126 FERC ¶ 61,227
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Jon Wellinghoff, Acting Chairman;
Suedeen G. Kelly, Marc Spitzer,
and Philip D. Moeller.

Entergy Services, Inc. Docket No. ER09-555-000

ORDER CONDITIONALLY ACCEPTING WEEKLY PROCUREMENT PROCESS AMENDMENTS AND ORDERING FURTHER COMPLIANCE FILINGS

(Issued March 17, 2009)

1. On January 16, 2009, Entergy Services, Inc., as agent and on behalf of the Entergy Operating Companies[1] (collectively, Entergy), submitted for filing, pursuant to section 205 of the Federal Power Act (FPA),[2] proposed revisions to Attachment V of Entergy's open access transmission tariff (OATT). Attachment V includes the terms and conditions that will apply to the Weekly Procurement Process (WPP) being implemented as part of the package of changes establishing Southwest Power Pool, Inc. (SPP) as the Independent Coordinator of Transmission (ICT) for the Entergy system. In this order, we conditionally accept the proposed amendments for filing, to be effective March 17, 2009, as requested, subject to further compliance filings.

I. Entergy's Filing

A. Background and Description of WPP

2. On April 24, 2006, the Commission issued an order conditionally approving Entergy's proposal to implement the ICT, the WPP, and a new transmission pricing

[1] The Operating Companies are Entergy Arkansas, Inc. (Entergy Arkansas), Entergy Gulf States Louisiana, LLC (Entergy Gulf States), Entergy Louisiana LLC (Entergy Louisiana), Entergy Mississippi, Inc. (Entergy Mississippi), Entergy Texas, Inc., (Entergy Texas) and Entergy New Orleans, Inc. (Entergy New Orleans). The generation and bulk transmission systems of all the Operating Companies is collectively referred to as the Entergy system.

[2] 16 U.S.C. § 824d (2006).

structure based on participant funding for the Entergy system.[3] The WPP was designed to provide wholesale suppliers a greater opportunity to be integrated into the procurement processes that Entergy and other network customers participating in the WPP (collectively referred to as WPP Participants) use to serve their native load customers. The WPP would allow displacement of existing network resources in favor of cheaper alternatives and facilitate the granting of more transmission service. The WPP utilizes a simultaneous process to consider generation alternatives and available transmission information to better optimize use of the Entergy transmission system.

3. The development of the WPP went through several changes but ultimately the WPP approved in the April 2006 Order would be operated by Entergy's Weekly Operations business unit, which is a part of Entergy's transmission organization. The results of the WPP optimization would be treated as requests for new point-to-point transmission service or the designation of new network resources, including offers of redispatch needed to grant the new service. Weekly Operations would provide the results of the WPP to the ICT. The ICT would review the requests and grant or deny transmission service under the OATT.[4] In sum, this process would be operated by Entergy but overseen by the ICT.

4. The April 2006 Order approved the entire package of the ICT, WPP and Entergy's pricing proposal as predicated in part on Entergy's representations of the substantial benefits associated with the WPP.[5] Further, it was expected that the WPP would begin approximately fourteen months from the April 2006 Order when the optimization software needed for the WPP would be developed and tested, i.e., June 2007.[6]

5. After several delays pertaining to the development of software, on January 31, 2008, Entergy filed a number of amendments to its WPP in Attachment V in Docket No. ER08-513-000. In that filing, Entergy requested a May 2008 start-up date to implement the WPP. In comments on the filing, the ICT and stakeholders raised concerns over some of the proposed changes. The Commission found it premature to implement the system in May 2008 as requested by Entergy and conditionally accepted and suspended the filing

---

[3] *Entergy Services, Inc.*, 115 FERC ¶ 61,095 (April 2006 Order), *order on reh'g*, 116 FERC ¶ 61,275, *order on compliance*, 117 FERC ¶ 61,055 (2006), *order on clarification*, 119 FERC ¶ 61,013 (2007).

[4] April 2006 Order, 115 FERC ¶ 61,095 at P 248.

[5] *Id.* P 3.

[6] *Id.* P 1.

for five months, until October 2008.[7] This order delayed the implementation of the WPP until the ICT was satisfied that the model functioned as intended.

6. Entergy filed another proposed amendment to the WPP on August 29, 2008. This amendment addressed the start-up date of the WPP. Entergy explained that because the WPP models and software had not been tested successfully, the ICT was unable to support an October 2008 effective date for the start-up of the WPP. The Commission accepted this amendment and required Entergy to file a software development progress report in January 2009 detailing the reasons for the continued delay in the WPP and the steps being taken to resolve the remaining issues that were postponing the start-up of the WPP.[8] Entergy submitted its Software Development Progress Report on January 12, 2009.

7. Under Attachment V, a supplier wishing to submit an offer in the WPP will submit the offer to the WPP Participant it wishes to sell to, and Entergy's Weekly Operations unit will optimize the offers based on cost data for the WPP Participants' generating facilities. Entergy's Weekly Operations will use a Security Constrained Unit Commitment (SCUC) model for that purpose. The SCUC is a computer model that optimizes the hourly commitment and dispatch of generating resources, subject to the transmission and operating constraints imposed on the model.

8. Entergy notes that, under Attachment V as originally filed in Docket No. ER08-513-000, there would have been three SCUC model runs performed each week to determine service for the following week (the WPP Operating Week). Entergy explains that, generally, those runs would be performed as follows:

- Run 0: A security constrained unit commitment and dispatch model run using WPP Participants' existing resources, without consideration of third-party offers.

- Run 1: A security constrained unit commitment and dispatch model run that includes WPP Participants' existing resources and all qualified offers from third-party suppliers.

- Run 2: A security constrained unit commitment and dispatch model run containing WPP Participants' existing resources, all supplier offers, and requests for point-to-point service submitted in the WPP.

[7] *Entergy Services, Inc.*, 123 FERC ¶ 61,125 (2008) (May 2008 Order).

[8] *Entergy Services, Inc.*, 125 FERC ¶ 61,031 (2008).

B. Entergy's Proposed Structural Changes To Implement the WPP

9. Entergy proposes to amend Attachment V to: (1) limit supplier offers in the WPP to on-peak periods;[9] and (2) eliminate WPP point-to-point transmission service, which was Run 2 of the optimization model. Entergy also is proposing conforming changes to Attachment S (Independent Coordinator of Transmission), Attachment T (Recovery of New Facilities Costs), and Parts I, II, and III of its OATT. Entergy states that it is proposing these changes in order to address the complexity of the WPP structure and how that complexity is adversely affecting the results of the WPP software model. Entergy asserts that, based on extensive testing of the model, the ICT concluded that changes to the structure of the WPP will improve the results of the model and help achieve WPP start-up.

10. Entergy states that the ICT also identified the structural changes proposed herein to address the complexity of the WPP structure in ways that resolve specific issues that were arising during testing. Entergy further asserts that those changes, in combination with changes to the software model that have been made since October 2008, have improved the results of the WPP significantly. Entergy maintains that, among other things, during testing there has been a reduction in the "soft penalty" constraint violations for flexibility and transmission flow limits,[10] and the decisions the model makes in committing and dispatching generating units have been more consistent with expectations. Entergy adds that, in a letter, the ICT has explained that "as a result of its testing, it believes that, in combination with certain proposed structural changes to the WPP [included in this filing], the WPP software model currently works and produces results consistent with expectations."[11] Entergy notes in this regard that the model with the changes described in this filing has been tested since the beginning of December 2008.

---

[9] On-peak hours are defined as Saturday through Friday, hour ending 7:00 to hour ending 22:00 central time.

[10] Soft constraints allow the WPP's dispatch algorithm to solve even if the existing transmission service is not simultaneously feasible, and Entergy states that they will not affect its ability to provide reliable transmission service. Each WPP Participant will establish acceptable levels of flexibility requirement violations. *See Entergy Services, Inc.*, 126 FERC ¶ 61,242, at P 5 (2009), issued concurrently with this order.

[11] *See* Letter of the ICT, included as an attachment to Entergy's compliance filing in Docket No. ER08-513-003 in response to *Entergy Services, Inc.*, 123 FERC ¶ 61,125 (2008).

