

146 FERC ¶ 61,050
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Cheryl A. LaFleur, Acting Chairman;
Philip D. Moeller, John R. Norris,
and Tony Clark.

Southwest Power Pool, Inc.

Docket No. ER12-1179-012
ER13-1173-000

ORDER ON COMPLIANCE FILING

(Issued January 29, 2014)

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1. On November 11, 2013, Southwest Power Pool, Inc. (SPP) submitted a filing¹ to comply with the directives set forth by the Commission in an order dated September 20, 2013.² This order conditionally accepts SPP’s November 2013 Compliance Filing, subject to an additional compliance filing.

I. Background

A. History

2. In an order dated October 18, 2012, the Commission conditionally accepted for filing, subject to further modifications, SPP’s proposal to revise its Open Access Transmission Tariff (Tariff) to implement its Integrated Marketplace effective March 1, 2014.³ As conditionally accepted in the October 2012 Order, the Integrated Marketplace

¹ SPP submitted its November 11, 2013 compliance filing in Docket No. ER12-1179-012 (November 2013 Compliance Filing). See Appendix A for E-Tariff designations.

² *Southwest Power Pool, Inc.*, 144 FERC ¶ 61,224 (2013) (September 2013 Order).

³ *Southwest Power Pool, Inc.*, 141 FERC ¶ 61,048 (2012) (October 2012 Order), *order on reh’g and clarification*, 142 FERC ¶ 61,205 (2013) (Rehearing Order). SPP filed its Integrated Marketplace proposal on February 29, 2012 (February 2012 Filing). SPP amended its February 2012 Filing on May 15, 2012 (May 2012 Amendment).

includes the following major market-design components: (1) day-ahead energy and operating reserve markets; (2) day-ahead and intra-day Reliability Unit Commitment (RUC) processes; (3) a real-time balancing market; (4) price-based co-optimized energy and operating reserve procurement; (5) a market-based congestion management process including a market for transmission congestion rights (TCRs) and allocation of auction revenue rights (ARRs); (6) consolidation of 16 Balancing Authority Areas in the SPP footprint into a single Balancing Authority Area operated by SPP; (7) Multi-Day Reliability Assessment performed prior to the day-ahead market to manage the commitment of long-start resources; and (8) market monitoring and mitigation with an internal Market Monitoring Unit (Market Monitor). The Commission found that the proposal, as conditioned, would result in significant enhancements to how energy and operating reserves are provided throughout the SPP region, which would result in substantial benefits to stakeholders and customers throughout the region.

3. On March 21, 2013, the Commission granted in part and denied in part requests for clarification and/or rehearing of the October 2012 Order. Specifically, the Commission granted rehearing to extend the implementation date of a proposal for frequency regulation compensation in compliance with Order No. 755⁴ to one year after market start. The Commission denied requests for rehearing related to the timing for SPP to submit a compliance filing with a proposal for long-term transmission rights pursuant to Order No. 681.⁵ The Commission also denied SPP's request that it should not be required to file market-to-market protocols; however, the Commission granted clarification that SPP is not required to implement its market-to-market mechanism until one year following market start-up. Among other issues, the Commission denied requests to institute a transitional refund mechanism for marginal losses and an expanded congestion cost hedge, and denied requests for rehearing of the Commission's finding that mitigation of resources based on marginal cost is appropriate under the conditions

⁴ *Frequency Regulation Compensation in the Organized Wholesale Power Markets*, Order No. 755, FERC Stats. & Regs. ¶ 31,324 (2011), *reh'g denied*, Order No. 755-A, 138 FERC ¶ 61,123 (2012).

⁵ *Long-Term Firm Transmission Rights in Organized Electricity Markets*, Order No. 681, FERC Stats. & Regs. ¶ 31,226, at P 490, *reh'g denied*, Order No. 681-A, 117 FERC ¶ 61,201 (2006).

specified in SPP's proposed Tariff. Finally, the Commission required a compliance filing directing limited changes to Attachment AE to limit the manual commitments that can be made by local transmission operators and to Attachment AG to require the Market Monitor to evaluate actions without a legitimate business purpose that could (foreseeably) result in excessive day-ahead clearing prices.⁶

4. On September 20, 2013, the Commission issued an order conditionally accepting in part and rejecting in part four SPP filings.⁷ SPP submitted the first filing to comply with the Commission's directives in the October 2012 Order.⁸ In a second filing, SPP proposed its Readiness and Reversion Plans Filing.⁹ SPP's third filing comprised additional Tariff revisions¹⁰ to modify its Integrated Marketplace pursuant to section 205 of the Federal Power Act (FPA).¹¹ In a fourth filing, SPP submitted additional Tariff revisions to comply with the Rehearing Order.¹² The September 2013 Order conditionally accepted in part and rejected in part the February 2013 Compliance Filing. The Commission also found that SPP had complied with the Commission's directives in the Rehearing Order and accepted the April 2013 Compliance Filing. Further, the

⁶ Rehearing Order, 142 FERC ¶ 61,205 at P 15.

⁷ September 2013 Order, 144 FERC ¶ 61,224.

⁸ SPP submitted a compliance filing on February 15, 2013 in Docket No. ER12-1179-003 (February 2013 Compliance Filing).

⁹ On March 25, 2013, SPP submitted an informational filing comprising its proposed Integrated Marketplace Readiness Metrics and Reversion Plan in Docket No. ER12-1179-004 (Readiness and Reversion Plans Filing).

¹⁰ On March 28, 2013, SPP submitted Tariff revisions to implement the Integrated Marketplace in Docket No. ER13-1173-000 (March 2013 Filing).

¹¹ 16 U.S.C. § 824d (2012).

¹² SPP submitted a compliance filing on April 19, 2013 in Docket No. ER12-1179-005 (April 2013 Compliance Filing).

Commission conditionally accepted in part and rejected in part the March 2013 Filing, and conditionally accepted SPP's proposed Readiness and Reversion Plans Filing.

B. November 2013 Compliance Filing

5. On November 11, 2013, SPP submitted a number of Tariff revisions to comply with the directives set forth in the September 2013 Order. SPP requests an effective date of March 1, 2014 for these Tariff revisions and asks that the Commission issue an order on this compliance filing by January 10, 2014.¹³ Among other things, the Tariff revisions address the following : (1) must-offer requirement; (2) variable energy resources (VERs); (3) manual commitments; (4) make whole payments; (5) marginal losses; (6) price formation during shortage conditions; (7) market-based congestion management; (8) Bilateral Settlement Schedules; (9) pseudo-tie arrangements; (10) market mitigation and monitoring; and (11) the readiness and reversion plans.

II. Notice and Responsive Pleadings

6. Notice of the November 2013 Compliance Filing was published in the *Federal Register*, 78 Fed. Reg. 70,029 (2013), with interventions and protests due on or before December 3, 2013.

7. Comments and/or protests were filed by: Xcel Energy Services, Inc. (Xcel); American Electric Power Service Corporation (AEP); Westar Energy, Inc. (Westar); American Wind Energy Association (AWEA); Kansas City Power & Light Company (KCP&L) and KCP&L Greater Missouri Operations Company (GMO) (collectively, KCP&L and GMO); TDU Intervenors;¹⁴ and Golden Spread Electric Cooperative (Golden Spread). On December 17, 2013, the Market Monitor filed a motion to intervene and comment out-of-time and comments. SPP filed an answer on December 23, 2013. TDU Intervenors filed an answer January 2, 2014.

¹³ November 2013 Compliance Filing at 1.

¹⁴ TDU Intervenors are composed of the City of Independence, Missouri; Kansas Power Pool; Missouri Joint Municipal Electric Utility Commission; and West Texas Municipal Power Agency.

III. Discussion

A. Procedural Issues

8. Pursuant to Rule 214(d) of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214(d) (2013), the Commission will grant the Market Monitor's late-filed motion to intervene given its interest in the proceeding, the early stage of the proceeding, and the absence of undue prejudice or delay.

9. Rule 213(a)(2) of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.213(a)(2) (2013), prohibits an answer to a protest and/or answer unless otherwise ordered by the decisional authority. We will accept the filed answers because they have provided information that assisted us in our decision-making process.

B. Substantive Issues

10. In this order, we conditionally accept the November 2013 Compliance Filing subject to an additional compliance filing due within 30 days of the date of this order. We note that with the November 2013 Compliance Filing, SPP has taken an important step toward the creation and implementation of the Integrated Marketplace. SPP has made significant progress towards addressing the Commission's compliance directives set forth in the September 2013 Order. Elements of SPP's November 2013 Compliance Filing that merit further discussion or require additional compliance are addressed below. For those issues that are not specifically discussed herein, we find SPP has complied with the Commission's directives and we accept them for filing.

C. Day-Ahead Market and Real-Time Balancing Market

1. Day-Ahead Must-Offer Requirement

a. September 2013 Order

11. In the October 2012 Order, the Commission conditionally accepted SPP's proposed day-ahead must-offer requirement,¹⁵ described in section 2.11.1 of Attachment

¹⁵ In the February 2012 Filing, SPP proposed a day-ahead must-offer requirement obligating market participants to offer sufficient resources into the day-ahead market to

(continued...)

AE, subject to compliance.¹⁶ In the September 2013 Order, the Commission found that SPP's revisions to section 2.11.1 of Attachment AE partially complied with the October 2012 Order. The Commission accepted SPP's proposed 10 percent load forecasting error as reasonable for market start-up. However, the Commission directed SPP to clarify, within section 2.11.1. of Attachment AE, the screening process used for verification of the day-ahead must-offer requirement, as well as how the Market Monitor would conduct this screening process.¹⁷ The Commission also required SPP to remove sections 3.9.A(2) and 3.9.A(3) from Attachment AF, which involved penalty provisions associated with the day-ahead must-offer requirement. The Commission determined that these provisions were not required as part of the October 2012 Order's compliance directives.¹⁸

12. Additionally, the Commission found that SPP's net resource capacity provisions, proposed in section 2.11.1.A(4) in Attachment AE, partially complied with the Commission's directive that SPP clarify how it will ensure that offered resources are

over their load plus operating reserve obligations, to the extent their resources are available. SPP also proposed that, for the day-ahead must-offer requirement, a market participant's load would be equal to that market participant's expected daily peak load for the operating day, as estimated by the market participant. February 2012 Filing, SPP Tariff, Attachment AE, section 2.11.1.

¹⁶ The Commission directed SPP to revise its Tariff to create a process by which SPP or its Market Monitor would: (1) verify that market participants have not exceeded a pre-determined acceptable load forecasting error; and (2) establish non-compliance penalties if market participants' estimates exceed the acceptable range of load forecasting error. Additionally, the Commission directed SPP to clarify how it would ensure that offered resources are deliverable to the load they were offered to cover, and it required SPP to modify its Tariff, if necessary, to reflect verification of deliverability. October 2012 Order, 141 FERC ¶ 61,048 at PP 54-55.

¹⁷ September 2013 Order, 144 FERC ¶ 61,224 at P 39.

