

# RTO Path for Entergy Operating Companies



# Summary

- Moving the Entergy Operating Companies to an RTO with a Day 2 market will provide benefits to our customers
  - Our findings indicate between \$1.4 and \$1.6 billion in production cost savings for the 2013-2022 period
- Our study also indicates that joining the MISO RTO is the best choice for our customers
  - MISO market ~50% greater scale
  - Lower risk transmission cost allocation policies
  - Proven, operational Day 2 market
  - Expected net benefits >25% greater than SPP
- The findings are based on Entergy's quantitative analysis which was in turn based on the CRA and other studies.



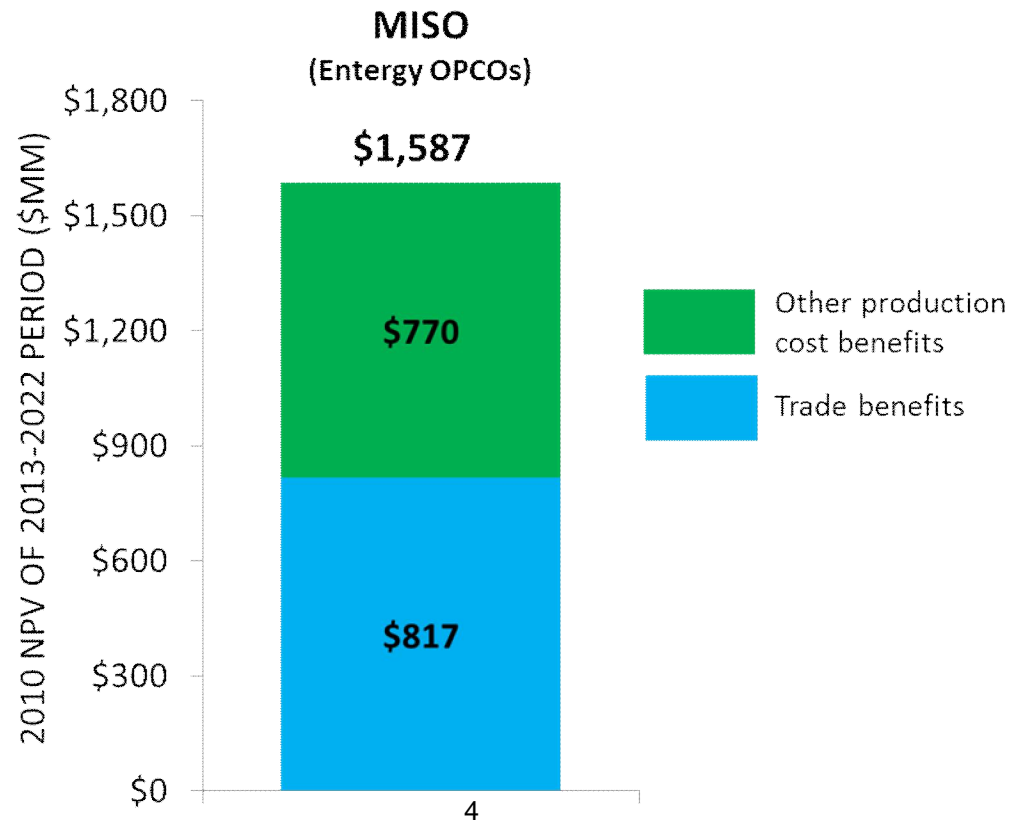
# Introduction

- The following pages highlight our key findings related to all Entergy Operating Companies joining an RTO with a Day 2 market by December of 2013.
- A detailed report, including OPCO-specific results, was provided to each retail regulator on May 12, 2011.
- Following the May 12<sup>th</sup> filing, each OPCO expects to have technical conferences with its regulators and stakeholders to review our findings and to discuss our next steps.
- We will continue to work with MISO to address certain market-related implementation issues.