11. Entergy states that the vast majority of supplier offers selected in Entergy's current weekly process are for delivery of on-peak energy. Accordingly, Entergy argues that eliminating off-peak offers is a reasonable way to address the complexity of the current WPP structure without significantly impacting the opportunity for displacement of generating resources through the WPP.[12]

12. Entergy states that eliminating point-to-point service and Run 2 of the optimization model also reduces the complexity of the WPP structure in a manner consistent with current technology. Entergy also states that the elimination of one optimization run removes the possibility for additional errors or constraint violations occurring in that run. Entergy argues that the revised WPP model is more in line with the processes used in existing energy markets, which include one optimization run. Entergy also notes that firm daily and weekly point-to-point service cannot be granted without accurate model results for off-peak periods.

13. In addition to seeking Commission approval of the structural changes to the WPP that were identified by the ICT, Entergy also asks that the Commission find that a party participating in the WPP may satisfy the Order No. 890[13] attestation requirement for requests submitted through the WPP by e-mail or facsimile to the ICT, and by providing one attestation that applies to all offers submitted in the WPP for a week. Entergy states that submitting an attestation for each offer submitted through the WPP, all of which will be submitted to Weekly Operations simultaneously, would be burdensome if the process were not automated, and the software that will be utilized in the WPP has not been designed for that purpose. Entergy asserts that one attestation is consistent with the goals of Order No. 890, and that it is authorized to state that the ICT concurs with Entergy's request in this regard.

14. Entergy also explains that, in its orders approving the ICT package, the Commission required the ICT to submit a report discussing the level of savings Entergy's retail customers realize under the WPP. Entergy states that through this filing, it is notifying the Commission, with the consent of the ICT, of the approach the ICT currently plans on using to calculate the annual savings resulting from the WPP. Entergy explains that, consistent with the approach approved by the Commission to ensure that a WPP

---

[12] Entergy argues that with the current technology available it is not possible to develop a software model that consistently finds a solution for off-peak periods.

[13] *Preventing Undue Discrimination and Preference in Transmission Serv.*, Order No. 890, 72 Fed. Reg. 12,266 (Mar. 15, 2007), FERC Stats. & Regs. ¶ 31,241, *order on reh'g*, Order No. 890-A, 73 Fed. Reg. 2984 (Jan. 16, 2008), FERC Stats. & Regs. ¶ 31,261 (2007), *order on reh'g*, Order No. 890-B, 123 FERC ¶ 61,299 (2008).

Participant is not harmed by that party's participation in the WPP, the ICT will calculate the annual savings resulting from the WPP by calculating the difference over a year between the production costs in Run 1 and the production costs in Run 0, in weeks when at least one supplier offer is selected through the WPP.[14] Entergy states that if the ICT later determines that an alternative methodology for calculating savings is appropriate, either it or Entergy will notify the Commission.

15. Entergy states that the calculation of production cost savings associated with the WPP will, by necessity, always be at best an estimate, because there is no knowable comparison case. Entergy states that the production costs that would be incurred by Entergy absent the WPP would be a logical comparison for the calculation of WPP savings; however, there is no way to know what that baseline is. For example, Entergy asserts that there is no way to determine the characteristics of the offers suppliers would have provided outside of the WPP, when those offers would have been made, the extent to which Entergy would have accepted such offers (either for one week or shorter periods), the changes to load or other data that would have occurred between the timing of the WPP and other decisions by Entergy, or whether transmission service would have been available to make a particular purchase. Entergy also explains that the WPP is run based on projections for a one week period, and in those projections the world as seen by the model (e.g., load, unit availability, transmission service) effectively is frozen for the week. Entergy explains that, as the week approaches and actually occurs, however, system operators must react to many changing circumstances – including the loss of generating units, increases in demand due to unexpected weather conditions, and changing generation patterns for qualifying facilities – as those circumstances arise. Therefore, Entergy explains that actual commitment and dispatch thus always will differ from the commitment and dispatch as modeled in the WPP runs for a week. Entergy explains that, as a result, there is no meaningful comparison between: (1) the WPP modeled case result; and (2) actual production costs as they are incurred.

16. Entergy asserts, however, that the intent of the overall WPP process suggests a proxy method for the basis of comparison or savings. Entergy explains that this proxy method is the difference in production costs between Run 1 and Run 0, or more specifically, Run 1 production costs minus Run 0 production costs. Entergy explains that both optimization runs reflect comparable measures as forecast at the time the WPP is run, with the difference solely being the potential incremental procurements obtained by the WPP. For example, the Run 0 estimate does not include any supplier offers, the Run 1 estimate, on the other hand, includes the supplier offers that are selected in that run. Entergy asserts that the difference in production costs in these two runs thus provides a reasonable basis for calculating annual savings from the WPP. Entergy

---

[14] *See* Entergy OATT, Attachment V § 7.

cautions, however, that the difference in these production costs does not provide a perfect estimate of WPP savings. For example, Entergy explains that there can be differences in the production costs calculated in the different optimization runs that are unrelated to the selection of supplier offers, which Entergy describes as "noise" in the model. However, Entergy explains that the estimates of production costs in those runs are unbiased (e.g., from week-to-week the "noise" in the model can be positive or negative, and is not biased in either direction or in magnitude) and are reasonable for purposes of calculating WPP savings.

17. Entergy explains that it, along with the ICT and the WPP software vendor, recently conducted extensive reviews of (1) the software model that will be used for the WPP and (2) the structure of the WPP detailed in Attachment V. These reviews included an audit of the algorithms and underlying logic of the WPP model. It notes that this extensive review by Entergy and the ICT has been beneficial. Through the audit and continued testing, Entergy and the ICT identified a number of software improvements that have been implemented, including improvements that will lead to better commitment decisions for off-line units, improved selection of units to meet load pocket constraints, and refined logic to address cycling of units during low load periods. Subsequent to the instant filing, the ICT filed its endorsement that WPP development and testing is complete and that the WPP is ready to be implemented.

18. Entergy requests that the Commission accept its filing to be effective March 17, 2009. Entergy states that it and the ICT believe that if the Commission approves this filing and the compliance filing in Docket No. ER08-513-003 by that date, the WPP can be implemented by the week of March 23, 2009. Entergy states that the March start-up time is important so that all parties can obtain operational experience before the summer period starts, which generally begins in May on the Entergy system.

II. Notice of Filing and Responsive Pleadings

19. Notice of Entergy's filing was published in the *Federal Register*,[15] with protests and interventions due on or before February 6, 2009. Notices of intervention raising no issues were filed by the Louisiana Public Service Commission (Louisiana Commission), the Arkansas Public Service Commission (Arkansas Commission), and the Mississippi Public Service Commission (Mississippi Commission). Timely motions to intervene and comments or protests were filed by SPP; NRG Energy Energy, Inc. (NRG Energy Energy); Lafayette Utilities System, Mississippi Delta Energy Agency, Clarksdale Public Utilities Commission, and the Public Utility Service Commission of Yazoo City, Mississippi (collectively, L-M Municipals); the Southeast Electricity Consumers

[15] 74 Fed. Reg. 6150 (2009).

Association (SECA); Union Power Partners, L.P. (Union Power); and Occidental Chemical Corporation (Occidental). Motions to intervene out-of-time raising no issues were filed by J.P. Morgan Ventures Energy Corporation (J.P. Morgan) and Calpine Corporation (Calpine). Entergy and SPP filed answers.

20. On February 27, 2009, in Docket No. ER08-513-000, the ICT filed its endorsement of the WPP. In accordance with the May 2008 Order, the ICT states that this letter fulfills its obligation to certify that all WPP models and processes have been fully developed and tested.

A. Comments and Protests

1. Benefits of the WPP and Re-evaluation of the ICT

21. L-M Municipals assert that there are at least three direct side effects of the unexpected levels of effort and delay that have accompanied the WPP development process: (1) reduction in realized savings; (2) additional development costs; and (3) additional ICT obligations. L-M Municipals state that each of these side-effects has, or may, cut deeply into the customer benefits the Commission anticipated when it approved the ICT package. Specifically, L-M Municipals assert that when the Commission issued the April 2006 Order approving the ICT arrangement, it was expected that the WPP would be implemented in June 2007. L-M Municipals maintain that the Commission's approval of the ICT proposal was expressly predicated in part on the expected benefits of the WPP for both retail and wholesale customers. L-M Municipals argue that those benefits, which were projected at the time as narrowly outweighing the expected annual costs of the arrangement, included the displacement of Entergy oil and gas generation, which the Commission stated would yield upwards of $30 million in annual savings, and an increase in the amount of non-firm transmission transactions that could be accomplished by virtue of redispatch under the WPP.