¹⁸ *Id.* P 41.

deliverable to the load they were offered to cover.¹⁹ However, the Commission found that section 2.11.1 of Attachment AE left ambiguous how SPP would account for firm purchases that do not have native load equivalency, particularly in situations where, in a power purchase arrangement, the owner/seller retains the right to register a resource. Accordingly, the Commission directed SPP to revise section 2.11.1 of Attachment AE to allow load transfers and/or bilateral contracts to count toward must-offer obligations, provided the seller agrees to (1) assume responsibility for the requirements of the load, and (2) register the buyer's load, with the agreement of the buyer. Further, the Commission directed SPP to explain the relationship between the day-ahead must-offer requirement and load transfers and/or bilateral contracts and to propose clarifying edits to the Tariff, as needed. Finally, the Commission directed SPP to revise the net resource capacity definition in section 2.11.1 of Attachment AE to account for the full range of firm purchases subject to the day-ahead must-offer obligation.²⁰

b. November 2013 Compliance Filing

13. In the November 2013 Compliance Filing, SPP proposes revisions to section 2.11.1 of Attachment AE to comply with the Commission's directives in the September 2013 Order. SPP asserts that its proposed revisions remove ambiguities regarding the day-ahead must-offer requirement and net resource capacity provisions. Specifically, SPP proposes revisions to section 2.11.1.B to specify the screening process for verifying compliance with the day-ahead must-offer requirement. Proposed section 2.11.1.B(1) states that a market participant that has offered all of its resources with a commitment status described in sections 4.1(10)(a), 4.1(10)(b), and/or 4.1(10)(d)

¹⁹ Section 2.11.1.A(4) specified that net resource capacity included offered capacity by resources less operating reserve obligations and firm purchases minus firm power sales. Section 2.11.1.A(4)(ii) further specified that firm purchases less firm sales would include sales and purchases that are deliverable with transmission service comparable to firm point-to-point transmission service or firm network integration service, with capacity and energy supplied under standards of reliability and availability equivalent to supply of native load customers, with the supplier assuming the obligation to provide both capacity and energy.

²⁰ September 2013 Order, 144 FERC ¶ 61,224 at P 50.

of Attachment AE²¹ for an hour of the operating day is deemed compliant with the day-ahead must-offer requirement for that hour, regardless of its maximum hourly reported load and/or operating reserve obligation. Alternatively, if a market participant does not offer all of its resources for an hour of the operating day, but has net resource capacity for that hour greater than or equal to 90 percent of its maximum hourly reported load, the market participant is deemed compliant with the day-ahead must-offer requirement for that hour. Additionally, SPP proposes revisions to section 2.11.1.C of Attachment AE to make explicit the Market Monitor's obligation to monitor market participants' load, operating reserve obligations, offered resources, and net resource capacity for each hour of the operating day to determine market participants' compliance with the day-ahead must-offer requirement.²²

14. SPP further proposes removing sections 3.9.A(2) and 3.9.A(3) from Attachment AF to comply with the Commission's directives in the September 2013 Order. SPP also proposes to remove section 3.9.A(1) from Attachment AF, which it deems no longer necessary given revisions to Attachments AE and AF. SPP states that section 3.9 of Attachment AF now makes clear that a market participant found to be non-compliant with SPP's must-offer requirements will be assessed a penalty equal to the day-ahead locational marginal price associated with withheld capacity.²³

15. Finally, SPP proposes revisions to comply with the Commission's deliverability directives relating to the day-ahead must-offer requirement. SPP proposes modifying sections 2.2(11) and 2.11.1.A(1) of Attachment AE to allow load transfers and/or bilateral contracts to count toward must-offer obligations. Further, SPP proposes removing native load equivalency language in sections 2.2(11) and 2.11.1.A(4)(ii) in Attachment AE. SPP also submits language to clarify the net resource capacity definition

²¹ Sections 4.1(10)(a), 4.1(10)(b), and 4.1(10)(d) refer to resource commitment statuses of self-committed, may be committed by the transmission provider, and on an outage, respectively.

²² November 2013 Compliance Filing at 6. Section 2.11.1.B(3) further specifies that, if a market participant does not meet the screening process conditions, it will be assessed a penalty as specified in section 3.9 of Attachment AF.

²³ *Id.*

in section 2.11.1.A(4) of Attachment AE to account for the full range of firm purchases subject to the day-ahead must-offer obligation, which now includes jointly owned units.²⁴

c. Comments and Protests

16. Golden Spread supports SPP's proposed revisions to section 2.11.1 of Attachment AE and section 3.9 of Attachment AF.²⁵ Similarly, TDU Intervenors generally support SPP's modifications to section 2.11.1 of Attachment AE, particularly with regard to load transfers and bilateral contracts.

17. Xcel asserts that SPP has not addressed the Commission's directive to explain the relationship between the day-ahead must-offer requirement and load transfers and/or bilateral contracts. Xcel contends that it remains unclear how buyers and sellers will communicate such arrangements, how these arrangements will be confirmed, and how penalties for non-compliance will be assessed for such arrangements. Xcel requests that the Commission require SPP to clarify these details.²⁶

18. Westar requests that the Commission direct SPP to clarify section 2.11.1.B(1) of Attachment AE, which appears to refer to a resource commitment status of "unavailable" (pursuant to section 4.1(10)(d) of Attachment AE). Westar requests that the Commission direct SPP to clarify that resource unavailable for economic reasons are not exempted from SPP's must-offer obligations. Additionally, Westar asserts that resources with a commitment status pursuant to section 4.1(10)(c) of Attachment AE (indicating that the resource may be committed by the transmission provider to alleviate an anticipated

²⁴ Specifically, SPP proposes, in section 2.11.1.A(4)(ii) of Attachment AE, that firm power purchases shall include an asset owner's share of a jointly owned unit to the extent that such shares have not been registered as separate resources, pursuant to section 2.2(4) of Attachment AE. November 2013 Compliance Filing at 7.

²⁵ Golden Spread Comments at 1-3.

²⁶ Xcel Comments at 3-4.

emergency condition or local reliability issue) should not be exempted from the day-ahead must-offer requirement.²⁷

19. TDU Intervenors assert that the reference to section 4.1(10)(d) within section 2.11.1.B(1)—in addition to the references to sections 4.1(10)(a) and 4.1(10)(b)—is internally inconsistent with section 2.11.1.A(3) of Attachment AE, which only references sections 4.1(10)(a) and 4.1(10)(b) (i.e., resources with a commitment status of self-committed or available for commitment by the transmission provider). According to TDU Intervenors, it is unclear why offering the capacity of a resource that is unavailable due to outage should count toward satisfying must-offer obligations. TDU Intervenors believe that SPP intended to disregard resources that are unavailable due to outage.²⁸

d. SPP Answer

20. SPP states that it has fully complied with the requirements in the September 2013 Order. Regarding Xcel's concerns that SPP has not adequately explained the relationship between the day-ahead must-offer requirement, load transfers and bilateral contracts, SPP explains that it revised the definition of load for purposes of the must-offer requirement to include load registered by the seller.²⁹ SPP states that when a seller registers a buyer's load under a bilateral contract under section 2.2(11) the registered load becomes the responsibility of the seller for purposes of the must-offer requirement, and the buyer's load for purposes of the must-offer requirement is reduced by a commensurate amount. SPP adds that load transfers can only occur under a bilateral agreement, per section 2.2(11). Therefore, SPP asserts that its clarifications to the load provisions of the day-ahead must-offer requirement fully comply with the Commission's directive to explain the relationship. Further, to address Xcel's concern about communication between the buyer and seller for a load transfer, SPP explains that section 2.2(11) requires the consent of the buyer for the seller to register the load; therefore, seller and buyer must communicate prior to the registration.

²⁷ Westar Protest at 7-8. KCP&L and GMO support Westar's requested clarification. KCP&L and GMO Protest at 15.

²⁸ TDU Intervenors Protest at 2-3.

²⁹ SPP Answer at 3.

21. SPP argues that section 2.2(11) does not invite the gaming suggested by Westar for units on an “unavailable” commitment status.³⁰ SPP notes that a reserve shutdown, which is an outage not due to maintenance or repair, requires two-day advance approval by SPP. SPP states that as a result, the ability to request repeated outages to avoid the day-ahead market in order to participate in the real-time market is not practical. Moreover, SPP contends that resources on an outage are subject to the physical withholding provisions of Attachment AG and the Market Monitor may refer incidents in which a resource that is deemed to be on outage for unverifiable reasons to the Commission’s Office of Enforcement.

e. **Commission Determination**

22. As discussed below, we conditionally accept SPP’s proposed Tariff revisions to its day-ahead must-offer obligation subject to a compliance filing due 30 days from the date of this order. We find that SPP’s proposed revisions to section 2.11.1 in Attachment AE adequately clarify SPP’s screening process for verification of the day-ahead must-offer requirement including how the Market Monitor will use net resource capacity in the screening process for verification of compliance with the day-ahead must-offer requirement.

23. We find that SPP has provided a more complete description of the range of firm purchases that may be included in determining a market participant’s net resource capacity. However, with regard to load transfers and/or bilateral contracts being used to meet must-offer obligations, we agree with Xcel that more detail concerning how buyers and sellers will communicate these arrangements, how these arrangements will be confirmed, and how penalties for non-compliance would be assessed for such arrangements would remove remaining ambiguity from the Tariff. Accordingly, we will require SPP to make a compliance filing due 30 days from the date of this order that clarifies in its Tariff how buyers and sellers in load transfer and/or bilateral contract arrangements will communicate arrangements with regard to must-offer obligations. SPP should further explain how these arrangements will be confirmed and how penalties for non-compliance will be assessed.

³⁰ *Id.* at 4.

24. We find that SPP's revisions to section 3.9 in Attachment AF appropriately clarify that a market participant found to be non-compliant with SPP's must-offer requirements will be assessed a penalty equal to the day-ahead locational marginal price associated with withheld capacity. We note that in the September 2013 Order, the Commission accepted SPP's proposed revisions to section 4.1(10) in Attachment AE to further delineate possible resource commitment statuses in the Integrated Marketplace.³¹ It appears that Westar, as well as KCP&L and GMO, refer to a previous version of section 4.1(10)(d) that is no longer applicable, which specified a resource commitment status of unavailable (which could potentially refer to a resource being unavailable for economic reasons). As mentioned previously,³² section 4.1(10)(d) currently refers to a resource commitment status of "on an outage," which does not include resources unavailable for economic reasons. We find that the Tariff language is clear and that additional clarification is not needed. However, we agree with TDU Intervenors that a resource commitment status of "on an outage," as currently specified in section 4.1(10)(d), is not appropriate within section 2.11.1.B(1). A market participant should not receive credit toward meeting its day-ahead must-offer obligation if it offered a resource that is on an approved outage and unavailable for commitment by SPP. Accordingly, we will require SPP to remove from section 2.11.1.B(1) of Attachment AE the reference to section 4.1(10)(d) of Attachment AE, in a compliance filing due 30 days following the date of this order.

25. Additionally, we find that it is unclear why SPP has exempted resources with a commitment status pursuant to section 4.1(10)(c)³³ from being included in the day-ahead must-offer requirement.³⁴ Thus, we will require SPP, in a compliance filing due 30 days

³¹ September 2013 Order, 144 FERC ¶ 61,224 at P 20.

³² *See supra* P 13 & n.21.

