

134 FERC ¶ 61,269  
UNITED STATES OF AMERICA  
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Jon Wellinghoff, Chairman;  
Marc Spitzer, Philip D. Moeller,  
John R. Norris, and Cheryl A. LaFleur.

Southwest Power Pool, Inc.

Docket No. OA08-104-000

ORDER ON COMPLIANCE FILING

(Issued March 31, 2011)

1. On April 15, 2008, under section 206 of the Federal Power Act (FPA),<sup>1</sup> Southwest Power Pool, Inc. (SPP) submitted proposed revisions to its Open Access Transmission Tariff (OATT) to comply with Order No. 890-A.<sup>2</sup> In this order, we accept SPP's revised OATT, as modified and subject to a further compliance filing, as discussed below.

**I. Background**

2. In Order No. 890-A, the Commission granted limited rehearing and clarification of Order No. 890, largely affirming its reforms. In Order No. 890-A, the Commission continued its Order No. 890 objectives of ensuring that electric transmission service is provided on a nondiscriminatory, just and reasonable basis, helping to improve the foundation for a competitive electric power market, and providing for more effective regulation and transparency in the operation of the transmission grid.

3. The revisions in Order No. 890-A address, among other things, how transmission providers process service requests; under what circumstances long-term customers may renew (roll over) their transmission service; the ability of network customers to designate certain resources; and how point-to-point customers may reassign transmission capacity. As discussed in further detail below, the Commission also directed transmission

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<sup>1</sup> 16 U.S.C. § 824e (2006).

<sup>2</sup> *Preventing Undue Discrimination and Preference in Transmission Service*, Order No. 890, FERC Stats. & Regs. ¶ 31,241, *order on reh'g*, Order No. 890-A, FERC Stats. & Regs. ¶ 31,261 (2007), *order on reh'g*, Order No. 890-B, 123 FERC ¶ 61,299 (2008), *order on reh'g*, Order No. 890-C, 126 FERC ¶ 61,228 (2009), *order on clarification*, Order No. 890-D, 129 FERC ¶ 61,126 (2009).

providers to address certain issues related to the calculation of available transfer capability (ATC) and the calculation of incremental costs for purposes of imbalance charges.

## **II. SPP's Compliance Filing**

4. SPP states that it has incorporated the majority of the changes to the *pro forma* OATT adopted in Order No. 890-A. In addition, SPP adds that it has adopted several tariff provisions that include *pro forma* OATT variations that the Commission has accepted in other cases. SPP states that it has incorporated the Order No. 890-A changes to the extent feasible in those sections. However, SPP explains there are several Order No. 890-A changes to the *pro forma* OATT that SPP does not propose to implement because the current provisions in SPP's OATT are consistent with or superior to those in Order No. 890-A. Further, SPP states that the most significant deviations between its proposal and the *pro forma* OATT were identified in SPP's October 11 Filing,<sup>3</sup> and are again identified in this compliance filing. SPP requests that its revised tariff sheets be accepted to become effective April 15, 2008.

## **III. Notice of Filing and Responsive Pleadings**

5. Notice of SPP's compliance filing was published in the *Federal Register*, 73 Fed. Reg. 21,926 (2008), with interventions and protests due on or before May 6, 2008.

6. On May 6, 2008, Calpine Corporation and East Texas Electric Cooperative, Inc., Northeast Texas Electric Cooperative, Inc., and Tex-La Cooperative of Texas, Inc. (collectively, the East Texas Cooperatives) filed motions to intervene. On May 6, 2008, the American Wind Energy Association (AWEA) and the Electric Power Supply Association (EPSA) filed motions to intervene and protest. On May 21, 2008, SPP filed an answer to the AWEA and EPSA protests.

## **IV. Discussion**

### **A. Procedural Matters**

7. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2010), the notices of intervention and timely, unopposed motions to intervene serve to make the entities that filed them parties to this proceeding.