22. L-M Municipals state that because these anticipated benefits were expected to pay out over time, the Commission specifically identified the possibility of delay in WPP implementation as a major concern. Indeed, L-M Municipals add, the Commission indicated in the April 2006 Order that it might reopen its approval of the ICT arrangement if the WPP were greatly delayed, since that could cause the net margin of benefits over costs to disappear or reverse. L-M Municipals argue that it should be self-evident that the considerable delay in WPP implementation that actually occurred has cut deeply into the savings expected to be produced by the ICT arrangement. L-M Municipals argue that it may well be that the savings now have been swamped by the ICT arrangement's annual costs.

23. L-M Municipals state that the second direct side-effect of problems in WPP implementation is an increase in development costs. L-M Municipals note that, as

Entergy now admits, a significant factor in the WPP's delay was the fact that the WPP was more complex than even many RTO/ISO market structures. L-M Municipals state that very significant resources were expended in the attempt to implement the complex version of WPP before Entergy and SPP concluded it could not be done without major structural changes. Unless some portion of the significant increase in WPP software development costs were disallowed from rate recovery (e.g., on grounds of imprudence), L-M Municipals assert that those costs would further erode the originally-forecasted benefits of the ICT arrangement.

24. Lastly, L-M Municipals state that the modified version of the WPP will entail a much greater level of ICT involvement than the original version. As originally proposed, L-M Municipals note that the ICT's involvement in the WPP was primarily to oversee and design the operation of the WPP optimization model and to oversee certain WPP-related activities by Entergy's Weekly Operations staff. L-M Municipals observe that in the new version, however, the ICT has significant hands-on responsibility for a number of key activities, including the review and evaluation of soft constraint values, analysis of the effect of soft constraint values on reliability, and determination of whether the acceptance of soft constraint violations would compromise reliability or increase TLR incidence. L-M Municipals argue that unaddressed in Entergy's filing is the question of whether the current level of ICT compensation is sufficient to cover the costs of these additional activities. Because of this, and given the foregoing, L-M Municipals assert that the Commission has a responsibility to undertake an updated analysis of the net benefits (if any) of the ICT arrangement. L-M Municipals further assert that if it is determined that the cost-benefit balance has been shifted by intervening events, the Commission has a duty to bring the ICT experiment to an early close.

25. Occidental also argues that Entergy's proposal to amend Attachment V of its OATT to eliminate both off-peak participation in the WPP and WPP point-to-point transmission service diminishes the benefits of the WPP for both wholesale and retail customers. Occidental also asserts that, in stark contrast to the Commission's statement that as Entergy and WPP Participants gain experience with various aspects of the procurement process, it will evolve and improve over time, the amendments proposed by Entergy impair the WPP. Occidental states that this is significant because the Commission's approval of the entire package of the ICT, WPP, and Entergy's pricing proposal was predicated in large part on Entergy's representations of the substantial benefits associated with the WPP for both wholesale and retail customers. Occidental maintains that the Attachment V Filing does not address, much less quantify, the negative impact that the elimination of both off-peak participation in the WPP and WPP point-to-point transmission service will have on the significant benefits and customer savings that Entergy claimed would result from the WPP.

26. Occidental states that Entergy wholly ignores the impact that eliminating point-to-point transmission service will have on the Commission's expectations and states,

without any substantiation, that the opportunities for displacement of generating resources through the WPP should not be significantly affected by the elimination of off-peak participation in the WPP. Occidental contends that Entergy's use of the word "significantly" is telling as it acknowledges that the benefits associated with the WPP will be affected by the proposed amendments. In short, Occidental argues that Entergy has conceded that the benefits associated with the WPP for both wholesale and retail customers will be impaired by the proposed amendments, but has failed to quantify the extent of the impairment.

27. Occidental asserts that, whether the Commission accepts or rejects Entergy's proposed amendments, the Commission should reevaluate its approval of the entire package of the ICT, the WPP, and Entergy's pricing proposal. Occidental notes that in the April 2006 Order granting that approval, the Commission stated that if the WPP is not operational after 14 months it may reevaluate all of its approvals granted in that order. Occidental states that while the Commission recently reiterated that it recognizes that the WPP is an integral part of the ICT, and is committed to seeing Entergy successfully implement it despite the continuing delays, the Commission should reevaluate its approvals since they remain predicated in large part on unrealized WPP benefits. Occidental also asserts that in reevaluating its approvals, the Commission should, among other things, assess whether the delayed implementation has in any way impaired the ability to achieve any of Entergy's representations of the substantial benefits associated with the WPP.

28. Union Power likewise states that in approving the ICT proposal the Commission emphasized that the approval was for the entire package and was based on the substantial benefits it would bring to non-affiliated transmission customers and the system as a whole. Union Power states that the ICT proposal reflects terms and conditions and benefits and detriments for all stakeholders on the Entergy system. Union Power maintains that any attempt by Entergy to change essential terms of its own proposal must be looked at carefully, and perhaps skeptically, and must first consider how restructuring of the WPP will reallocate the benefits and detriments of the ICT proposal and then offer terms and conditions to restore the balance of the bargain that Entergy now seeks to change. Because Entergy has not, and cannot, demonstrate that its instant proposal restores the benefits to unaffiliated entities and customers that Entergy touted in its earlier proposal, Union Power suggests that the Commission should reject Entergy's filing in this docket.

29. Union Power notes that in an attempt to justify its proposed elimination of the off-peak periods and point-to-point transmission service, Entergy provides a number of excuses for the fundamental structural changes to the WPP. According to Union Power, Entergy's "ends justify the means" rationale for the elimination of off-peak periods and point-to-point transmission service is not compelling. In short, Union Power explains that Entergy agreed to the Commission-approved ICT proposal and now wants to

eliminate aspects of the bargain. Union Power adds that Entergy's attempt to re-trade the ICT proposal should be denied. Union Power also argues that while Entergy indicates that there have been difficulties in implementation of the WPP, and that these difficulties can be eliminated by removing the software algorithms and underlying logic associated with the off-peak periods and point-to-point transmission service, Entergy makes no attempt in the filing to identify the errors in the logic that create the problems in the first place. As a result, Union Power notes, the focus of the filing is merely a description of the process leading to the changes and not any meaningful analysis of why they are required. Without identifying why the WPP does not work and why it cannot be fixed, Union Power argues that Entergy lets the results of eliminating the off-peak periods and point-to-point transmission service dictate the fundamental restructuring of the WPP.

30. Union Power also argues that Entergy simply concludes that with the elimination of the software algorithms and logic associated with the off-peak periods and the point-to-point transmission service, the WPP produces results consistent with expectations. However, Union Power notes that the conclusion that this approach solves the problems is not enough. With the problem purportedly isolated, root cause analysis should provide insight as to why the WPP, as contemplated in the ICT proposal, is not consistent with expectations. Union Power argues that Entergy's unsupported conclusions should be ignored. For example, Union Power argues, Entergy presumably included off-peak periods in the ICT Proposal because it does offer value.

31. In addition, Union Power notes that in the ICT proposal, Entergy committed to providing point-to-point transmission service. Union Power adds that Entergy did not make that offer conditional. In the event Entergy's obligation to include off-peak periods under the WPP were revised, Union Power asserts that Entergy has not provided any basis for why it cannot comply with its commitment to provide point-to-point transmission service – a commitment that was endorsed by the Commission and cannot now be rescinded. The effect of Entergy's proposed restructuring of the WPP, Union Power argues, would be to put in place modifications that solely benefit Entergy at the expense of point-to-point transmission service customers. Further, Union Power explains that where generation had the ability to choose between making sales within the WPP, or making sales with point-to-point transmission service, that choice under the WPP would be eliminated by Entergy. Union Power also explains that generation participating in the WPP would be limited to sales to participants under the WPP, of which Entergy is the primary beneficiary. Union Power notes that this limitation Entergy seeks to impose is by virtue of its abandonment of its commitment to the Commission-approved ICT proposal and its election to permanently eliminate off-peak hours in the WPP. In the absence of Entergy offering something to restore the bargain in the ICT proposal, Union Power maintains that elimination of point-to-point transmission service from the WPP is not warranted and should be rejected.

32. NRG Energy asserts that to date it has subsidized more than $1 million dollars in WPP development and implementation costs in 2008 alone, and Entergy and the ICT still have no viable WPP program. NRG Energy further asserts that it has now been 34 months since the Commission first conceptually approved the WPP, and Entergy customers have recognized none of the promised benefits. NRG Energy contends that it is time for the Commission to reevaluate whether the WPP remains a viable mechanism and whether the unproven (and rapidly diminishing) benefits are worth pursuing. Further, NRG Energy adds that given the time that has elapsed to correct these issues, it respectfully requests that the Commission require an audit of the ICT to determine the prudency of spending millions in scarce funds on the development of the WPP compared to the resources expended in fixing Entergy's existing software.