³³ Section 4.1(10)(c) indicates that the resource may be committed by the transmission provider to alleviate an anticipated emergency condition or local reliability issue.

³⁴ We note that SPP includes the commitment status pursuant to section 4.1(10)(c) of Attachment AE in day-ahead make whole payment provisions (*see* SPP Tariff, Attachment AE, section 8.5.9).

following the issuance of this order, to include this commitment status within sections 2.11.1.A(3) and 2.11.1.B(1) of Attachment AE or, in the alternative, explain why it is not appropriate to include this commitment status within day-ahead must-offer provisions.

26. Finally, we note that SPP defines the term net resource capacity within section 2.11.1.A(4) in Attachment AE. However, in the November 2013 Compliance Filing, SPP proposes capitalizing the term “Net Resource Capacity,” although SPP does not include this term in the definitions section of Attachment AE. To be consistent with other capitalized terms within Attachment AE, we will require SPP, in a compliance filing due 30 days after the issuance of this order, either to: (1) provide a definition for “Net Resource Capacity” in the definitions section of Attachment AE (which may refer to section 2.11.1.A(4) in Attachment AE), or (2) un-capitalize the term within section 2.11.1 of Attachment AE.

2. Variable Energy Resources

a. September 2013 Order

27. In the September 2013 Order, the Commission conditionally accepted the Tariff revisions included in SPP’s February 2013 Compliance filing regarding the treatment of VERs, as well as Tariff revisions proposed in SPP’s March 2013 Filing. However, the Commission determined that SPP had failed to comply with the directive that it address both its methodology for determining its output forecasts for VERs and any meteorological data that would be required from dispatchable VERs.³⁵ Therefore, the Commission directed SPP to submit an explanation of its methodology for determining SPP’s output forecasts for dispatchable VERs, its meteorological data requirements for VERs, and corresponding Tariff revisions.³⁶

³⁵ The SPP Tariff defines two types of VERs: (1) dispatchable VERs, which are capable of being incrementally dispatched by SPP; and (2) non-dispatchable VERs, which are not capable of being incrementally dispatched by SPP. SPP Tariff, Attachment AE, section 1.1.

³⁶ September 2013 Order, 144 FERC ¶ 61,224 at PP 81-82 (citing October 2012 Order, 141 FERC ¶ 61,048 at P 115).

28. The Commission noted that it had conditionally accepted SPP's proposed revisions to its *pro forma* generator interconnection agreement, effective June 16, 2013, to comply with the requirements of Order No. 764.³⁷ However, the Commission directed SPP to explain why and how its data requirements for dispatchable VERs that execute Large Generator Interconnection Agreements (LGIA) on or after June 16, 2013, are consistent with the *pro forma* LGIA revisions that were conditionally accepted in that order.³⁸

b. November 2013 Compliance Filing

29. SPP states that it will develop output forecasts for each wind-powered VERs for use in the RUC processes and in the real time balancing market, using an industry standard wind generation output forecasting tool. SPP will utilize meteorological data from weather forecasting services, including regional atmospheric weather condition predictions, meteorological and other site-specific data provided by individual wind-powered VERs, and historical data. SPP explains that given the penetration of wind-powered VERs compared to other VERs in its footprint, power production forecasts will only be produced for wind-powered VERs.³⁹

30. SPP proposes to use the same forecasting methodology for all wind-powered VERs, including dispatchable and non-dispatchable VERs and large and small VERs. SPP asserts that despite dispatchable and non-dispatchable VERs having different Integrated Marketplace requirements and capabilities, the methodology for forecasting meteorological conditions does not change based on whether the VER is dispatchable or not. In addition, SPP states that the variability of a VER does not change based on whether the VER is dispatchable. SPP further explains that it will utilize resource-specific data it receives from all wind-powered VERs. For VERs that are not obligated to

³⁷ *Id.* P 82 (citing *Southwest Power Pool, Inc.*, 143 FERC ¶ 61,285 (2013) (June 2013 Order)). See *Integration of Variable Energy Resources*, Order No. 764, FERC Stats. & Regs. ¶ 31,331, *order on reh'g*, Order No. 764-A, 141 FERC ¶ 61,232 (2012), *order on reh'g*, Order No. 764-B, 144 FERC ¶ 61,222 (2013).

³⁸ September 2013 Order, 144 FERC ¶ 61,224 at P 82

³⁹ November 2013 Compliance Filing at 9.

provide meteorological data, SPP states it will utilize data from available weather services as well as data provided voluntarily by such VERs.⁴⁰

31. To clarify its data requirements and forecasting methodology, SPP proposes several revisions to Attachment AE. First, SPP revises section 2.15 of Attachment AE to specify that all wind-powered VERs are required to submit geographic and wind turbine availability data for use as an input to SPP's wind generation output forecasting tool.⁴¹ SPP also proposes to add a new section 2.15(2) to Attachment AE which specifies the meteorological data requirements for wind-powered VERs that execute an interconnection agreement on or after June 16, 2013, the effective date of SPP's revisions to its *pro forma* LGIA to comply with Order No. 764. Here too, the Tariff revisions state that VERs must "submit, as specified in the Market Protocols and the interconnection customer's interconnection agreement..." certain site-specific meteorological and geographic data.

32. SPP proposes revising section 3.1.2 of Attachment AE to specify its methodology for wind-powered VER output forecasting with further details to be included in the Market Protocols.⁴² SPP further states that it will use the resource-specific data provided pursuant to sections 2.15(1) and (2) of Attachment AE to develop output forecasts for each wind-powered VER using its industry standard forecasting tool. SPP explains that while the meteorological data requirements in section 2.15(2) apply only to wind powered VERs with interconnection agreements executed after June 16, 2013, SPP will utilize any available meteorological data available for other wind-powered VERs, including data from meteorological forecasting services and data provided voluntarily by a wind-powered dispatchable VER.

33. SPP states that the results of the wind power forecasts used by SPP are based on a meteorological description of the atmosphere. SPP explains that the forecasting system converts data from several numerical weather prediction models provided by weather services into a power output forecast. According to SPP, the conversion of raw data from

⁴⁰ *Id.* at 9 & n.35.

⁴¹ *Id.* at 10.

⁴² November 2013 Compliance Filing at 11.

a weather model into power output of a specific wind farm is carried out in several steps. Specifically, SPP states that the wind speed at hub height is calculated using physical parameterizations of the lower atmosphere based on numerical weather prediction data. SPP explains that these data are further refined to obtain the wind speed at given sites. SPP states that wind speed and direction data are used to adjust for local conditions in the area of specific wind farms. SPP asserts that historical measurement data of the power output of the wind are used to calculate site-dependent power curves of the specific wind farms. SPP states that this procedure accounts precisely for local effects and individual characteristics of the wind farm, thereby resulting in an improved forecast.⁴³

34. SPP adds that the data required under section 2.15 of Attachment AE are generally used for setup, daily operation, re-calibration, and improvement of state-of-the-art VER forecasting systems. According to SPP, the standing data that include geographical location and hub height are essential for setting up the wind power forecasts for individual sites. SPP further adds that wind turbine availability is required to consider current and scheduled outages of the turbines and the reduced production associated with such outages. Finally, SPP states that the meteorological data are important parameters for re-calibrating the forecasts to the site-specific conditions and improving forecast accuracy.⁴⁴

c. Commission Determination

35. We find that SPP has complied with the requirement to provide an explanation of its methodology for determining its output forecasts for dispatchable VERs. Specifically, we find that SPP appropriately clarifies and provides transparency into how output will be determined for VERs. Thus, we accept SPP's Tariff revisions that specify SPP's methodology for determining its output forecasts for VERs. However, we will reject SPP's proposed Tariff language in sections 2.15(1) and 2.15(2) that impose wind forecast data requirements "as specified in the Market Protocols" because these data requirements would be subject to change by SPP unilaterally. The Commission rejected similar Tariff

⁴³ *Id.*

⁴⁴ *Id.* at 12.

language when addressing MISO's Order No. 764 compliance filing.⁴⁵ Accordingly, SPP is directed to submit a compliance filing within 30 days of the date of this order to (1) replace the phrase "as specified in the Market Protocols" with "as specified in the interconnection customer's interconnection agreement" in section 2.15(1); and (2) remove "the Market Protocols and" from section 2.15(2), so that it reads, in part, "as specified in the interconnection customer's interconnection agreement."

36. We further find that SPP has provided a sufficient explanation of why its data requirements for dispatchable VERs that execute LGIAs on or after June 16, 2013, are consistent with the *pro forma* LGIA revisions that were conditionally accepted in the June 2013 Order.

3. Manual Commitments

a. September 2013 Order

37. In the September 2013 Order, the Commission conditionally accepted SPP's proposed revisions to its manual commitment process, subject to an additional compliance filing. In addition, the Commission conditionally accepted SPP's proposed section 205 revisions submitted in its March 2013 Filing regarding manual commitments, subject to a compliance filing. Specifically, the Commission found that SPP had not fully complied with the Commission's directives in the October 2012 Order, because it had not submitted Tariff provisions explaining when and how local transmission operators and SPP will determine which resources to commit manually.⁴⁶ The Commission explained

⁴⁵ See *Midcontinent Indep. Sys. Operator, Inc.*, 145 FERC ¶ 61,064, at P 24 (2013) (citing Order No. 764-A, 141 FERC ¶ 61,232 at P 38) ("In Order No. 764-A, the Commission expressed concern regarding the ability of public utility transmission providers to impose VER forecast data requirements unilaterally, and that such changes must be supported.")).

⁴⁶ In the October 2012 Order, the Commission conditionally accepted SPP's proposal to allow local transmission operators to make commitments in emergency conditions on low voltage facilities and to require that these operators communicate their actions to SPP as soon as possible. October 2012 Order, 141 FERC ¶ 61,048 at PP 184-185.

in the October 2012 Order that these provisions are necessary to ensure that manual commitments are made in a non-discriminatory manner. On compliance, SPP proposed revisions to expand the circumstances in which local transmission operators would be allowed to make manual commitments directly. In the September 2013 Order, the Commission determined that these proposed revisions were a significant departure from the Commission's compliance directives. Accordingly, the Commission directed SPP to remove all proposed Tariff provisions that (1) allow a local transmission operator to commit resources directly in situations outside of emergency situations, and (2) allow a local transmission operator to commit resources that affect the facilities modeled by SPP, including the transmission system.⁴⁷ The Commission further directed SPP to submit Tariff revisions that limit manual commitments made by local transmission operators to "Emergency Conditions," as defined in the Tariff. In addition, the Commission directed SPP to revise its Tariff to require SPP, the local transmission operator, and the owner of the generator to establish operating guides to address known and recurring reliability issues that are associated with manual commitments.⁴⁸ Finally, the Commission directed SPP to explain the bases under which it makes manual commitments, when the commitments will be made, and how SPP will determine which units to commit.

38. In the September 2013 Order, the Commission found that SPP had not fully complied with the Commission's directive that it revise its Tariff to make its proposed criteria applicable to both local transmission operators and SPP. The Commission's directive was intended to ensure that manual commitments are made consistently and not in a discriminatory manner. Specifically, the Commission directed SPP to submit Tariff revisions that: (1) apply identical factors to SPP and to local transmission operators for assessing whether manual commitments made by SPP are discriminatory; and (2) clarify that the Market Monitor will review the manual commitments made by both SPP and the local transmission operators.⁴⁹

⁴⁷ September 2013 Order, 144 FERC ¶ 61,224 at P 108.