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<sup>3</sup> SPP submitted its Order No. 890 compliance filing on October 11, 2007 (October 11 Filing). The Commission issued an order on the October 11 Filing on May 16, 2008. See *Southwest Power Pool, Inc.*, 123 FERC ¶ 61,176 (2008) (May 16 Order).

8. Rule 213(a)(2) of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.213(a)(2) (2010), prohibits an answer to a protest, unless otherwise ordered by the decisional authority. We will accept SPP's answer to the AWEA and EPSA protests because it has provided information that assisted us in our decision-making process.

**B. Substantive Matters**

9. We find that SPP's filing, with certain modifications, complies with Order No. 890-A. Accordingly, we accept SPP's filing to be effective April 15, 2008 and January 4, 2010, subject to a further compliance filing as discussed below. We direct SPP to make the compliance filing within 30 days of the date of issuance of this order.

**1. Narrative for AFC Values**

10. In Order No. 890-A, the Commission affirmed the requirement that each transmission provider post on its open access same-time information system (OASIS) a brief, but specific, narrative explaining the reasons for changes in monthly or yearly ATC values on a constrained path as a result of a change in total transmission capacity (TTC) of ten percent or more.<sup>4</sup> Because a transmission provider that uses an available flowgate capacity (AFC) calculation methodology does not base changes in ATC on changes in TTC, a transmission provider using an AFC calculation methodology may comply with this requirement by posting narrative explanations of the reasons for changes in AFC values as a result of changes in AFC inputs that cause ATC or TTC to change by ten percent or more.<sup>5</sup> A transmission provider that employs an AFC calculation methodology also must provide a statement in its compliance filing that describes how the narrative is derived for ATC/TTC postings. If the transmission provider included this information in an earlier compliance filing, it could refer to that earlier filing.<sup>6</sup>

**Commission Determination**

11. Although Order No. 890-A required SPP to provide a statement describing how the narrative for explaining the reasons for changes in monthly or yearly ATC values on a constrained path as a result of a change in TTC of ten percent or more is derived for OASIS postings, Order No. 890-A also directed transmission providers to work through the North American Energy Standards Board (NAESB) to develop industry-wide posting standards<sup>7</sup> to meet the ATC narrative posting requirement in Order No. 890 for those

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<sup>4</sup> See Order No. 890-A, FERC Stats. & Regs. ¶ 31,261 at P 123.

<sup>5</sup> *Id.* P 127.

<sup>6</sup> *Id.*

<sup>7</sup> See Order No. 890-A, FERC Stats. & Regs. ¶ 31,261 at P 125.

entities using an AFC methodology. This process has been completed, and the Commission in Order No. 676-E adopted the business practice standard developed through NAESB.<sup>8</sup> While SPP has not complied with the underlying Order No. 890-A requirement, we direct SPP to propose a narrative explanation consistent with the ATC Narrative Change adopted in Order No. 676-E, which has superseded our earlier directive in Order No. 890-A.<sup>9</sup> Accordingly, we direct SPP to file, within 30 days of the date of this order, a further compliance filing that addresses how the narrative for explaining the reasons for changes in monthly or yearly ATC values on a constrained path as a result of a change in total flowgate capacity (as opposed to TTC) of ten percent or more is derived for OASIS postings, consistent with Order No. 676-E, to be effective January 4, 2010.<sup>10</sup>

## **2. Flowgate Modeling Study Methodology**

12. In Order No. 890-A, the Commission clarified that each transmission provider must provide in its Attachment C the step-by-step modeling study methodology and criteria for adding or eliminating flowgates.<sup>11</sup> The Commission directed any transmission provider that did not include this information in its earlier Attachment C filing to include it in its Order No. 890-A compliance filing. If the transmission provider satisfied this obligation in a previous compliance filing, it could refer to that filing instead.