33. NRG Energy states that to the extent the Commission allows the WPP to continue, it should provide network customers with the right to opt out of participating in, and providing further funding of, the WPP. According to NRG Energy, such an opt-out provision is appropriate because the benefits of the WPP will accrue solely to Entergy. NRG Energy contends that Entergy is the only market participant with the load size and number of redispatch options to economically participate in the WPP, as currently proposed.

34. SECA protests Entergy's revised WPP proposal, because it argues that Entergy fails to demonstrate that the revised process will deliver meaningful benefits to customers. SECA states that the Commission approved Entergy's plans to implement the WPP as a way to realize system-wide benefits and cost-savings when it was first introduced by Entergy in 2004. SECA points out that since that initial filing, however, WPP implementation has been beset by numerous delays. SECA notes that Entergy, again claiming repeated technological obstacles, now submits a revised WPP less comprehensive in scale than the proposal used to persuade adoption of the ICT experiment, without any analysis of how, or whether, the WPP can deliver meaningful benefits to customers, or differs from the approach that Entergy currently uses to consider offers from other suppliers outside of the WPP (i.e., Entergy's current weekly Request for Proposal (RFP) procurement process). SECA notes that an original goal of the WPP was to displace less efficient units that were not suitable for easy shutdown and start-up a week at a time. SECA asserts that Entergy makes no attempt to demonstrate that the current proposal, based only on on-peak bids and 48-hour modeling, will accomplish that goal.

35. Moreover, SECA argues that despite a Commission order requiring a report outlining the level of savings Entergy's retail customers realize under the WPP, Entergy's instant filing fails to adequately describe, and wholly fails to quantify, the savings potential of its current proposal versus the status quo. SECA argues that Entergy's latest proposed revisions are symptomatic of the problems that have hounded the WPP implementation process from the beginning.

2. <u>Benefits Calculation</u>

36. NRG Energy notes that the Commission's prior orders found that the WPP was acceptable in principle, because it would provide substantial benefits to Entergy customers through greater transparency and increased competition to serve load. However, NRG Energy argues that the instant proposal removes many of the cost savings metrics initially endorsed by the Commission.

37. SECA states that Entergy's filing includes a cursory description of the methodology by which the savings resulting from the WPP will ultimately be calculated. However, SECA argues, Entergy fails to fully explain how it comes to its conclusions or, perhaps more importantly, how the ICT will quantify net customer benefits from the modified WPP relative to the status quo. SECA adds that while other considerations, such as security and reliability, are vital in any energy market, issues related to cost and cost-savings for particular projects are also of significant value. SECA maintains that from the outset, Entergy represented that the WPP would be a vehicle to increase competition and achieve more efficient transmission and generation. SECA adds that these goals, in turn, would or should lead to lower costs for consumers. SECA contends that as the implementation process has been delayed, the WPP, as evident by the instant filing, has been eroded in significant respects. SECA argues that a scaled-back version of the WPP may not produce the types, or levels, of savings first contemplated by the parties when Entergy initially announced the WPP. SECA states that Entergy's filing does little to allay these concerns. Therefore, SECA maintains, Entergy must do more than state that cost savings associated with the WPP will be at best an estimate.

38. SECA argues that particularly given the proposed decrease in complexity, Entergy should now be able to provide a more detailed analysis outlining and describing how any cost-savings will be measured and achieved. Entergy should also be able to model and quantify what it expects any cost-savings to be. SECA notes that Entergy states that the annual savings will be calculated by determining the difference in production costs between Run 0 and Run 1. However, SECA argues that Entergy fails to explain how the savings calculated under this approach will be any greater than those being achieved under the approach that Entergy currently uses. In short, SECA argues that Entergy was able to provide some cost-benefit estimates earlier in this process, and therefore, surely the streamlined WPP makes a similar calculation achievable.

39. Occidental argues that Entergy should be required to quantify the reduction in the level of savings that will result under the amended WPP. As proposed, however, Occidental notes that the approach the ICT currently plans on using to calculate the annual savings resulting from the WPP will not report the amount of lost savings caused by the proposed amendments. Occidental further asserts that in order to assess whether the WPP meets its expectations, the Commission should compare the level of savings under the amended WPP to the level of savings that would have been enjoyed if the WPP

had not been modified in order to help achieve WPP start-up. Occidental contends that ultimately the Commission needs to determine whether having an inferior WPP outweighs the reduction in savings associated with eliminating off-peak participation in the WPP and WPP point-to-point transmission service.

40. Union Power argues that the ICT's proposed approach of comparing runs under the WPP is not consistent with the April 2006 Order. The proposal, Union Power argues, is effectively a collateral attack on the April 2006 Order, which Entergy or the ICT could have raised on rehearing of that order. Union Power further argues that the ICT must be required to provide the required performance metrics in compliance with the April 2006 Order. Union Power asserts that under the April 2006 Order, the ICT is required to develop, among other things, WPP performance metrics to measure the incremental benefit of the WPP. That is, Union Power explains, the Commission has requested substantiation of Entergy's representations of substantial benefits based on the increase in the number of transactions and volume of energy purchased under the WPP.

41. Union Power contends that such analysis should include a comparison of the incremental changes in the number of transactions and volumes absent the WPP. Union Power states that because Entergy does not currently rely on its own resources without consideration of third-party transactions, using Run 0 ignores purchases Entergy currently makes in the absence of the WPP, which already provides substantial benefits to Entergy's customers. Accordingly, Union Power explains that use of Run 0 and Run 1 will not capture the incremental benefit associated with the WPP, as required by the Commission in the April 2006 Order and, like the proposed restructuring of the WPP, reflects yet another unsupported departure from the Commission-approved ICT proposal.

42. Union Power notes that in a further effort to support the ICT's proposed performance metric, Entergy asserts that the calculation of production cost savings will always at best be an estimate because the production costs that would have been incurred absent the WPP cannot be known. Union Power further notes that Entergy also points out that the comparison is based on the commitment and dispatch as modeled in the WPP and not the actual commitment and dispatch. Union Power thus argues that given that the calculation of the production cost savings will, as Entergy puts it, always be an estimate, Entergy has not adequately supported its proposed departure from the April 2006 Order.

43. Specifically, Union Power argues that the ICT needs to develop a performance metric that compares the energy production of Entergy's older fleet prior to and after the new WPP implementation. Union Power explains that by making such a comparison, the performance metric, while still an estimate, will more closely track the Commission's requirement to reflect the incremental benefit of the WPP implementation. According to Union Power, the Commission recognized, in its discussion of the displacement of Entergy's oil and gas generation in the April 2006 Order that the greatest benefit to consumers from the WPP will result from displacing the energy production from these

older plants with a lower cost alternative. Union Power states that failing to include the generation profiles of these plants prior to and after implementation of the WPP in the performance metric will misrepresent the benefits of the WPP.

44. Union Power contends that while WPP operational experience may lead to refinement of the metrics, the metrics must comply with the legal requirements upon commercial operation of the WPP. Also, Union Power maintains that with the metrics subject to an annual filing requirement, failure to capture the required metrics at the inception of commercial operation of the WPP will result in insufficient information for the first annual report, and an extensive lapse in time before appropriate WPP performance metrics are reported in the next annual report.

3. <u>Section 205 Requirements</u>

45. NRG Energy argues that Entergy bears the burden of demonstrating that rates, terms and conditions of any proposed change are just and reasonable, and not unduly discriminatory. NRG Energy adds that Entergy's proposed changes to Attachment V are inconsistent with the terms and conditions of the *pro forma* OATT required under Order No. 890.

46. NRG Energy argues that in the absence of evidence addressing the impact of the proposed changes on non-WPP transmission customers, it is not possible for Entergy to meet its burden to demonstrate that its proposal is consistent with or superior to the requirements under Order No. 890. In fact, NRG Energy states, Entergy provides no affidavits or other evidence even discussing the impacts of the revised WPP provisions on participants in the market or how it may affect transmission service requested outside of the WPP process. Without such a showing, NRG Energy contends that the Commission cannot find that the revised WPP has been shown to be just and reasonable, and not unduly discriminatory.