⁴⁸ *Id.* P 110 & n.141 (citing *Midwest Indep. Transmission Sys. Operator, Inc.*, 140 FERC ¶ 61,171, at P 54 (2012) (MISO VLR Order) (discussing the MISO definition of Voltage and Local Reliability Issue)).

⁴⁹ *Id.* P 111.

39. The Commission found that SPP's proposed Tariff provisions would harm unaffiliated generators that were merely following the instructions of the local transmission operators by denying them compensation. Thus, the Commission determined that compensation should only be denied to generators affiliated with local transmission operators in cases where SPP and/or the Market Monitor determine that the commitment made by the local transmission operator was done in a discriminatory fashion.⁵⁰

40. Finally, the Commission accepted SPP's proposed section 205 revisions, subject to a compliance directive that SPP revise its Tariff to limit the authority of local transmission operators to make manual commitments to address emergency situations. The Commission explained its expectation that, by limiting the circumstances in which local transmission operators are permitted to make direct manual commitments, these types of circumstances should occur infrequently.⁵¹

b. November 2013 Compliance Filing

41. SPP proposes to remove language throughout Attachment AE that would permit a local transmission operator to commit resources directly for situations other than an emergency condition that would affect facilities modeled by SPP. In doing so, SPP proposes a new term, "Local Emergency Condition," that, unlike the term "Emergency Condition," is defined to represent a condition or situation "determined by the local transmission operator that is imminently likely to cause a material adverse effect on the security of or damage to the local transmission operator's facilities not modeled by the Transmission Provider."⁵² SPP also proposes to revise the definition of a Local Reliability Issue to encompass the direct commitment of a resource to mitigate only a

⁵⁰ *Id.* P 112.

⁵¹ *Id.* P 114.

⁵² November 2013 Compliance Filing at 13 (citing Revised SPP Tariff, Attachment AE, section 1.1, (Definitions L)).

local emergency condition, where the commitment is made either by SPP at the request of the local transmission operator, or the local transmission operator.⁵³

42. Consistent with these new defined terms, SPP proposes to revise the intra-day RUC process to clarify that, time permitting, a resource can be committed and/or decommitted by SPP at the request of a local transmission operator to address a Local Reliability Issue. However, according to SPP, a local transmission operator can still directly commit a resource for a Local Reliability Issue, and thereafter notify SPP. Additionally, SPP clarifies that a resource may be committed by SPP at the request of a local transmission operator for “a reliability issue other than a Local Reliability Issue.”⁵⁴ Finally, SPP proposes revisions to section 6.1.2(3) of Attachment AE to clarify that only SPP can manually commit and/or decommit a resource for a reliability issue affecting the transmission system.

43. SPP also proposes changes to the day-ahead RUC process that are similar to its proposed revisions for the intra-day RUC process. However, SPP explains that, because it will have time to respond to a local transmission operator’s request to commit a resource, SPP is not proposing corresponding language in the day-ahead RUC process for a local transmission operator to commit a resource directly for a Local Reliability Issue.⁵⁵

44. SPP proposes to revise the Out-of-Merit Energy (OOME) process to clarify that, time permitting, SPP may issue a dispatch instruction to an on-line resource at the request of a local transmission operator to address a Local Emergency Condition. If time does not permit a local transmission operator to request SPP to issue dispatch instructions, SPP explains that the local transmission operator can issue OOME dispatch instructions directly to resolve a Local Emergency Condition, with the requirement that it provide notice to SPP. Further, SPP clarifies that it could issue OOME dispatch instructions to a

⁵³ *Id.* at 13-14 (citing Revised SPP Tariff, Attachment AE, section 1.1, (Definitions L)).

⁵⁴ *Id.* at 14.

⁵⁵ *Id.* at 14-15.

resource at the request of a local transmission operator to address a reliability issue other than a Local Emergency Condition.⁵⁶

45. SPP proposes to revise the definition of “Local Reliability Issue” to track the language in MISO’s definition of “Voltage and Local Reliability Commitment.” SPP asserts that this proposed revision allows manual commitments to be made to mitigate local system voltage conditions or other Local Emergency Conditions, based on projected local reliability requirements, operational considerations, and generation and transmission outages. Manual commitments made for known and recurring Local Emergency Conditions will be based on operating guides. SPP clarifies the manual commitment process by stating that under section 4.5.2(3) of Attachment AE it will consider cost, transmission system security constraints, and the resource’s operating parameter constraints. SPP also proposes provisions for the development of operating guides in the day-ahead, intra-day, and OOME processes.⁵⁷

46. SPP proposes to revise the discrimination screen for manual resource selection under section 6.1.2.1 of Attachment AE with language specifying that the discrimination screen applies to commitments made by SPP. SPP proposes to clarify that a resource that is selected without regard to ownership and that effectively mitigates the reliability issue or local emergency condition shall be considered non-discriminatory. Moreover, SPP proposes to clarify that the Market Monitor, rather than SPP, shall verify that resources selected by SPP and the local transmission operator were committed in a non-discriminatory manner and that the Market Monitor will notify the Office of Enforcement of any discriminatory behavior.⁵⁸

47. Finally, SPP proposes to clarify that a resource committed (or dispatched) by a local transmission operator will not be eligible for compensation if the Market Monitor

⁵⁶ *Id.* at 14.

⁵⁷ *Id.* at 16.

⁵⁸ *Id.*

determines that the resource was selected in a discriminatory manner and the resource is affiliated with the local transmission operator.⁵⁹

c. Protests

48. Westar asserts that while SPP claims to have revised the definition of Local Reliability Issue to track the language in MISO's definition of "Voltage and Local Reliability Commitment," there are significant differences between SPP's proposal and MISO's tariff definition.⁶⁰ According to Westar, SPP's definition is narrower, because SPP has defined "Local Reliability Issue" to include only facilities that are not monitored by SPP. Thus, Westar argues that SPP's definition only pertains to local commitments made by local transmission operators for emergencies to resolve Local Reliability Issues that occur on facilities not monitored by SPP. Specifically, Westar asserts that SPP's proposed definition only applies the MISO parameters to unit commitments for facilities not monitored by SPP, whereas the MISO definition applies to almost all manual commitments made by either MISO or the transmission owner. Westar contends that the result of SPP's proposal is to shift costs improperly from local to regional allocation.⁶¹ According to Westar, if SPP adopts the MISO definition it would avoid these issues. Therefore, Westar requests that the Commission direct SPP to adopt the MISO definition.⁶²

49. TDU Intervenors assert that, although the Commission directed SPP to add transparency to the manual commitment process to facilitate the detection of discriminatory behavior and to discourage future discriminatory behavior, SPP's compliance filing fails to do so. Instead, SPP refers in various sections to the process in

⁵⁹ *Id.* at 17.

⁶⁰ Westar Protest at 4.

⁶¹ *Id.* at 5 (citing three sections of Attachment AE, section 5.2.2 day-ahead RUC, 6.1.2 real-time RUC, and 6.2.4 OOME dispatch where a shift from local to regional allocation occurs).

⁶² KCP&L and GMO support Westar's protest regarding Local Reliability Issues. KCP&L and GMO Protest at 14-15.

Section 4.5.2(3) of Attachment AE, which describes how SPP will select long lead time resources on an economic basis to eliminate resource shortages. TDU Intervenors contend that it is not clear that this is the right set of criteria for all manual unit commitments, including those in the RUC process.⁶³

50. Moreover, TDU Intervenors assert that SPP's proposed changes to section 6.1.2.1 of Attachment AE fail to address the Commission's requirement that SPP provide a meaningful discrimination test for determining whether a unit commitment decision is discriminatory. TDU Intervenors explain that for the most part, the list of factors is identical for evaluating both SPP and local transmission operator manual commitment decisions, and that the factors are the same as SPP previously proposed. The latest compliance filing includes costs as a factor for SPP, but not ownership, and the list of factors for local transmission operators includes any affiliation with selected resources but does not include cost. TDU Intervenors argue that SPP has not supported this distinction. TDU Intervenors assert that the test for discrimination by local transmission operators should consider cost. Moreover, the test for discrimination by SPP should consider ownership to determine whether SPP routinely chooses the resources of a local transmission operator that requests the manual commitment. TDU Intervenors argue that the differences in the two lists of factors violate the September 2013 Order.⁶⁴

51. TDU Intervenors also note that the test for discrimination in section 6.1.2.1 of Attachment AE does not have any weighting or other explanation of how the listed factors are to be applied by the Market Monitor. TDU Intervenors assert that SPP only added an express presumption that a unit commitment is non-discriminatory if the decision is made by SPP or the local transmission operator without regard to ownership. TDU Intervenors question the basis for a Market Monitor's determination that a unit commitment decision is made without regard to ownership. According to TDU Intervenors, if the Market Monitor must rely on documents as evidence of discrimination, then the Market Monitor will never find discrimination because operators would not record the ownership as a reason for the commitment even though they will almost certainly know who owns which resources. TDU Intervenors argue that SPP's proposed

⁶³ TDU Intervenors Protest at 5.

⁶⁴ *Id.* at 6 (citing September 2013 Order, 144 FERC ¶ 61,224 at P 111).

addition to section 6.1.2.1 of Attachment AE would seem to ensure that findings of discriminatory unit commitment would virtually never be made.⁶⁵

52. Further, TDU Intervenors contend that SPP's proposal could be read as creating an exception to the Commission's requirement that manual commitments, both by SPP and local transmission operators, must be subject to review by the Market Monitor. Thus, TDU Intervenors request that the Commission require SPP to modify the Tariff to make clear that the Market Monitor is responsible for conducting an objective review of operating guides pertaining to manual commitments.⁶⁶

53. While TDU Intervenors do not object to SPP's modifications to the definition of Settlement Area,⁶⁷ they protest the application of this term within the make whole payment provisions in Attachment AE. TDU Intervenors assert that the costs of manual commitments should be assigned to the Settlement Area in which a Local Reliability Issue arises. TDU Intervenors note that section 8.6.7(B) of Attachment AE assigns make whole payment costs to resources committed within a Settlement Area to address a Local Reliability Issue in that Settlement Area. TDU Intervenors assert that this language assumes that the unit manually committed to address a Local Reliability Issue is within the same Settlement Area as the Local Reliability Issue. TDU Intervenors challenge this assumption, noting that, for example, a balancing authority may contact local generation in a neighboring balancing authority area to support voltage in its balancing authority area. TDU Intervenors assert that section 8.6.7(B) of Attachment AE would assign improperly all make whole payment costs for a Local Reliability Issue to the Settlement Area in which the manually committed unit is located, regardless of where the Local Reliability Issue arises. TDU Intervenors request that the Commission direct SPP to

⁶⁵ *Id.* at 7.

⁶⁶ *Id.* at 7-8.