### **Commission Determination**

13. SPP has not responded to the Commission's directive requiring SPP to state the step-by-step modeling study methodology and criteria for adding or eliminating

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<sup>8</sup> On November 24, 2009, in Order No. 676-E, the Commission incorporated by reference in its regulations at 18 C.F.R. § 38.2 the latest version (Version 002.1) of certain business practice standards adopted by the wholesale electric quadrant of NAESB. NAESB's Version 002.1 Standards include standards adopted by NAESB in response to Order Nos. 890, 890-A, and 890-B. Importantly, the Version 002.1 standards incorporated by reference into the Commission's regulations in Order No. 676-E include, among other things, Standard 001-15 (ATC Narrative Change), which is designed to meet the ATC narrative posting requirement in Order No. 890. *Standards for Business Practices and Communication Protocols for Public Utilities*, Order No. 676-E, 129 FERC ¶ 61,162 (2009).

<sup>9</sup> See *Midwest Independent Transmission System Operator, Inc.*, 130 FERC ¶ 61,073, at P 4-9 (2010).

<sup>10</sup> Order No. 676-E became effective on January 4, 2010. See Order No. 676-E, 129 FERC ¶ 61,073 at P 149.

<sup>11</sup> See Order No. 890-A, FERC Stats. & Regs. ¶ 31,261 at P 149.

flowgates as part of its ATC methodology. Accordingly, we direct SPP to file, within 30 days of the date of this order, a compliance filing that provides further explanation of its step-by-step modeling methodology and criteria consistent with Order No. 890-A.

### **3. Incremental Costs in Imbalance Charges**

14. In Order No. 890-A, the Commission found that transmission providers should base imbalance charges on the actual cost to correct the imbalance, which may be different from the cost of serving native load. As a result, the Commission modified the definition of incremental cost for purposes of imbalance charges to include the cost of the last ten MW dispatched for any purpose, whether to serve native load, correct imbalances, or make off-system sales.<sup>12</sup> The Commission also required each transmission provider to provide language in its OATT clearly specifying the method by which it calculates incremental costs for purposes of imbalance charges, as well as the method it will use to obtain each component of the calculation.<sup>13</sup> If start-up costs are incurred during an hour different from the hour of excess imbalance, the start-up costs may also be included in the calculation of incremental costs as long as they are associated with providing imbalance service.<sup>14</sup>

#### **a. SPP's Filing**

15. In its compliance filing, SPP states that it did not implement the provisions in Order No. 890 that address energy imbalance service because of SPP's energy imbalance service market. SPP asserts that the *pro forma* OATT language does not reflect the existence of a centralized market and that its existing energy imbalance service market, previously approved by the Commission, is consistent with or superior to the services under Schedule Nos. 4 and 9 of the *pro forma* OATT.

#### **b. Commission Determination**

16. Consistent with the Commission's determination in the May 16 Order,<sup>15</sup> we find that SPP's energy imbalance service market settles real-time imbalances in a non-discriminatory manner that reflects the incremental value of energy at specific locations in the market and therefore SPP's imbalance market is consistent with the Order Nos. 890 and 890-A *pro forma* OATTs. Accordingly we will not direct SPP to incorporate the imbalance service provisions adopted in Order No. 890-A.

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<sup>12</sup> *Id.* P 309.

<sup>13</sup> *Id.* P 310.

<sup>14</sup> *Id.* P 312.

<sup>15</sup> May 16 Order, 123 FERC ¶ 61,176 at P 37.

#### 4. Conditional Firm Service

17. The Commission stated in Order No. 890-A that “RTOs . . . with real-time energy markets are not required to offer the conditional firm option.”<sup>16</sup>

##### a. SPP’s Filing

18. In its compliance filing, SPP states that it does not adopt the conditional firm service language of section 15.4(c) of the *pro forma* OATT.<sup>17</sup> SPP states that it operates a real-time energy imbalance service market and it will therefore not offer conditional firm service.<sup>18</sup>