4. <u>Potential Harm from the Changes</u>

47. NRG Energy argues that the question of whether the Commission should allow the WPP program to continue is particularly acute in light of the demonstrated problems with existing Entergy software. NRG Energy points out that Entergy and the ICT have filed more than 30 error reports since 2007, with two error reports already filed in 2009.[16]

---

[16] In the April 2006 Order, the Commission required that "Entergy must notify the Commission, the ICT and the Users Group [i.e., a group formed of users of Entergy's transmission and data systems] within 15 days if Entergy discovers that it has lost data, or reported inaccurate data, or otherwise believes that it has mismanaged data." April 2006 Order, 115 FERC ¶ 61,095 at P 110.

Many of the errors are with Entergy’s available flowgate capability (AFC) modeling software that the WPP continues to rely upon. Several of these errors have had significant adverse impacts on the transmission system and the quality of service received by network customers. NRG Energy maintains that it fully expects that granting additional transmission service under the WPP will exacerbate the disconnect between the AFC model and real-time transmission system conditions.

48. NRG Energy argues that the Entergy proposal offers no insight into the possible effects of the revised WPP mechanism on: (1) the incidence or severity of persistent congestion on the Entergy transmission system; (2) the amount(s) of AFC available for use by non-WPP transmission customers; or (3) the incidence or severity of TLR-related curtailments of transmission service on Entergy’s network customers.

49. NRG Energy asserts that another troubling aspect of the Entergy proposal is that it would require the ICT to project seven days in advance whether the transmission service granted as part of the WPP is likely to cause additional TLRs or decrease grid reliability. NRG Energy maintains that because the ICT currently is not able to predict real-time TLR activity on even a day-ahead basis, it is unclear how Entergy is supposed to make such evaluations a week ahead of time. NRG Energy also asserts that the tariff language specifying that Entergy must reject WPP bids if it determines that the WPP is significantly increasing TLR activity should be modified in order to ensure that the WPP does not adversely affect market participants other than Entergy.

50. L-M Municipals state that they are concerned that, at this point in the WPP development process, Entergy's focus has become what it can get into effect and how soon can it do it. L-M Municipals note that this is because the extended delay in WPP implementation undermines the express quid pro quo that also gave Entergy the authority to implement participant funding. L-M Municipals add that if that quid pro quo were to unravel, Entergy might lose that authority, giving rise to the perceived need to get something roughly resembling the WPP up and running as soon as possible. L-M Municipals argue that the problem is that the effect of Entergy's pared-down WPP on transmission system operations may not be getting the attention it deserves.

51. L-M Municipals state that among the serious problems that hampered WPP software development was that the optimization model frequently would yield infeasible results, such as by overloading transmission flowgates beyond their security limits or by disregarding minimum load limits on generators. L-M Municipals argue that a focus on feasible modeling outcomes, however, should not be permitted to trump the protection of real-time system reliability. In other words, L-M Municipals maintain that customers are not served by a WPP model that provides feasible modeling outcomes if, in real time, they are subjected to new rounds of TLRs and service curtailments. L-M Municipals argue that Entergy's customers have had enough of those already. For these reasons, L-M Municipals contend that Entergy should be required to certify that, in implementing what

appears to be a fairly quickly-crafted revision of Attachment V, it will not be putting the network in jeopardy. At a minimum, L-M Municipals argue that Entergy and the ICT should permit stakeholder access to the models on which it relies in claiming that the new WPP design is not deleterious to reliable operations. Lastly, L-M Municipals add that service to the public should not be put at risk just so Entergy can maintain its grasp on participant funding authority.

5. Participant Funding-Related Rights

52. L-M Municipals argue that, as Entergy has openly acknowledged, Entergy's goal in proposing the ICT arrangement was to gain the Commission's permission to implement participant funding of new transmission facilities. The Commission, for its part, has insisted that the parties that fund supplemental upgrades must receive in return valuable (and tradable) transmission rights. L-M Municipals note that Entergy proposed that the parties that fund supplemental upgrades would be protected from congestion and redispatch charges resulting from WPP operations, including redispatch costs that result from the Run 2 of the WPP. L-M Municipals also note that this protection was touted as an important component of the set of transmission rights comprising the substantial value received by supplemental upgrade funding parties. L-M Municipals state that, as Entergy explains, the proposed modifications to Attachment V also will do away with some of the protections from congestion and redispatch charges that had been extended to parties that pay for supplemental upgrades. Thus, for example, L-M Municipals extrapolate that, because redispatch is being eliminated from Attachment V, so also are the provisions that protected upgrade-funding parties from a share of redispatch costs. Likewise, L-M Municipals argue that because congestion charges are being eliminated from Attachment V, so also are the provisions that gave protection to a party that relinquishes its firm rights over a supplemental upgrade.

53. Notwithstanding Entergy's claim that its proposed modifications leave intact a party's protection from congestion when it uses the facilities it paid to upgrade, L-M Municipals contend that it does not dispose of the fact that the rights accorded upgrade-funders under the current version of Attachment V are more comprehensive, or that the changes now proposed by Entergy eliminate value that the Commission considered significant. As a consequence, L-M Municipals contend that the Commission now must consider whether any remaining rights to be accorded upgrade-funding parties continue to satisfy the criteria established at the outset of the ICT proceedings, specifically that the transmission rights must: (1) protect the customer from any future congestion costs associated with re-dispatching generation; (2) protect the customer from curtailment except in a *force majeure* situation; and (3) be defined with sufficient specificity that they can be resold by the customer (i.e., well-defined and tradable). Absent a finding that these protections are undiminished by Entergy's proposed revisions to Attachment V, L-M Municipals request that Entergy's tariff provisions for participant funding not be permitted to continue in effect.

54. Union Power states that Entergy proposes to delete the provision requiring payment for a congestion hedge. Union Power maintains that this change could have a collateral and material impact on transmission customer funding of supplemental upgrades under Entergy's transmission system pricing structure. Union Power maintains that Entergy provides no analysis of either the impact of the elimination of revenues under the WPP for congestion hedges or how such elimination could impact the funding of supplemental upgrades. Union Power adds that Entergy strips this benefit from the Commission-approved ICT Proposal and offers nothing in exchange.

6. Delayed Implementation

55. NRG Energy states that it is concerned with Entergy's proposed implementation date of March 17, 2009 for the commencement of the WPP, given that it is at the beginning of the critical summer season. NRG Energy states that because of the WPP's troubled history of software issues and uncertainties during its development, NRG Energy respectfully requests that the Commission delay Entergy's proposal to move forward with the WPP implementation before the summer period, in order to minimize the likelihood of increased service disruptions to end-use customers in the Entergy region. NRG Energy adds that delaying such implementation until after the summer season is in the public interest, and is compelled by the high number of transmission service interruptions in the Entergy region, which neither Entergy nor the ICT have adequately addressed.

7. Joining an RTO

56. Union Power asserts that Entergy fails to acknowledge that this case is not about other energy markets, but about the bargain Entergy struck in connection with the Commission-approved ICT proposal. Union Power argues that if Entergy wants to follow what is done in "existing energy markets" then it should join such a market. Because Entergy is not part of any "existing energy markets," Union Power argues that Entergy has not demonstrated that it is similarly situated to utilities in such markets, such that what is done in those existing energy markets is enough when applied in the context of the ICT proposal. Additionally, Union Power states that if Entergy wanted to follow what is done in existing energy markets, nothing prevented Entergy from proposing such in the ICT proposal. However, Union Power notes that Entergy made no such proposal. Viewed in its most favorable light, Union Power argues, Entergy's proposed restructuring of the WPP is no more than a bait and switch, with Entergy now trying to eliminate elements of the Commission-approved bargain to the detriment of market participants.

B. Entergy's Answer

57. Entergy reiterates that the March start-up time is important so that all parties can obtain operational experience with the WPP before the summer period begins. Entergy

also notes that WPP implementation will not end Entergy's and the ICT's analyses of the WPP software and models. Entergy states that consistent with Attachment V, the software and models will continually be analyzed as experience with the WPP is gained, and improvements will continue to be made as appropriate.