⁶⁷ SPP revised the definition of Settlement Area to the following: A geographic area within the SPP Balancing Authority Area for which transmission interval metering can account for the net area load within the geographic area where, for the purposes of the local allocation of costs pursuant to Section 8.6.7(B) of Attachment AE of this Tariff, such geographic area is equivalent to an SPP B[alancing] A[uthority] Participant Area, as defined under Attachment AN of this Tariff.

revise section 8.6.7(B) of Attachment AE to assign the make whole payment costs associated with manual commitments to the Settlement Area in which the Local Reliability Issue arises.⁶⁸ TDU Intervenors indicate that this problem also exists for the recovery of make whole payment costs for OOME dispatch.⁶⁹

54. AWEA asserts that, contrary to the Commission's compliance directives, SPP proposed Tariff revisions give local transmission operators authority to determine what constitutes a "Local Emergency Condition." AWEA argues that SPP's Tariff should be revised to add objective and transparent criteria so that local transmission operators will not make these determinations using their own subjective discretion. Further, AWEA contends that these revisions are needed to avoid market manipulation and discrimination against generators that are unaffiliated with the local transmission operator.⁷⁰ According to AWEA, SPP's proposed Tariff revision would permit local transmission operators to commit or decommit resources in an emergency condition that could affect the transmission system modeled by the transmission provider.⁷¹ AWEA requests that the Commission require SPP to explain clearly who has authority to address situations where both local and SPP modeled facilities are impacted by an emergency. Moreover, AWEA contends that SPP should revise its proposed Tariff to include a clear explanation of the manual commitment process and operating guidelines or an explanation of the bases for manual commitments,⁷² and a description of the criteria or metrics SPP will employ when, "time permitting," SPP may issue instructions for a local emergency. Without a clear definition of the term "time permitting," AWEA contends that a range of interpretations could be given by a local transmission operator and SPP, or by different local transmission operators.⁷³

⁶⁸ TDU Intervenors Protest at 10.

⁶⁹ *Id.* at 8 & n.9. OOME provisions are at section 8.6.7(B) of Attachment AE.

⁷⁰ AWEA Protest at 3, 5.

⁷¹ *Id.* at 3, 7.

⁷² *Id.* at 4.

⁷³ *Id.* at 9.

55. AWEA also questions SPP's application of MISO's definition of "Voltage and Local Reliability Commitment," because under the MISO Tariff, MISO issues manual dispatches to resolve reliability issues in its transmission footprint. In contrast SPP proposes to delegate to local transmission operators the authority to declare a local emergency condition and exercise manual dispatches. According to AWEA, as the independent system operator, SPP should ensure that any such local authority is exercised in a just and reasonable and non-discriminatory manner.⁷⁴

56. AWEA requests that SPP be required to explain its development of operating guides to address known and frequently occurring reliability issues, including explanations of which resources may be curtailed or dispatched, the criteria for this selection process, as well as how frequent reliability issues will be addressed as part of the proposed out of merit energy dispatch protocols. Further, AWEA contends that SPP has provided no details as to how it will assess requests from the local transmission operator nor which resources the local transmission operator may commit or decommit during out of merit energy situations. AWEA argues that the Tariff needs to provide greater detail as to how resources will be selected in out of merit energy dispatch. AWEA also requests that SPP be required to develop operating guides by a date certain and that these operating guides be vetted through an open stakeholder process and posted publically to ensure the decision process is just and reasonable and non-discriminatory.⁷⁵

57. Finally, AWEA asserts that section 4.5.2(3) of Attachment AE does not specify how SPP will consider requests from local transmission operators as distinguished from the dispatch the market has already determined for resources across the SPP footprint. AWEA requests that the Commission require SPP to provide additional explanation of how this section will be used to assess requests from local transmission operators.

d. SPP Answer

58. SPP responds to protesters' concerns that local transmission operators are vested with too much discretion by asserting that the rights and responsibilities delegated to local transmission operators under SPP's Tariff reflect currently effective North

⁷⁴ *Id.* at 5.

⁷⁵ *Id.* at 6.

American Electric Reliability Corporation (NERC) standards and otherwise address each omission and modification noted in the September 2013 Order. SPP explains that a local emergency may arise on systems that are not modeled by SPP, and in such circumstances, local transmission operators are the appropriate entities to determine whether and when such emergency conditions exist. SPP adds that its revisions only allow a local transmission operator to make commitments for Local Reliability Issues in the intra-day RUC or in real-time, and only to the extent time does not permit advance coordination with SPP. Further, after the initial instruction, all subsequent resource instructions must be coordinated with SPP.⁷⁶

59. SPP asserts that AWEA is reading too narrowly the directive in the September 2013 Order that the local transmission operator may not make manual commitments that affect the transmission system. According to SPP, AWEA's interpretation would lead to nonsensical results. SPP explains that because the transmission system is interconnected with the local facilities, the only way that a local transmission operator could make manual commitments that would not affect the transmission system at all would be to disconnect the transmission system and the local facilities.⁷⁷

60. SPP asserts that it is inaccurate to suggest the manual commitment process includes no clear standards on resource selection. SPP points to section 4.5.2(3) of Attachment AE, which provides that commitment decisions will be based on cost considerations, transmission security constraints and resource operating parameter constraints.⁷⁸

61. Finally, with regard to SPP's proposed discrimination screen, SPP contends that manual commitments typically are necessitated by unexpected system conditions that vary from situation to situation. For this reason, SPP argues that it is not feasible to include in the Tariff a weighting of factors for a discrimination determination. SPP asserts that it would make the process for determining whether a commitment is

⁷⁶ SPP Answer at 10.

⁷⁷ *Id.* at 10-11.

⁷⁸ *Id.* at 11.

discriminatory too rigid. SPP also contends that it added provisions to the discrimination screen that describe how the Market Monitor will determine whether a particular commitment was or was not discriminatory. SPP explains that any attempt to describe with more specificity how the various factors theoretically might apply to particular commitment decisions could invite gaming in the commitment process and hamper the Market Monitor's ability to identify and address discriminatory behavior.⁷⁹

e. Commission Determination

62. We conditionally accept SPP's proposed revisions to the Tariff to address the issue of manual commitments and the associated cost allocation, subject to SPP making a compliance filing within 30 days of the date of this order. Generally, SPP has complied with the requirements in the September 2013 Order. For example, SPP has included provisions providing for operating guides, required the Market Monitor to monitor the manual commitments made by SPP, required the Market Monitor to inform the Commission's Office of Enforcement of any discriminatory behavior, and denied compensation for a manual commitment to resources affiliated with local transmission operators if the manual commitment was discriminatory.

63. However, as discussed below, in some instances, SPP has not complied fully with the Commission's requirements and in other cases SPP's compliance proposal inadvertently caused other problems. The issue of manual commitments can be generally divided into four sub-issues: (1) the basis for manual commitments; (2) the parties that can make commitments; (3) the potential discriminatory impact of the manual commitments; and (4) the allocation of costs related to manual commitments.⁸⁰ Given the interrelated nature of these sub-issues, when SPP makes some changes to address one of the sub-issues, it creates problems for the other sub-issues. For example, in the September 2013 Order, the Commission required SPP to limit the types of manual commitments that a local transmission operator could direct to address emergencies on

⁷⁹ *Id.* at 12.

⁸⁰ The September 2013 Order also contained "Regional v. Local" cost allocation issues related to manual commitments in the make-whole-payment section of the order. Because of the related nature of the "Regional v. Local" cost allocation issue, we will address the issue here in the manual commitment section of this order.

facilities not modeled by SPP. However, when addressing the requirement of who can make the manual commitment, SPP expands that requirement by also limiting the definition of Local Reliability Issue to emergencies on facilities not modeled by SPP which affects the basis for the manual commitment.⁸¹ Moreover, SPP also expands that requirement by limiting the local allocation of the costs of manual commitments to those manual commitments that address Local Reliability Issues, or emergencies on facilities not monitored by SPP which affects the cost allocation of manual commitment. We address each sub-issue below.

i. The Basis for Manual Commitments

64. In response to the Commission's September 2013 Order, SPP proposes a new definition of Local Reliability Issue.⁸² We agree with Westar that SPP's proposed revised definition of Local Reliability Issue is too narrow because it limits the definition to emergencies on facilities not modeled by SPP. In the October 2012 Order, the Commission cited MISO's more expansive view of "local reliability issues" called Voltage and Local Reliability Commitments as an example of a Commission-approved

⁸¹ SPP defines a Local Reliability Issue, in part, as a Local Emergency Condition that requires a resource commitment by a local transmission operator or by SPP at the request of local transmission operator. SPP further defines a Local Emergency Condition as an emergency that is imminently likely to cause a material adverse effect on the security of facilities not modeled by SPP. Thus, SPP essentially defines a Local Reliability Issues as an emergency on facilities not modeled by SPP for which resource commitments are made by either the local transmission operator or by SPP at the request of the local transmission operator. SPP Tariff, Attachment AE, section 1.1, (Definitions L). The Commission notes that part of the definition of Local Reliability Issue states "in order to mitigate issues with local system voltage conditions or other Local Emergency Conditions." This language may imply that the term Local Reliability Issue is more broadly defined than a Local Emergency Condition. However, by stating "other Local Emergency Condition" (emphasis added) it would appear that local system voltage condition is a type of Local Emergency Condition. SPP Tariff, Attachment AE, section 1.1, (Definitions L).

⁸² SPP Tariff, Attachment AE, section 1.1, (Definitions L).

definition that SPP could use to satisfy the Commission concern's with SPP's proposal. In this filing, SPP explains that it tried to track MISO's Commission-approved definition of "Voltage and Local Reliability Commitment." However, there are significant differences between the two definitions, and the limited definition proposed by SPP would, among other things, require a more regional allocation that is not consistent with the October 2012 Order. Thus, we find the definition of Local Reliability Issues needs to be revised to conform to the Commission-approved definition used in MISO as explained below.

65. Specifically, we direct SPP to revise the definitions in Attachment AE to include the following definitions:

Local Reliability Issue: a local voltage or reliability condition necessitating a Local Reliability Issue Commitment.

Local Reliability Issue Commitment: a Resource commitment in addition to, or in lieu of, commitments resulting from the Security Constrained Unit Commitment in the Day-Ahead or any Reliability Unit Commitment, in order to mitigate issues with Transmission System voltage or other local reliability concerns. These Resource commitment requirements are established prior to or during an Operating Day and are based on projected local reliability requirements, operational considerations, and generation and transmission outages. These commitments will be based on Operating Guides for recurring local voltage and reliability requirements, but an Operating Guide is not required prior to a Resource commitment being designated as a Local Reliability Issue Commitment. Resource commitments to relieve a potential or actual Interconnection Reliability Operating Limit violation will not be designated in this category.

66. We find that using the definition of Voltage and Local Reliability Commitment accepted for MISO as the basis for SPP's Local Reliability Issue Commitment, along with other changes that SPP has proposed, will satisfy the Commission's requirement that SPP provide transparency in the manual commitment process.⁸³ Moreover, SPP has

⁸³ September 2013 Order, 144 FERC ¶ 61,224 at P 110.

provided additional clarity to section 5.2.2, day-ahead RUC execution; section 6.1.2, intra-day RUC execution; and section 6.2.4, OOME dispatch⁸⁴ that explains the timing and manner of the manual commitments. For example, in section 5.2.2(3) SPP explains that during the day-ahead RUC, it will ensure that manual commitment costs are minimized while adhering to transmission system security constraints and the resource operating parameter constraints submitted as part of the real-time offers. This explanation, together with the revised definitions required herein, will offer sufficient transparency to the manual commitment process.

