. However, demand response at the wholesale level will only work to the extent that the programs exist on the retail side that result in timely reductions in load. Because retail rates and programs lie squarely within state jurisdiction it is very important that states in the MISO footprint are engaged in the demand response discussion.

The OMS plans to work actively with MISO and its stakeholders to explore demand response mechanisms in the wholesale market. We have told the MISO and the FERC that we are committed to doing our part to enhance the viability of demand response resources in the Midwest ISO footprint.



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In order to continue our efforts to increase the regional communication and coordination on electric issues that impact the states in the MISO region, OMS is establishing a demand response initiative through the formation of a new task force. The purpose of this initiative will be to assess the existence of demand response programs in our states, explore additional demand response programs, and make recommendations as to demand response programs that our states can consider for implementation. This will be a Commissioner-led effort to be chaired by Commissioner Bob Lieberman of Illinois with Chairman John Norris of the Iowa Utility Board as Vice Chair.

Enclosed is a letter from Commissioner Lieberman inviting you to participate in this Midwest Demand Response Initiative. The OMS welcomes Commissioner Lieberman's leadership of this initiative and on behalf of the OMS I ask that you consider joining this important regional state effort.

Sincerely,

Steve Gaw, President
Organization of MISO States