58. Entergy argues that the benefits of the WPP do not need to be recalculated to quantify the effect that eliminating off-peak offers and point-to-point transmission service will have on those benefits, as suggested by several commenters. Entergy states that SECA and the L-M Municipals have mischaracterized Entergy's previous statements that the ICT would yield approximately $30 million per year in savings. Entergy explains that, at the time the WPP was being developed, it explained that in 2003 approximately 20 percent of the energy used to serve Entergy's retail customers was produced by Entergy's "legacy" oil and gas units. Entergy explained that if the WPP could help further reduce the use of those units, the potential savings would be approximately $30 million a year for each percentage point of reduction. Entergy states that it further explained, however, that the output of those units will depend on a number of factors that cannot reasonably be estimated, including supplier bidding behavior in the WPP. Thus, Entergy states, it did not attempt to forecast the effect the WPP was expected to have on actual output of Entergy's legacy oil and gas units. Entergy goes on to note that the Commission did not require that Entergy forecast the effect the WPP was expected to have on actual output of Entergy's legacy oil and gas units, nor did the Commission rely on the total level of savings expected from the WPP. Entergy states that because the estimated savings associated with each percentage point decrease in the use of Entergy's oil and gas units is not affected by the changes proposed in the section 205 filing, there is no reason to re-calculate WPP savings. Entergy also goes on to note that, in prior orders, the Commission pointed to more than the potential savings associated with each percentage decrease in the use of Entergy's oil and gas units.

59. Entergy also rejects as speculative L-M Municipals' claims that the benefits of the WPP were projected as narrowly outweighing the expected cost of the arrangement, and that the costs of developing and implementing the WPP may now exceed the savings from that process. Entergy states that one answer to the L-M Municipals' concern is to implement the WPP as soon as possible.

60. Entergy goes on to argue that elimination of the point-to-point transmission service is justified. Entergy states that, in the May 2008 Order, the Commission found that it was "not convinced that Entergy's proposal to disallow partial point-to-point transmission service is just and reasonable, and it may be unduly discriminatory. This disallowance may undermine the usefulness of the [WPP]."[17] Entergy states that the

[17] May 2008 Order, 123 FERC ¶ 61,125 at P 40.

Commission required it "to either allow partial service to be granted, *or to explain in greater detail in its compliance filing why granting partial point-to-point transmission service is not feasible at this time*."[18] Entergy explains that here, however, both it and the ICT have explained in detail the basis for eliminating point-to-point transmission service from the WPP.

61. Entergy asserts that the Commission should reject Union Power's arguments that Entergy is using the Commission's statements in Order No. 890 to eliminate point-to-point transmission service instead of addressing software issues specific to point-to-point transmission service. Entergy explains that, contrary to these assertions, Entergy and the ICT have explained in detail the reasons why software model issues justify eliminating point-to-point service from the WPP.

62. Entergy asserts that objections to the elimination of congestion hedges from Attachment V also have no merit. Entergy explains that the changes proposed in its section 205 filing do not alter the fact that a customer that pays for a supplemental upgrade will be hedged against congestion costs consistent with the Commission's prior orders. Entergy explains that congestion hedges were eliminated from Attachment V because congestion costs are no longer allocated under that attachment. Entergy asserts that there is no need to protect a customer against congestion costs that are not allocated to the customer in the first place.

63. Entergy also argues that requests to reconsider the ICT package should be rejected. Entergy states that while the benefits expected from the ICT were central to the Commission's approval of the ICT, it was not the only reason the Commission approved the ICT structure. In addition, Entergy argues that, as explained above, the changes proposed in the FPA section 205 filing have no effect on the calculation of the savings to retail customers relied on by the Commission in approving the ICT structure, and that it is worth noting that the proposed changes will not have a significant impact, if they have any impact at all, on the amount of energy purchased by Entergy is the WPP.

64. Entergy asserts that the methodology for calculating WPP savings is reasonable. Entergy asserts that, contrary to commenters' objections, calculating the difference between optimization Runs 1 and 0 is a reasonable basis to estimate "the level of savings that Entergy's retail customers enjoy during the four-year period because they are able to buy cheaper power from Independent Power Producers."[19] First, Entergy states that the Commission has already stated that "the difference between Run 0 and Runs 1 and 2 will

[18] *Id*. (emphasis added).

[19] Entergy's Answer at 20.

accurately reflect the value of the offers made to the [WPP] and the costs of providing any additional point-to-point transmission service."[20] Entergy asserts that, calculating savings based on the difference between Runs 1 and 0 of the WPP (now that Run 2 has been eliminated) is consistent with the Commission's findings in this regard. Second, Entergy asserts that once the WPP is implemented there will be no way to know what purchases Entergy would have made absent the WPP. Third, Entergy asserts that there are many factors that could affect the generation profiles of Entergy's generating units after implementation of the WPP compared to the generation profiles prior to the WPP. Fourth, Entergy asserts that comparing actual commitment and dispatch to projections would not provide a useful basis for calculating savings.

65. Entergy states that contrary to NRG Energy's assertions otherwise, Entergy has not yet filed with the Commission to recover WPP development costs, and thus customers have not been charged for such costs. Entergy states that commenters and others may raise any issues they have with WPP development costs when Entergy files to recover those costs. Entergy also states that NRG Energy provides no basis for its assertion that Louisiana Generating LLC lacks sufficient scale to participate in the WPP meaningfully, and that Entergy does not agree with that assertion. Entergy asserts that it first proposed to limit the WPP to the native load of the Entergy Operating Companies and that the Commission agreed with that approach, but that in response to the requests of NRG Energy and others, it amended the WPP proposal to allow other network customers under the Entergy OATT to participate in the WPP. Entergy states, however, that NRG Energy's LaGen subsidiary has not even participated in WPP testing.

66. Entergy also asserts that NRG Energy's claim that Entergy will be replacing the grant of point-to-point transmission service with a grant of network service is incorrect. Entergy explains that it has always been the case that a third-party offer selected in the WPP will be designated as a network resource for the purchaser, and the FPA section 205 filing does nothing to change that.

67. In response to NRG Energy's arguments that the WPP should be reevaluated in light of the degradation of service customers are experiencing on the Entergy system and the large number of errors presented in Entergy's existing software, Entergy asserts that this is a collateral attack on prior Commission orders approving the ICT and should be rejected. Entergy also states that it does not agree with NRG Energy's characterization of its system or existing software.

68. In response to concerns raised by SECA and NRG Energy, Entergy explains that the WPP structure differs from Entergy's current weekly RFP process in a number of

[20] May 2008 Order, 123 FERC ¶ 61,125 at P 29.

respects. Entergy states that, in light of the simultaneous optimization under the WPP, the service that will be available to Entergy and other WPP Participants clearly remains superior to the service that is available under the *pro forma* OATT.

69. Entergy asserts that it is proposing to implement the WPP two months prior to the summer season, not "immediately before the peak summer season," as asserted by NRG Energy. Entergy also asserts that NRG Energy provides no basis for its assertion that costs of congestion will not be considered in the least-cost security constrained unit commitment performed under the WPP. Entergy further states that network resources selected in the WPP are treated no differently from any other network resource when it comes to providing redispatch during real-time operations, contrary to the assertions of NRG Energy.

C. SPP's Answer

70. In its answer, SPP states that the Commission should reject the calls to re-evaluate the ICT arrangement and the requests to deny the proposed structural changes to the WPP. SPP notes that the Commission affirmed its commitment to the WPP in its October 2008 order by reserving any reassessment of the ICT arrangement until after the WPP is operational. It states that the essential feature of the WPP to permit generators and other wholesale suppliers to compete against Entergy resources is unchanged. SPP continues that the on-peak market provides the greatest opportunity for cost savings and that the design changes to the WPP were considered by the ICT to be absolutely necessary. SPP rebuts Union Power's characterization of the design changes as a "bait and switch" campaign and Occidental's assertions that the delay and restructured WPP might be better scrapped. It states that these assertions badly distort the facts and trivialize the considerable efforts taken to implement a program that will, in fact, promote competition and result in more economic generation dispatch within the Entergy footprint.

71. SPP urges the Commission to approve the ICT's planned approach for calculating savings resulting from the WPP. It notes that contrary to Union Power's, SECA's and NRG Energy's objections, the approach has been thoroughly explained and adequately justified. SPP explains that there are inherent problems with trying to accurately and meaningfully compare the results of two different processes (WPP and Entergy's weekly RFP) across two different time periods. It states that any such comparison between these two processes would be inherently unreliable, and would not present a valid basis for calculating cost savings. Further, it notes that it does not agree with Union Power that a comparison of pre-WPP and post-WPP energy production of Entergy's generating units would present a good measure of WPP cost benefits. SPP reasons that there are numerous variables that could affect the energy production numbers such that any comparison between different time periods would not provide a meaningful assessment

of the WPP's effectiveness in displacing Entergy's older, more expensive generating units.

72. However, SPP notes that although it did not adopt Union Power's recommended changes to the ICT's WPP performance metrics, SPP previously agreed to include in its annual report, for informational purposes only, data on the actual volumes of energy purchased as a result of the WPP and pre- and post-WPP energy production data of Entergy's generating units.[21] Therefore, it states that stakeholders will have access to this WPP transactional data so they can make their own assessment and present their own findings to the Commission on the success of the WPP.