67. However, we agree with protestors that SPP's proposed references to section 4.5.2(3) do not provide transparency to the manual commitment process. Section 4.5.2(3) explains how SPP will select long lead time resources on an economic basis. Thus, this section is not the appropriate section to reference, because SPP would not be able to commit resources with long-lead times in the intra-day RUC or for OOME dispatch. Therefore, we direct SPP to remove all the references to section 4.5.2(3) from sections 5.2.2 and 6.1.2.⁸⁵

ii. The Parties that Can Make Manual Commitments

68. As required in the September 2013 Order, SPP addresses which parties (i.e., SPP or local transmission operator) can make a manual commitment. We find that SPP's proposed definition of Local Emergency Condition is reasonable when it is used to limit the types of commitments that local transmission operators may make directly, because a local transmission operator may only make commitments directly for emergencies on facilities not modeled by SPP.⁸⁶ However, if there is sufficient time for the local

⁸⁴ In the make whole payment section of the September 2013 Order, the Commission required changes to section 8.6.6 of Attachment AE, Real-Time OOME Amount, which governs the payment for OOME events. As this OOME make whole payment issue is inter-related with the manual commitments made for OOME events, we are discussing these OOME issues in the manual commitments section of the order.

⁸⁵ SPP is directed to remove only the references to the section 4.5.2(3). It is to retain the remaining explanations of the process that SPP will utilize, as shown in the prescriptive changes in Appendix B.

⁸⁶ September 2013 Order, 144 FERC ¶ 61,224 at P 108.

transmission operator to request that SPP make a manual commitment, it should do so, and SPP should review the request. Moreover, we will not require SPP to define “time permitting,” as requested by AWEA, because it is a fact-specific occurrence. A local transmission operator may only make a commitment directly when it is an emergency (i.e., its facilities are imminently in danger). To the extent that SPP, the Market Monitor or market participants believe that a local transmission operator is not following the Tariff and, instead, is directing manual commitments when its facilities are not imminently in danger, the party should raise those concerns with the Commission’s Office of Enforcement.

69. Consistent with the revisions we are requiring above to the definition of Local Reliability Issue Commitment, SPP must also revise provisions in Attachment AE of the Tariff (e.g., section 5.2.2(4)) that limit the parties that can make manual commitments to address Local Reliability Issues. We direct SPP to revise section 5.2.2(4), which currently states that a manual commitment to address Local Reliability Issues may be made by the local transmission operator (or by SPP at the request of the local transmission operator) to state that SPP may make such commitments, too.⁸⁷

70. Sections 5.2.2(5) and 6.1.2(5) address circumstances in which SPP manually commits a resource at the request of the local transmission operator to resolve a reliability issue other than a Local Reliability Issue. Given the expansion of the definition of Local Reliability Issue, it is unclear under what circumstances a local transmission operator would make such a request and whether sections 5.2.2(5) and 6.1.2(5) are still necessary. We direct SPP either to eliminate the sections or justify the language in sections 5.2.2(5) and 6.1.2(5). Similarly, section 6.2.4(5) addresses circumstances in which SPP manually commits a resource at the request of the local transmission operator to resolve a reliability issue other than a Local Emergency Condition. Given the changes required below for 6.2.4(6),⁸⁸ it is unclear under what circumstances SPP would manually commit a resource at the request of the local transmission operator when a Local Reliability Issue is not

⁸⁷ These changes are included in the prescriptive changes shown in Appendix B.

⁸⁸ As revised, section 6.2.4(6) addresses circumstances in which SPP manually commits a resource at the request of a local transmission operator to address a Local Reliability Issue.

present. It appears that section 6.2.4(6) may no longer be necessary given the expansion of the definition of Local Reliability Issue. Thus, the Commission directs SPP in a compliance filing due 30 days from the issuance of this order either to eliminate section 6.2.4(6) or justify the language in the section.⁸⁹

71. In section 5.2.2(6), SPP provides a description of the operating guides created for the day-ahead RUC. SPP states that these guides shall be applied to manual commitments made by SPP at the request of the local transmission operator or by the local transmission operator to relieve known and recurring Local Reliability Issues. Because SPP can make commitments for Local Reliability Issues, the provision must be modified to reflect this role. Moreover, SPP explains that in the day-ahead RUC, it will have time to respond to a local transmission operator's request; therefore, there is no corresponding language in the day-ahead RUC process for a local transmission operator to commit a resource directly for a Local Reliability Issue.⁹⁰ We agree with SPP that there is no need for a local transmission operator to make a manual commitment in the day-ahead RUC; therefore, we direct SPP to remove the local transmission operator from section 5.2.2(6) as identified in Appendix B.

72. Moreover, we will not require SPP to develop the operating guides by a date certain. Instead, the development of operating guides will be an ongoing process that may require new operating guides as new reliability issues arise. Further because of the sensitive nature of data that would be included in the operating guides, we will not require the operating guides to be subject to a stakeholder process and public notice. While we understand AWEA's concern that the operating guides must be just and reasonable, because the resource (e.g., wind generator) will be involved in the development of operating guides with SPP and the local transmission operator, the resource will be able to protect its interests.

73. Additionally, we will require SPP to make further revisions in section 8.6.7.A(1) to clarify when a local transmission operator may direct a manual commitment. This

⁸⁹ Sections 5.2.2(5), 6.2.2(5) and 6.2.4(6) are shown as deleted in the prescriptive changes in Appendix B. If SPP chooses to justify the language instead of proposing deletions, the prescriptive changes for these sections would not apply.

⁹⁰ November 2013 Compliance Filing at 15.

revision is necessary to be consistent with the new definitions that SPP provided in this filing and the revisions to those changes the Commission is ordering herein. Specifically, we will require SPP to make the following change to section 8.6.7.A(1): “Resources committed to address a Local Reliability Issue by the Transmission Provider at the request of a local transmission operator or committed by a local transmission operator to address a Local Emergency Condition,....”

iii. Whether the Manual Commitments are Discriminatory

74. SPP revises section 6.1.2.1, which addresses issues of discrimination. We find that SPP has complied with the requirement to clarify that the Market Monitor will review the manual commitments of both SPP and the local transmission operator. However, SPP has not subjected section 4.5.2 of Attachment AE, Multi-Day Reliability Assessment Analysis, to the discrimination review process in section 6.1.2.1 of Attachment AE. We direct SPP to add to sections 4.5.2(3) and 4.5.2(4) the following: “Such manual commitments shall be selected by the Transmission Provider in a non-discriminatory manner, which will be verified by the Market Monitor through the process described under section 6.1.2.1 of this Attachment AE.” Additionally, we note that SPP added to section 6.1.2.1 of Attachment AE the words “or Real-Time Balancing Market” so that the process for the Market Monitor to review whether the manual commitment is discriminatory will now be done in the RUC process and real-time market. However, this modification does not reflect that the review process is also applicable to the day-ahead market⁹¹ and, as discussed above, the Multi-Day Reliability Assessment Analysis. Thus, SPP is directed to remove the words “in the Reliability Unit Commitment processes or Real-Time Balancing Market” so that the Market Monitor is not unreasonably limited to evaluate whether the manual commitments made in the SPP region are discriminatory.

75. SPP has modified section 6.1.2.1 so that it includes both a list of criteria and factors to be used by the Market Monitor in its evaluation and the basis upon which the Market Monitor would conclude that the manual commitment would be considered non-discriminatory. The list of criteria and factors, including such things as resource

⁹¹ Section 5.2.2 of Attachment AE provides that the manual commitments made during the day-ahead market will be subject to the review process in section 6.1.2.1.

operating parameters and availability of non-selected resources, will be considered by the Market Monitor when it makes its determination as to whether a manual commitment was made in a discriminatory manner. After the Market Monitor has evaluated the manual commitment in terms of the criteria in the Tariff, the Market Monitor would determine if the manual commitment was made without regard to ownership. If the manual commitment was made without regard to ownership, the manual commitment was not discriminatory.

76. While SPP has included criteria or factors to guide the Market Monitor's evaluation, SPP has not included identical criteria for the Market Monitor to apply to SPP's manual commitments and manual commitments initiated by local transmission operators. The list of factors for the Market Monitor to use to review SPP's manual commitments does not include ownership, and the list of factors for review of the local transmission operators does not include a cost factor. Given that the Market Monitor would find no discrimination if the manual commitment was made without regard to ownership, it is difficult to ascertain how the Market Monitor could evaluate whether SPP was discriminatory without using "ownership" as one of the factors in its analysis. SPP has not complied with the Commission requirement to "apply identical factors to SPP for assessing whether manual commitments made by SPP are discriminatory, as are applied to local transmission operators,"⁹² and SPP has not explained these differences. Therefore, we will direct SPP in a compliance filing due 30 days from the date of this order to revise both lists of factors so that they are identical. Moreover, we will not require SPP to include specific weightings in the Tariff because, as SPP explains, the process is fact-specific and must be flexible enough to avoid gaming.

77. We find reasonable SPP's revisions to section 6.1.2.1, which provides that a unit commitment is to be considered non-discriminatory if the decision is made by SPP or the local transmission operator without regard to ownership. In response to the February 2013 Compliance Filing, TDU Intervenors protested that SPP had only included criteria or factors in section 6.1.2.1 instead of including a methodology or standard for assessing these factors.⁹³ In the September 2013 Order, the Commission found that

⁹² September 2013 Order, 144 FERC ¶ 61,224 at P 111.

⁹³ *Id.* P 101.

merely listing the factors was insufficient and directed SPP to explain the process for determining whether a manual commitment by a local transmission operator is discriminatory.⁹⁴ SPP responded to that requirement by including the discrimination screen that will be the basis for the Market Monitor to determine whether the commitment is discriminatory. We find that SPP's proposal provides a reasonable and transparent basis upon which the Market Monitor can determine whether a manual commitment is discriminatory.

78. However, we find that SPP has not complied with the Commission's directive to explain the process for determining whether a manual commitment by a local transmission operator is discriminatory. For example, the Tariff should include how the Market Monitor will obtain the necessary information, timeframes for making a determination and communicating its findings to market participants and, if necessary, to the Commission's Office of Enforcement. We direct SPP to submit in a compliance filing due 30 days from the issuance of this order specific Tariff language regarding manual commitments made by a local transmission operator, as explained herein.

79. We will not require that the Market Monitor review the operating guides prior to SPP implementing them. Requiring such review would delay the development of the operating guides for known and recurring reliability issues and might be of little benefit, given the fact-specific nature of making manual commitments. However, we clarify that the Market Monitor should review all manual commitments including those commitments made pursuant to an operating guide, and if the Market Monitor finds discrimination then it should raise the issue with the Commission's Office of Enforcement.

iv. Allocation of Costs Related to Manual Commitments

80. SPP proposes to allocate locally the costs of commitments to address Local Reliability Issues and to allocate the cost of the remaining manual commitments regionally. In October 2012 Order, the Commission found that SPP had not shown that

⁹⁴ *Id.* P 109.

region-wide allocation is consistent with cost causation principles.⁹⁵ We agree with Westar that SPP's revisions have greatly limited the amount of costs that will be allocated locally because SPP has essentially limited Local Reliability Issues to emergencies on facilities not modeled by SPP. However, because we have directed SPP to adopt MISO's definition of Voltage and Local Reliability Commitment,⁹⁶ we find that the adoption of this language should address Westar's cost allocation concerns.