##### b. Protests and Answer

19. AWEA and EPSA argue that Order No. 890-A states that the Commission does not require Regional Transmission Organization (RTO) and Independent System Operator (ISO) with real-time energy markets to adopt the revisions for conditional firm point-to-point service because “customers transacting in RTOs and ISOs are able to buy through transmission congestion in the RTO’s real-time energy markets and need no prior reservation in order to access transmission.”<sup>19</sup> AWEA and EPSA assert that SPP’s market is not the same as other RTO and ISO markets, which offer financial transmission rights as a method for generators to “pay their way” through congestion.<sup>20</sup> AWEA and EPSA contend that since SPP does not have locational marginal pricing, it must adopt conditional firm service for wind energy development within the SPP footprint. EPSA also asserts that conditional firm service would promote better use of the existing

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<sup>16</sup> Order No. 890-A, FERC Stats & Regs. ¶ 31,261 at P 552, n.218. “Conditional firm service” is firm transmission service offered with the condition that the transmission provider may curtail the service before the curtailment of other firm transmission service for a specified number of hours per year or during certain system conditions. *Id.*, *pro forma* OATT § 15.4 (c).

<sup>17</sup> Section 15.4 of the *pro forma* OATT is entitled “Obligation to Provide Transmission Service that Requires Expansion or Modifications of the Transmission Systems, Redispatch or Conditional Curtailment.”

<sup>18</sup> See *Southwest Power Pool, Inc.*, 118 FERC ¶ 61,055, *reh’g denied*, 120 FERC ¶ 61,018 (2007) (implementation of SPP’s energy imbalance service market).

<sup>19</sup> AWEA Protest at 3-4, EPSA Protest at 4 (citing Order No. 890-A at P 511).

<sup>20</sup> AWEA Protest at 4, EPSA Protest at 5.

transmission system, which benefits both transmission owners and retail electricity customers.<sup>21</sup>

20. In its answer, SPP notes that AWEA and EPSA protest that Order No. 890-A exempts RTOs from providing conditional firm service only to the extent that they operate real-time markets with certain key attributes.<sup>22</sup> SPP states that in the order on the compliance filing SPP submitted pursuant to Order No. 890, the Commission rejected an identical argument and agreed with SPP that its Energy Imbalance Service Market exempted SPP from the conditional firm service requirement.<sup>23</sup> Since AWEA and EPSA raise the same arguments that were rejected in the order on SPP's Order No. 890 compliance filing, SPP asks that the Commission reject them here as well.

**c. Commission Determination**

21. In the May 16 Order, the Commission observed that it is “inappropriate to require RTOs . . . with real-time energy markets to adopt the provisions for conditional firm service,” and noted how customers in SPP's energy imbalance service market “may buy their way through transmission congestion through the use of locational imbalance services, which do not require prior reservation of transmission service.”<sup>24</sup> The Commission further noted “that sales in SPP's energy imbalance service market do not require prior reservation of transmission service and congestion in that market is managed through use of locational imbalance prices.”<sup>25</sup> The Commission also rejected the argument that the lack of conditional firm service in SPP creates a barrier to new market entrants, and noted that “there are additional options available for customers to access transmission service such as by offering their output into the energy imbalance service market.”<sup>26</sup> Consistent with the Commission's determination in the May 16 Order,<sup>27</sup> we reject AWEA and EPSA's contention that SPP should be required to offer conditional firm service.

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<sup>21</sup> EPSA Protest at 7.

<sup>22</sup> SPP Answer at 2-3 (citing AWEA Protest at 3-6, EPSA Protest at 3-7).

<sup>23</sup> May 16 Order, 123 FERC ¶ 61,176 at P 13-15.

<sup>24</sup> *Id.* P 14.

<sup>25</sup> *Id.*

<sup>26</sup> *Id.* P 15.

<sup>27</sup> *Id.* P 13-15.

The Commission orders:

(A) SPP's compliance filing is hereby accepted, as modified, effective April 15, 2008 and January 4, 2010, subject to a further compliance filing, as discussed in the body of this order.

(B) SPP is hereby directed to submit a further compliance filing, within 30 days of the date of this order, as discussed in the body of this order.

By the Commission.

( S E A L )

Nathaniel J. Davis, Sr.,  
Deputy Secretary.