# MISO Benefit #1: Over \$1 Billion in Customer Savings

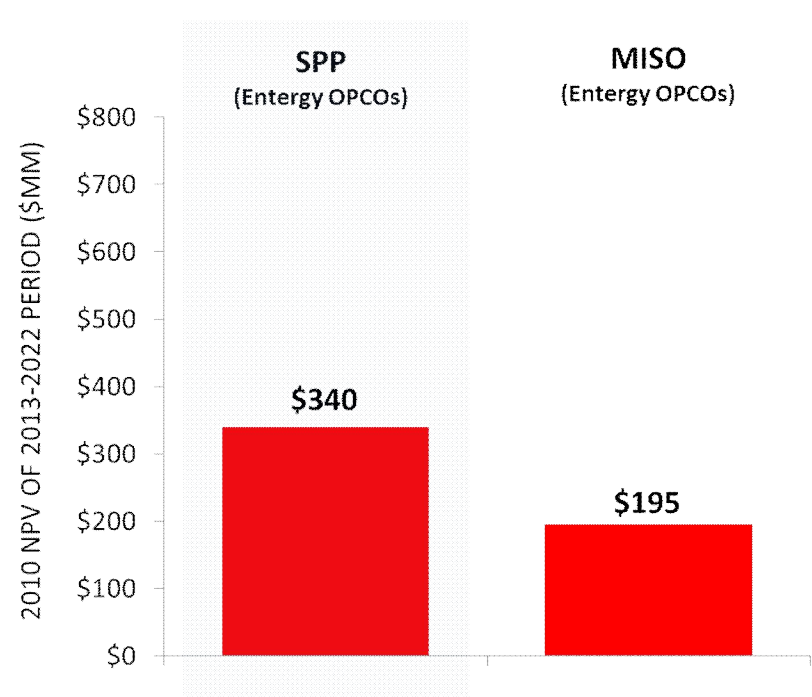
Entergy estimates that production costs could be reduced by almost \$1.6 billion between 2013 and 2022 if the Entergy Operating Companies join MISO.



# MISO Benefit #2: Greater Scale

## MISO has a larger Day Two market than SPP will have

- Scale provides greater production cost benefits
- Scale also reduces ongoing administrative costs allocated to Entergy



# MISO Benefit #3: Lower Risk Cost Allocation Policy

MISO's transmission cost allocation proposal is preferable to SPP's

- Places more of a focus on aligning costs and benefits
- Less risky for Entergy's customers than SPP's proposal