81. We find that SPP's definition of Settlement Area provides clarity and is just and reasonable. In addition, we agree with TDU Intervenor that the application of the defined term Settlement Area within section 8.6.7(B) of Attachment AE may create unreasonable results. The introduction to section 8.6.7 states that "the local amount for each Settlement Area impacted by a Local Reliability Issue will be determined by multiplying an Asset Owner's local Settlement Area distribution volume by a daily local Settlement Area RUC make whole payment rate, as described in Section 8.6.7(B) of this Attachment AE" (emphasis added). However, the language in section 8.6.7(B) appears to allocate make whole payment costs based on the Settlement Area in which the unit committed to address a Local Reliability Issue is located, rather than the Settlement Area affected by a Local Reliability Issue. As demonstrated by TDU Intervenor, units committed to address a Local Reliability Issue could be in a different Settlement Area than where the Local Reliability Issue occurs. SPP has not explained why it is just and reasonable to assign make whole payment costs to the Settlement Area in which the manually committed unit is located, in the case where the Local Reliability Issue arises in a different Settlement Area. Accordingly, to allocate costs properly and build internal consistency within the Tariff, we will require SPP to revise section 8.6.7(B) of Attachment AE to allocate the costs of alleviating a Local Reliability Issue to the Settlement Area in which the Local Reliability Issue arises in a compliance filing due 30 days after the issuance of this order. Additionally, we will accept SPP's modified definition of the term Settlement Area, because it meets the compliance directive in the September 2013 Order.

⁹⁵ October 2012 Order, 141 FERC ¶ 61,048 at P 184 (citing MISO VLR Order, 140 FERC ¶ 61,171 at P 78 (finding that local load is primary beneficiary of manual commitments to address local reliability)).

⁹⁶ See *infra* PP 64-67.

v. **Other changes to the Manual Commitment Provisions**

82. In addition, several sub-sections in the section 5.2.2 (day-ahead RUC), section 6.1.2 (intra-day RUC), and section 6.2.4 (OOME dispatch), reference the make whole payment sections 8.6.5 and 8.6.7 of Attachment AE in the Tariff when discussing how the payments are collected by SPP. We direct SPP to make the additional clarifying changes, identified in Appendix B, to these sections to clarify how SPP collects the payments.

4. **Make Whole Payments**

a. **September 2013 Order**

83. In the September 2013 Order, the Commission found that SPP had not sufficiently demonstrated the justness and reasonableness of sections 4.1.2.4(2)(a) and 4.1.2.5(5)(a) of Attachment AE,⁹⁷ which specified that dispatchable and non-dispatchable VERs for which SPP is calculating an output forecast are not eligible to receive RUC make whole payments. Specifically, the Commission stated that SPP had failed to support its proposal that these resources are ineligible to recover their variable costs if, for example, SPP issues a curtailment instruction to the resource (i.e., SPP had not demonstrated why a VER should be ineligible to recover any revenues that it may otherwise have received had it not been curtailed).⁹⁸

b. **November 2013 Compliance Filing**

84. SPP states that the RUC make whole payment is designed to allow recovery of offer costs only to the extent that such costs are not offset by revenues received over the commitment period for resources committed by SPP (i.e., resources that have a

⁹⁷ SPP proposed the addition of sections 4.1.2.4(2)(a) and 4.1.2.5(5)(a) of Attachment AE in the March 2013 Filing. SPP Tariff revisions, Docket No. ER13-1173-000 (filed March 28, 2013).

⁹⁸ September 2013 Order, 144 FERC ¶ 61,224 at P 147.

commitment status of “Market” or “Reliability”).⁹⁹ SPP explains that it considers Start-Up, No-Load, and Energy costs for minimum output in making a commitment decision. SPP asserts that a VER for which SPP is supplying a forecast in the RUC and real-time balancing market has no incentive to submit a commitment status of “Market” or “Reliability” combined with a three-part offer (that may contain Start-Up and No-Load offers), because a wind-powered VER’s fuel costs are either zero or negative. Therefore, SPP argues, the wind-powered VER has no basis to calculate Start-Up and No-Load offers. Further, SPP reasons that it makes sense that a wind-powered VER will always want to generate as much as possible, whenever possible, to receive the maximum amount of federal credits paid to wind resources based on the wind resource’s actual output. SPP contends that it is treating VERs for which SPP is developing a forecast as always being on-line at the forecasted value. Thus, according to SPP, these VERs do not qualify for RUC make whole payments because they are functionally similar to self-committed resources, which SPP notes are not entitled to make whole payments. Additionally, SPP contends that the RUC make whole payment is not designed to compensate any resource for lost opportunity costs. SPP states that any resource, including a VER, that is backed down for transmission congestion and/or an excess of generation emergency condition is not compensated for revenues that it would otherwise have received absent the reduction. SPP asserts that VERs are treated comparably to other resources in this regard.¹⁰⁰

c. Commission Determination

85. We find that SPP has sufficiently explained why dispatchable and non-dispatchable VERs for which it is calculating an output forecast are not eligible to receive RUC make whole payments. Thus, we accept the additions of sections 4.1.2.4(2)(a) and 4.1.2.5(5)(a) to Attachment AE in SPP’s Tariff, as proposed by SPP in Docket No. ER13-1173-000. Specifically, we agree with SPP that all VERs for which it is supplying forecasts in the RUC and real-time period should be considered self-committed resources

⁹⁹ November 2013 Compliance Filing at 20.

¹⁰⁰ *Id.* at 20-21.

and, thus, not eligible to receive RUC make whole payments.¹⁰¹ We find that SPP's proposed treatment of the recovery of variable costs in curtailment situations is comparable to the treatment afforded to other resources in the Integrated Marketplace.

5. Marginal Losses

a. September 2013 Order

86. In response to the October 2012 Order, which required SPP to further explain its proposed marginal loss refund method or to submit a new proposal,¹⁰² SPP proposed to retain its original marginal loss refund method and asserted that its expert testimony demonstrated that its proposal was not a direct refund. However, in the September 2013 Order, the Commission determined that SPP had not demonstrated that its proposed marginal loss refund method would avoid refunding excess loss revenues to customers in direct proportion to the amount of losses they paid.¹⁰³ Moreover, the Commission found that SPP's proposed refund method would result in load customers paying and generators receiving prices that do not reflect the marginal cost of energy. If prices do not reflect the marginal cost of energy, generators will not have an incentive to locate near load. Accordingly, the Commission found that SPP had not distinguished its proposal from a direct refund and rejected SPP's proposed refund method.¹⁰⁴ The Commission directed

¹⁰¹ We note that wind-powered VERs are still eligible to receive day-ahead make whole payments, as SPP did not propose a similar exemption for the day-ahead period.

¹⁰² October 2012 Order, 141 FERC ¶ 61,048 at P 212. Specifically, the Commission found that SPP's proposal appeared to be an "impermissible direct refund because it refunds surplus losses... in proportion to their contribution to the surplus." *Id.* P 211 (citing *Northeast Util. Serv. Co.*, 109 FERC ¶ 61,204, at P 21 (2004)). As further guidance, the Commission cited the mechanism used in MISO as an example of a marginal loss refund mechanism that was found to be just and reasonable. *Id.* PP 211-212 (citing *Midwest Indep. Sys. Transmission Operator*, 131 FERC ¶ 61,185 (2010)).

¹⁰³ September 2013 Order, 144 FERC ¶ 61,224 at P 156 n.190 (noting that SPP's proposed method results in market participants receiving a direct refund of approximately 80 percent of the amount of losses they would have paid under an average loss method).

¹⁰⁴ *Id.* P 157.

SPP to propose in a compliance filing an alternative method for refunding marginal loss surpluses.

b. November 2013 Compliance Filing

87. SPP submits a revised proposal for refunding marginal loss surpluses, using the MISO refund method as the template. SPP proposes to allocate marginal loss surplus¹⁰⁵ refunds to “Loss Pools.”¹⁰⁶ SPP explains that Loss Pools in SPP correspond to “[a] collection of either (i) Settlement Locations within a Settlement Area (a ‘Settlement Loss Pool’), or (ii) all External Interfaces and Market Hubs located throughout the Transmission System, that is used for the purpose of determining a Market Participants Asset Owner’s allocation of over-collected loss revenues in sections 8.5.16 or 8.6.16 of Attachment AE.”¹⁰⁷ SPP states that it will calculate the Marginal Loss Component differences by examining the load in each Loss Pool and comparing it to the generation used to serve such load in each Loss Pool. SPP further explains that generation located within a Loss Pool is presumed to be used first to serve load within the Loss Pool, and that generation in excess of Loss Pool load is presumed to be serving load in Loss Pools where generation is deficient. SPP states that within each Loss Pool, it will refund marginal loss surpluses on a load-ratio share basis.¹⁰⁸

88. SPP explains that its revised refund proposal tracks the method approved by the Commission for use in MISO, where marginal loss surpluses are allocated on a load-ratio share basis within each embedded Balancing Authority Area.¹⁰⁹ However, SPP states its allocation proposal must be tied to Loss Pools, as opposed to MISO’s method which

¹⁰⁵ The SPP Tariff defines this marginal loss surplus as “Over-Collected Losses.” See SPP Tariff, Attachment AE, section 1.1, Definitions O.

¹⁰⁶ November 2013 Compliance Filing at 22.

¹⁰⁷ SPP Tariff, Attachment AE, section 1.1 Definitions L.

¹⁰⁸ November 2013 Compliance Filing at 22-23.

¹⁰⁹ *Id.* at 23 (citing *Midwest Indep. Transmission Sys. Operator, Inc.*, 131 FERC ¶ 61,185).

allocates refunds based on embedded Balancing Authority Areas, because SPP's Integrated Marketplace proposes to establish a single consolidated Balancing Authority Area.

89. SPP also contends that “in all other material respects” its approach conforms to the MISO method, and that its Tariff revisions reflected in sections 1.1, 8.5.16, and 8.6.16 of Attachment AE ensure that loss surplus refunds are not returned directly or proportionately to the entities contributing to the surplus, but instead are distributed within Loss Pools on a load-ratio share basis.¹¹⁰ SPP proposes in sections 8.5.16 and 8.6.16 of Attachment AE to refund Over-Collected Losses associated with cleared transactions in the day-ahead market¹¹¹ and Over-Collected Losses associated with cleared transactions in the real-time balancing market.¹¹² SPP proposes to allocate refunds to Asset Owners within Loss Pools based on their load-ratio share within that Loss Pool and based on a unitized Loss Pool rebate factor that is based on the Rebate Factors of all Loss Pools.¹¹³

¹¹⁰ SPP notes that the revisions also exclude from marginal loss refunds the GFAs that have been “carved-out” from the Integrated Marketplace pursuant to SPP's GFA Carve Out method submitted in Docket No. ER13-2078-000. SPP states that certain Tariff revisions in its filing refer to proposed Tariff sections that are pending before the Commission in Docket No. ER13-2078-001. November 2013 Compliance Filing at 23 & n.107.