73. SPP objects to NRG Energy's request to delay the start-up of the WPP. It notes that NRG Energy is mistaken that implementation of the WPP the week of March 23, 2009 is at the beginning of the critical summer season. SPP states that the summer season on Entergy's system starts around mid-May. SPP continues that the proposed March start date for the WPP will not adversely impact customers during the summer peak season, but in fact, will have the opposite effect of giving customers valuable operating experience with the WPP prior to the critical summer season. In its view, any further postponement of the WPP is not only unnecessary, but it would be counterproductive and unnecessarily delay customers receiving the anticipated benefits resulting from the operation of the WPP.

D. <u>ICT's Final Endorsement Letter</u>

74. The ICT provided its February 27, 2009 final endorsement letter to fulfill its obligation set out in the May 2007 Order, to certify that all WPP models and processes have been fully developed and tested. The endorsement includes the "Go Live" criteria[22] upon which the ICT based its approval and a summary on how each of these criteria was satisfied. The ICT also reports that all of the "punchlist" items identified in the instant filing have been completed. Accordingly, the ICT states that all of the outstanding steps and requirements necessary to implement the WPP have been satisfied. The ICT submits

---

[21] SPP cites to the ICT's Fourth Quarterly Performance Report for 2007 at Attachment 9 (ICT's response to Union Power's, SECA's and NRG Energy's original communication on this matter).

[22] "Go Live" criteria ensure the functionality of the WPP software. For example, the criteria includes system integration tests of: (1) OASIS data transfer; (2) OASIS automation software changes; (3) automated reservation service software; (4) Participating Network Customer User Interface software; (5) Market Manager Database; and (6) SCUC model sensitivity.

that its final endorsement of the WPP software model and processes is dependent upon, and assumes Commission approval of, Entergy's proposed revisions in the instant docket and also in Docket No. ER08-513-003.

III. Discussion

A. Procedural Matters

75. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2008), the notices of intervention and timely, unopposed motions to intervene serve to make the entities that filed them parties to this proceeding. We will grant J.P. Morgan's and Calpine's late-filed motions to intervene given their interest in the proceeding, the early stage of the proceeding, and the absence of undue prejudice or delay.

76. Rule 213(a)(2) of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.213(a)(2) (2008), prohibits an answer to a protest or an answer to an answer unless otherwise ordered by the decisional authority. We will accept the answers filed by Entergy and SPP because they have provided information that assisted us in our decision-making process.

B. Commission Determination

1. Re-evaluation of the ICT Arrangement, including WPP Amendments

77. Our approval of the ICT arrangement was predicated on the expected benefits that it would provide to both wholesale and retail customers. Several parties to this proceeding raise valid concerns regarding whether the ICT arrangement has produced the attendant benefits relied upon by the Commission when originally approving the proposal. Accordingly, we will commence a process to assess the continued benefits of the ICT arrangement, together with state regulators, over the upcoming months. In the meantime, to better enable us to evaluate the current ICT arrangement, and its continued viability, we conditionally accept the proposal to implement the WPP as proposed, to be effective March 17, 2009, all as more fully discussed below.

78. We approved the ICT arrangement as a four year experiment which will automatically terminate in November 2010, unless Entergy files, and the Commission approves, an extension of the ICT arrangement beyond the initial four-year period. The ICT arrangement was approved with the expectation that it would bring multiple benefits to Entergy's system during that time period, including: (1) a new participant funding-based transmission pricing proposal (to increase transmission investment); (2) the WPP (to increase competition to serve load on the Entergy system and increase merchant

generators' access to short-term markets); (3) independent administration of the OATT, Open Access Same-Time Information System (OASIS) and AFC system calculations (to improve transparency and eliminate discrimination); and (4) an independent assessment of Entergy's transmission construction plan and the needs of the Entergy transmission system. A major factor in approving the ICT was the anticipated benefits Entergy cited in support of the WPP. Specifically, Entergy stated that each percentage point of further displacement of Entergy oil and gas generation translates to about $30 million in savings.[23]

79. As an initial matter, we note that there have been incremental improvements to the Entergy system during this time period with SPP, as the ICT. Specifically, in performing its function as the administrator of Entergy's OATT and as Entergy's Reliability Coordinator, it is undisputed that having the ICT in place the last two years has had a positive impact by providing increased transparency on, and non-discriminatory access to, the Entergy system.[24]

80. However, while the ICT arrangement can be viewed as an improvement in the areas noted above, intervenors contend that there are several other areas where the benefits have not materialized. For example, intervenors have raised numerous issues concerning the likelihood of diminished benefits of the WPP due to its delay and the proposal to eliminate off peak bids and point-to-point service from the model. Because of software issues, intervenors contend that the WPP is now nearly twenty months overdue from the initial implementation date of June 2007, and is only proposed to be implemented with these diminished benefits.

81. Additionally, the implementation of the WPP was expected to provide benefits to customers funding supplemental upgrades because of provisions that protect those customers from congestion charges in the WPP (i.e., waiver of redispatch costs associated with point-to-point service). Thus, intervenors are concerned that the delay in the WPP and the proposal to eliminate the point-to-point transmission service through redispatch may further prevent full implementation of the participant funding

[23] April 2006 Order, 115 FERC ¶ 61,095 at P 305.

[24] Specifically, the ICT has: (1) improved non-discriminatory access to the system; (2) helped efforts in finding a solution to the Acadiana Load Pocket problem; (3) influenced Entergy's inclusion of certain projects in its Construction Plan based on what the ICT determined was needed in its Base Plan; and (4) worked to improve the AFC system through an initial audit and through follow-up efforts.

methodology that the Commission approved as part of the ICT package with all of the intended benefits. [25]

82. Accordingly, because of the concerns raised regarding the success of the entire ICT package, we intend to take the following actions, in addition to addressing the proposed changes to the WPP. First, we plan to seek the input of individual state commissions regarding the content of the ICT's second annual report and discuss with the commissions the idea of convening a conference of all commissions, the ICT, Entergy, and customers to undertake a comprehensive assessment of the success of the ICT arrangement. This success is to be measured based on the stated metrics as filed in the ICT's annual reports. These metrics in conjunction with new WPP metrics outlined below will be used to determine what benefits the ICT is providing.

83. Second, we will require Entergy to make a filing to address the impending sunset date of the ICT, which is November 2010. In the April 2006 Order,[26] the Commission stated that the initial term was four years, at which time the ICT Agreement will sunset, unless Entergy makes a section 205 filing to continue the ICT. Given that a major factor in approving the ICT was the benefits Entergy promised under the WPP, customers have been deprived of those benefits for twenty-two months. There will only be twenty months left of the current ICT term to have the WPP in place. Based on the issues outlined above and the re-evaluation of the ICT arrangement, we will require Entergy to explain its plans for a replacement arrangement or its intent to continue the ICT arrangement in its current, or a modified, form upon expiration of the ICT. Accordingly, Entergy must submit a compliance filing by November 17, 2009, which is one year prior to the expiration of the initial term.

84. Third, we plan to analyze the costs and benefits of the WPP that we conditionally accept to take effect, as discussed below. We are concerned that the money spent on developing the WPP may outweigh any benefits it may produce. Therefore, we will require Entergy to submit an informational filing within 30 days of the date of this order,

---

[25] Entergy, in its answer, asserts that objections to the elimination of congestion hedges from Attachment V have no merit. However, we note that the ICT, in its January 8, 2008 report on the state of the Entergy transmission system and transmission pricing, found that until these WPP-related provisions of the transmission pricing structure are implemented, it is premature to draw conclusions regarding the effectiveness of Entergy's transmission pricing structure. See ICT Report on the State of the Entergy Transmission System and Transmission Pricing, filed January 8, 2008 in Docket No. ER05-1065-000, at 12.