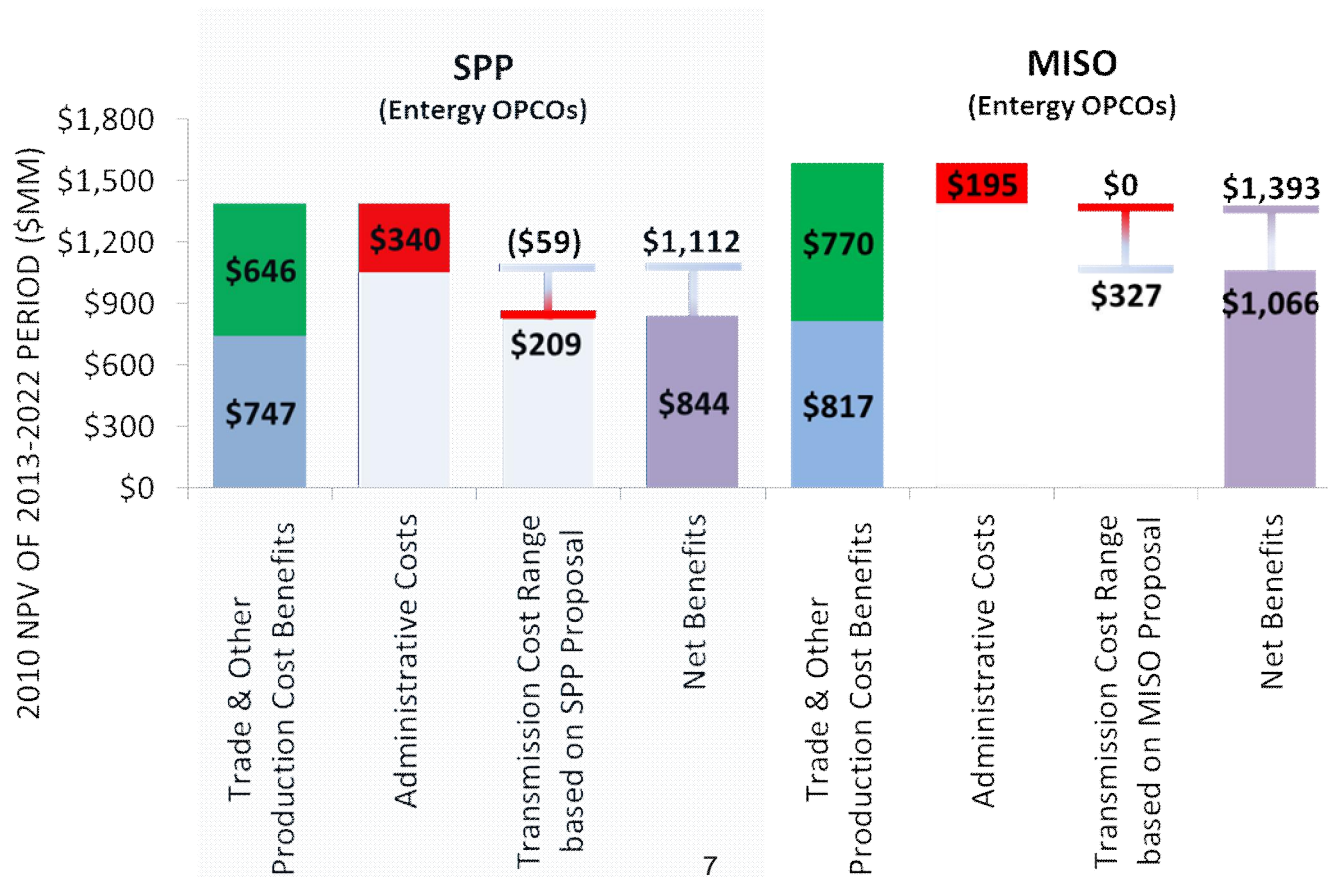


← Darker = More Likely  
← Lighter = Less Likely

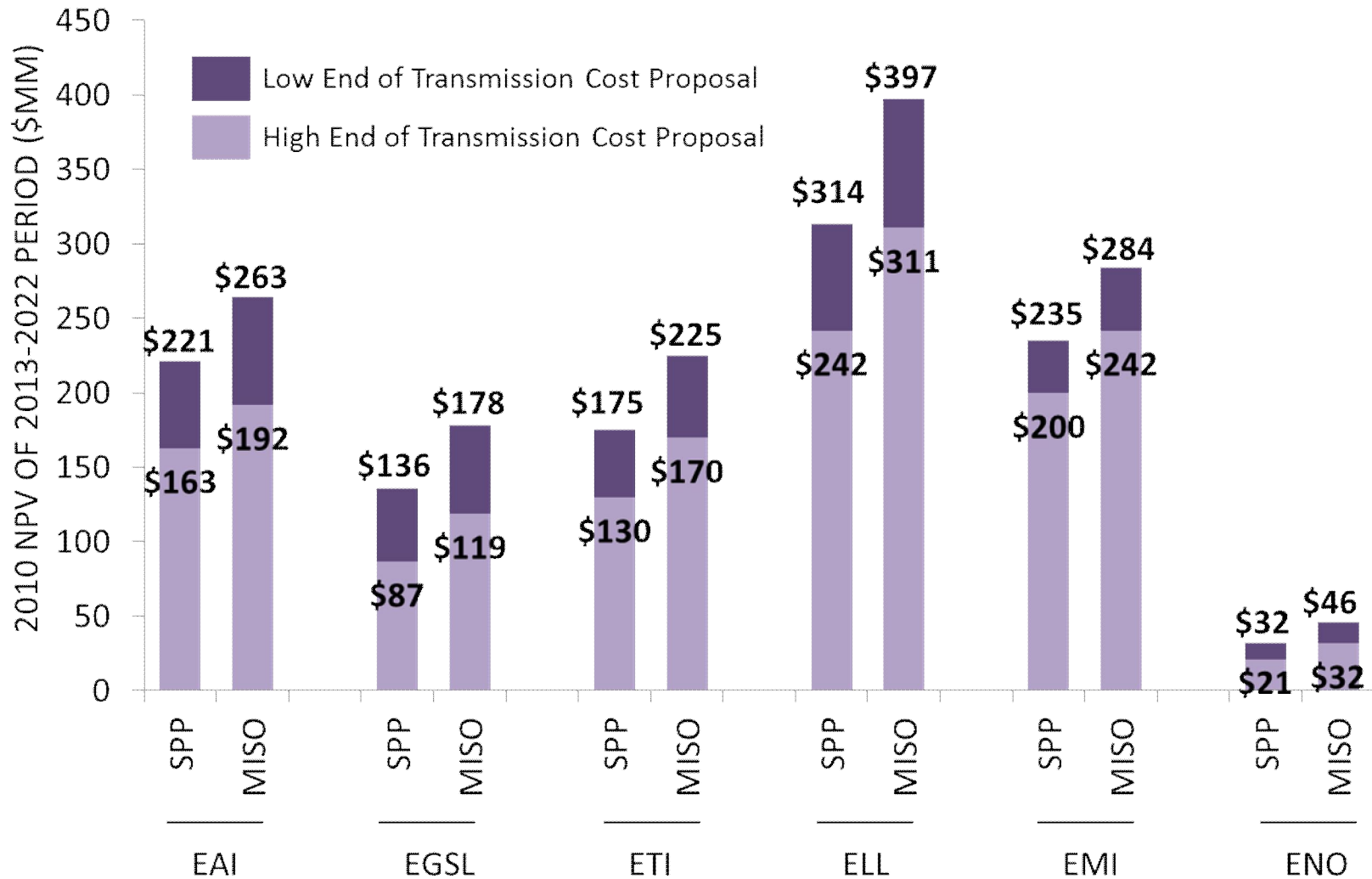


# Net Benefits: MISO greater than SPP

- Net Benefits = Production Benefits - Admin Costs - Allocated Trans Costs
- Entergy's analysis indicates greater net benefits under MISO than SPP.



# Net Benefits by OPCO: MISO greater than SPP



## Net Benefits with JOA: Even More MISO Benefits

- Net benefits analysis assumes a 1,000 MW direct interconnection between MISO and Entergy (Entergy/Ameren/AECI interconnection)
- JOA would authorize *additional* power flow between MISO and the OPCOs over and above the 1,000 MW interconnection used
- This would result in even more benefits to MISO
- Entergy's findings are not dependent on favorable resolution of the JOA dispute.



## MISO Benefit #4: Proven Day 2 Market

- The net benefits analysis assumes operating Day 2 markets in both RTOs, but....
  - MISO's Day 2 market is well established, and has already recovered most of its start-up costs
  - SPP does not yet have a Day 2 market. Its market is still under development – both schedule and cost are uncertain.
- On a risk-adjusted basis, the MISO RTO is the clear choice for Entergy's customers.



## Conclusions from Analysis

- Even if SPP and MISO had identical established Day 2 markets, Day 2 production cost benefits are somewhat greater with MISO, due to scale.
- MISO's transmission cost allocation proposal has lower expected net cost for Entergy's customers.
- Day 2 production cost benefits are more certain with MISO, because MISO has an established Day 2 market.
- Resolution of the JOA issue in MISO's favor would increase the potential production cost savings for Entergy's customers and further tip the benefit ratio in MISO's favor.



# RTO Map