[26] April 2006 Order, 115 FERC ¶ 61,095 at P 96.

detailing all the costs that have been incurred to develop the WPP. This filing must indicate how Entergy intends to recover the WPP costs. This filing should also include dollar estimates on how much it would cost to develop and implement the two structural features that have been eliminated in the instant filing.[27]

85. We are also increasing the reporting requirements with respect to the WPP. To date, it has not been possible to quantify improvements associated with this element of the ICT arrangement. However, once start-up begins in March 2009, we will require revised WPP metrics from those that were originally set out in the April 2006 Order. This is necessary due to the relatively short time remaining in the ICT experiment. The original metrics, and Entergy's current proposal, state that the ICT will calculate the annual savings resulting from the WPP. In order to gauge the immediate effectiveness of the WPP implementation, it will be necessary for the ICT to calculate the savings on a quarterly basis. The first report on WPP operation and savings should be filed as an informational filing by the ICT and should cover the months of March through May 2009. This report must be filed no later than June 15, 2009.[28] Thereafter, quarterly reports on WPP operation and production cost savings are required to be filed with the Commission. As discussed more fully below, we will also require Entergy to undertake an analysis of historical data to obtain an estimate of past savings attributable to third-party purchases in order to provide a baseline against which to compare the savings that the ICT calculates for the WPP using the results of Run 0 and Run 1. We will accept the methodology the ICT currently plans on using to calculate the savings realized by the WPP. If the ICT later determines that an alternative methodology for calculating savings is appropriate, Entergy must submit a section 205 filing to seek modification to the savings calculation methodology..

86. In addition to the quarterly metrics discussed above, we will require additional metrics to be filed by the ICT on the WPP operation and savings. These include: (1) the number of merchant generators participating each week in the WPP and the corresponding megawatts committed in the WPP; (2) the effects the WPP implementation has had on actual output of Entergy's legacy oil and gas units; and (3) a description of the operational adjustments that Entergy and the ICT have had to make with respect to soft constraints, including an explanation of Entergy's and the ICT's before-the-fact analysis

---

[27] Because the submissions are "informational filings," the filings will not be noticed for comment and any action on the filings would require an action under section 206 of the FPA. We note that all parties will have an opportunity to file comments if and when Entergy makes a filing under section 205 of the FPA to recover its WPP costs.

[28] *Id.*

of what the impact of each adjustment would be on reliability, as well as on an after-the-fact assessment of the impact of the adjustment on reliability.

87. We share the concerns of the intervenors because the benefits expected from WPP operations have not materialized. Due to the combination of the long delay and the structural changes in the instant WPP proposal, it appears that the benefits originally envisioned will be significantly diminished. While the Commission is disappointed with the long delay of the WPP, we recognize that the implementation of the WPP, although restructured, is a step forward. Therefore, we do not find it reasonable to reject the filing, as Union Power suggests, as that would diminish the potential benefits of the ICT arrangement even further.

88. We find it appropriate to permit the proposal to take effect while we assess the benefits of the ICT arrangement, as we remain convinced that the WPP has the potential to provide a better optimization of the transmission system by allowing the evaluation of multiple resource alternatives for the same customer without the need for multiple transmission requests and by taking generator economics into account when qualifying new network resources. However, the Commission has reservations that the more limited WPP as proposed herein, although ready to be implemented, may not provide the benefits to customers that the Commission relied upon in approving the ICT arrangement, and does not go far enough to resolve the significant transmission access issues that the ICT and WPP were intended to resolve and that continue on Entergy's system. Additionally, we agree with Union Power that Entergy does not identify the errors in the logic that created the software problems in the first place, nor explain why the WPP cannot be modified to include off-peak bids and point-to-point transmission service. Therefore, we will require Entergy to submit, within 45 days of the date of this order, more information with regard to the specific problems it encountered with the development of the WPP that prevented it from accommodating off-peak bids and point-to-point transmission in the model. Specifically, this information should include an assessment of: (1) what would be required to solve the problems to incorporate these two features; (2) how long it would take to solve the software problems; and (3) what would be the cost to develop these two features. Accordingly, we will conditionally accept Entergy's modified WPP, to take effect March 17, 2009, as requested, subject to compliance filings, as discussed above.[29]

---

[29] The ICT has overseen the WPP development and will oversee the operation and runs once the WPP has started. The ICT's endorsement that the WPP is ready to "go-live" is significant, as the ICT is in the best position to gauge the readiness of the process. We disagree with NRG Energy that further delay is warranted by waiting until after the summer peak season. If operations begin in March, Entergy and the ICT will have approximately two months of WPP experience before the start of Entergy's peak season in mid-May.

2. **Calculation of WPP Benefits and Savings**

89. Under Entergy's proposal, the ICT will calculate the savings realized under the WPP as the difference over a year between the production costs in optimization Run 1 of the WPP and the production costs in optimization Run 0, in weeks when at least one supplier offer is selected through the WPP. As Entergy notes, this approach is consistent with the Commission's previous determinations on this matter.[30] However, while Entergy's proposed calculation will provide useful information, that information alone will not be sufficient to assess the benefits of the WPP because transactions that occur under the WPP may also occur in the absence of the WPP. Indeed, Entergy and its network customers have engaged in transactions with independent power producers that have produced cost savings through the displacement of higher cost network resources. To estimate the benefits of the WPP, the Commission must have information regarding cost savings that are attributable to transactions that occur only as a result of the implementation of the WPP.

90. Entergy states that, once the WPP is implemented, there will be no way to know what purchases Entergy would have made absent the WPP. This may be true. However, this fact should not prevent Entergy from undertaking an analysis of historical data in order to obtain an estimate of past savings attributable to third-party purchases. Such a study could provide a baseline against which to compare the savings that the ICT calculates for the WPP using the results of Run 1 and Run 0. The result of such a comparison would be a rough estimate of the savings directly attributable to the WPP. Therefore, we direct Entergy to engage the ICT to prepare a study of the savings that accrued to Entergy and each of its network customers as a result of transactions with third-party suppliers that took place over the twelve-month period immediately preceding the implementation of the WPP. The results of that study should then be used, as described above, to estimate the savings attributable to the WPP. These results should report the savings on a weekly basis for the twelve-month period. The ICT is directed to submit the results of the study with its first quarterly report on the operation of the WPP.[31] In addition, to allow comparison of savings with the WPP to savings prior to the WPP, in each quarterly report on the operation of the WPP, the ICT should report the savings that accrued to Entergy and each of its network customers as a result of

---

[30] See May 2008 Order, 123 FERC ¶ 61,125 at P 29 ("the difference between Run 0 and Runs 1 and 2 will accurately reflect the value of the offers made to the Weekly Procurement Process and the costs of providing any additional point-to-point transmission service.").

[31] *See supra* note 27.

transactions with third-party suppliers that occurred outside of the WPP during the quarter.

3. <u>Consolidation of Dockets</u>

91. We deny NRG Energy's request to consolidate this case with the compliance filing in Docket No. ER08-513-003. Generally, we consolidate cases where there are common issues of law and fact for purposes of settlement, hearing and decision. As we are conditionally accepting Entergy's proposal, there are no issues to consolidate for purposes of settlement, hearing and decision.

4. <u>Order No. 890 Attestation Requirement and the WPP</u>

92. Entergy notes that, under Order No. 890, when an eligible customer submits a request to designate a new network resource, it must provide an attestation "for each network resource identified, that (1) the transmission customer owns or has committed to purchase the designated network resource, and (2) the designated network resource comports with the requirements for designated network resources." Entergy states that submitting an attestation for each offer submitted through the WPP would be burdensome if the process is not automated. Entergy, therefore, asks the Commission to clarify that a WPP Participant may satisfy the attestation requirement for requests submitted through the WPP by e-mail or facsimile to the ICT, and by providing one attestation that applies to all offers submitted in the WPP for a week. No party protested this request. The Commission finds that the requested clarification represents a reasonable accommodation of the special requirements of the WPP and, on that basis, we find the request to be consistent with or superior to the *pro forma* tariff.

<u>The Commission orders:</u>

(A) Entergy's proposed amendments are hereby conditionally accepted for filing, to become effective March 17, 2009, subject to further compliance filings, as discussed in the body of this order.

(B) Entergy is hereby required to submit, within 45 days of the date of this order, a compliance filing providing information with regard to the specific problems that prevent it from accommodating off-peak bids and point-to-point transmission, as discussed in the body of this order.

(C) Entergy is hereby required to file an informational filing within 30 days from the date of this order detailing the start-up costs that have been incurred to develop the WPP, as discussed in the body of this order.

(D) The ICT is hereby required to file its first quarterly report on WPP operation and savings as an informational filing no later than June 15, 2009, and each subsequent quarterly report on WPP operation and savings every three months thereafter, as discussed in the body of this order.

(E) Entergy is hereby required to file a compliance filing one year prior to the expiration of the ICT agreement, detailing its intentions of a replacement arrangement or a continuation of the ICT arrangement, as discussed in the body of this order.

By the Commission.

(S E A L)

Nathaniel J. Davis, Sr.,
Deputy Secretary.