¹¹¹ See Attachment AE, section 8.5.16(1)(b)(ii), which lists the inputs to be used in calculating the total withdrawal quantity at a Settlement Location in the Day-Ahead Market.

¹¹² See Attachment AE, section 8.6.16(1)(b)(ii), which lists the inputs to be used in calculating the total withdrawal quantity at a Settlement Location in the Real-Time Balancing Market.

¹¹³ See Attachment AE, sections 8.5.16(1)(b) and 8.6.16(1)(b) for the calculation of Loss Pool Rebate Factors, sections 8.5.16(1)(d) and 8.6.16(d) for the calculation of Unitized Loss Rebate Factors, and sections 8.5.16(2) and 8.6.16(2) for the final distribution.

c. Commission Determination

90. We find that SPP's proposal for refunding marginal loss surpluses complies with the September 2013 Order because it provides a method for refunding marginal loss surpluses that avoids making impermissible direct refunds. SPP's revised method is similar to the method approved by the Commission for use in MISO, where marginal loss surpluses are allocated on a load-ratio share basis. Because SPP's Integrated Marketplace proposes to establish a single consolidated Balancing Authority Area, SPP's refund proposal allocates the total marginal loss surplus to Loss Pools, whereas MISO's method allocates refunds to Local Balancing Authority Areas.¹¹⁴ We agree with SPP that the use of Loss Pools is necessary because the Integrated Marketplace will have only one Balancing Authority Area. Moreover, we find that the proposed definition of Loss Pool, subject to compliance, is reasonable for the purpose of ensuring that allocations do not diminish the price signal imposed by marginal losses. Because SPP's proposed method ensures marginal loss surplus refunds are not returned directly or proportionately to the entities contributing to the surplus, but instead are distributed within Loss Pools on a load-ratio share basis, we find this proposal to be just and reasonable.

91. However, we note the definition of Loss Pool is inconsistent with Attachment AE sections 8.5.16 and 8.6.16. Specifically, sections 8.5.16 and 8.6.16 allocate over-collected losses to Asset Owners, not Market Participants. Thus, we direct SPP in a compliance filing due 30 days from the date of this order to remove the phrase "Market Participants" from the definition of Loss Pool in Attachment AE, section 1.1, Definitions L.

6. Price Formation During Shortage Conditions

a. September 2013 Order

92. In the September 2013 Order, the Commission found that SPP had partially complied with the Commission's directives in the October 2012 Order relating to price formation during shortage conditions. The Commission determined that SPP's revisions to the definition of Scarcity Pricing, and to sections 8.3(4) and 8.3.1 of Attachment AE to

¹¹⁴ See MISO, FERC Electric Tariff, Fourth Revised Volume No. 1, Module C, section 40.6.2(b).

reflect locational marginal price calculation during shortage conditions, complied with the Commission's directives in the October 2012 Order.¹¹⁵ However, with regard to the operation of demand curves for operating reserves during shortages in section 8.3.4.2, the Commission found that SPP had not complied with the directive to reconcile certain inconsistencies between the proposed Tariff language and the testimony provided by SPP's testimony. In the October 2012 Order, the Commission found that the concept of using demand curves for operating reserve was just and reasonable. Under that methodology, when a shortage occurs, prices rise automatically to the preordained (higher) levels. On compliance, SPP described its scarcity pricing provisions as "progressively rais[ing] market Energy and [o]perating [r]eserve prices as available Operating Reserves are depleted and fall below the minimum requirements."¹¹⁶ However, the Commission determined that SPP's proposed corresponding Tariff language in section 8.3.4.2 did not necessarily result in progressively increasing locational marginal prices and market clearing prices, as shortage conditions worsen. Specifically, these Tariff provisions did not describe a "demand curve" at all; rather, they described a price cap. The Commission further noted that under these proposed revisions, when the system is in normal operating conditions and not short of any product, prices will clear at the locational marginal prices and market clearing prices based on the appropriate Shadow Prices. The Commission found that during a shortage, the same process occurs, only with a new price cap.¹¹⁷ The Commission reasoned that when a system goes from normal operating conditions to a shortage, it is not appropriate to allow the market to clear at the Shadow Price. Allowing this price signal to be sent would imply that all is normal. Instead, the Commission stated that during a shortage—a period, by definition, when prices are not high enough to induce entry of sufficient resources—prices should rise above those at which resources have offered to supply. Accordingly, the Commission found that SPP's new proposal failed to comply with the Commission's directive in the October 2012 Order and, therefore, directed SPP to submit

¹¹⁵ September 2013 Order, 144 FERC ¶ 61,224 at P 168.

¹¹⁶ *Id.* P 169 (citing February 2013 Compliance Filing at 19).

¹¹⁷ By contrast, during normal operating conditions there is no price cap, only offer caps.

a compliance filing revising its methodology for calculating prices during shortage events.¹¹⁸

b. November 2013 Compliance Filing

93. SPP proposes language for section 8.3.4.2 of Attachment AE to clarify how market clearing prices reflect scarcity prices when there are shortages in operating reserves, which will also affect locational marginal prices, as described in section 8.3.1 of Attachment AE. Specifically, when operating reserve shortages occur, prices would rise to certain specified levels, increasing as the shortage conditions worsen. SPP explains that demand curve prices are established based upon the sum of various offer scarcity prices specified in section 4.4.4 of Attachment AE, which are added to market clearing prices when the shortage is occurring. According to SPP, scarcity prices are based on various summations of these demand curve prices, depending on the condition that gives rise to the operating reserve shortage (i.e., zonal or system-wide shortages of various types of reserves). As shortage conditions worsen, prices rise as various demand curve prices are summed and added to the locational marginal price. Thus, SPP asserts that the prices set forth in section 4.1.1 act as floors for, rather than caps on, prices during scarcity conditions. SPP further proposes Tariff revisions to clarify how the cumulative demand curve prices result in rising market clearing prices as shortage conditions worsen.¹¹⁹ Finally, SPP proposes to change its Tariff to describe in detail how prices are determined during shortage conditions under the following possible shortage scenarios

c. Commission Determination

94. We find that SPP's proposed Tariff revisions comply with the requirements of the September 2013 Order, which directed SPP to revise its methodology for calculating prices during shortage events. Specifically, we find that SPP's proposed Tariff provisions explain, clearly and in detail, how prices will increase during shortage conditions under each shortage scenario. Moreover, SPP's proposed revisions make clear that when a shortage occurs, prices will rise automatically to preordained (higher) levels, thus sending a price signal to suppliers that supply is short.

¹¹⁸ September 2013 Order, 144 FERC ¶ 61,224 at P 169.

¹¹⁹ November 2013 Compliance Filing at 24-25.

D. Market-Based Congestion Management**1. September 2013 Order**

95. In the September 2013 Order, the Commission found that SPP had only partially complied with the Commission's directive to submit Tariff provisions describing the process for awarding ARR for contracts that provide for the rollover of transmission agreements.¹²⁰ While customers with rollover rights generally would be required to notify SPP one year in advance of the rollover date in order to receive ARRs, the Commission noted that market participants with reservations subject to rollover rights occurring between the last day of the ARR verification process, March 15, and the beginning of the operating year, June 1, will be required to provide notice of rollover more than one year in advance of the ARR annual allocation process. Otherwise, these market participants may lose their ARR eligibility. The Commission determined that this process might result in uncertainty for firm transmission customers with rollover rights occurring between March 15 and June 1. Thus, the Commission directed SPP to submit a compliance filing providing that transmission customers with rollover rights between March 15 and June 1 will be able to obtain ARRs in the annual allocation process without being required to notice more than one year in advance.

96. The Commission also found that SPP had not complied with the requirement to make the TCR auction subject to mitigation. Thus, the Commission directed SPP to add Tariff language that the TCR auction would be "subject to review by the Market Monitor consistent with Attachment AG."¹²¹ Moreover, the Commission required SPP to revise the ARR nomination cap provisions in sections 7.1.3(1) and 7.1.3(3) of Attachment AE to clarify how the provisions reflect significant swings in load.¹²²

97. Additionally, in the September 2013 Order, the Commission conditionally accepted, subject to a compliance filing, SPP's proposed ARR allocation process for point-to-point customers subject to re-dispatch. The Commission found that SPP's Tariff

¹²⁰ September 2013 Order, 144 FERC ¶ 61,224 at P 179.

¹²¹ *Id.* P 181.

¹²² *Id.* P 196.

provided that transmission customers having firm point-to-point transmission service with a re-dispatch obligation will be eligible to nominate candidate ARR associated with that service for those times of year and for the amounts of service not subject to a re-dispatch obligation. However, because SPP had not explained how it will allocate on-peak and off-peak ARRs, the Commission directed SPP to explain in a compliance filing whether point-to-point transmission customers subject to re-dispatch during a peak period (e.g., summer) should be entitled to off-peak ARRs during the peak period with the overloads.¹²³

2. November 2013 Compliance Filing

98. SPP proposes Tariff revisions to allow transmission customers with rollover rights occurring between March 15 and June 1 to obtain ARRs in the Annual Allocation Process without requiring them to give more than one year's advance notice. SPP also clarifies that for transmission service where the notice of rollover is due between the annual ARR verification date of March 15, and June 1, SPP will assume that the rollover right will be exercised and will consider the associated transmission service entitlement to span the entire allocation year.¹²⁴

99. SPP also proposes to add language requiring the TCR auction to be "subject to review by the Market Monitor consistent with Attachment AG."¹²⁵ SPP further proposes revisions to the ARR nomination cap provisions in sections 7.1.3(1) and 7.1.3(3) of Attachment AE to clarify how the provisions reflect significant swings in load.¹²⁶

100. In response to the Commission's directive that it explain whether point-to-point transmission customers subject to re-dispatch during a peak season should be entitled to non-peak ARRs, SPP states that its market design allocates ARRs to customers subject to re-dispatch only on a seasonal basis. SPP further explains that its market design is not

¹²³ *Id.* P 198.

¹²⁴ November 2013 Compliance Filing at 26.

¹²⁵ *Id.*

¹²⁶ *Id.* at 27.

granular enough to offer non-peak ARR's during peak seasons. According to SPP, a re-dispatch obligation is a seasonal obligation based upon a study of the summer or winter season, and it does not differentiate between certain days or hours as peak or non-peak within the peak season. Therefore, SPP contends that it cannot award ARR's for non-peak portions of peak seasons for which a customer has taken service with a re-dispatch obligation.¹²⁷

3. Protests

101. Xcel explains that while it does not oppose SPP's revised proposal that assumes customers with rollovers occurring between March 15 and June 1 have exercised (or will exercise) their rollover rights, Xcel contends that further clarification is necessary to address situations where such customers actually do not exercise their rollovers. Xcel argues that SPP's Tariff revisions appear to allow a customer that has elected to not exercise its rollover rights to receive ARR's for the whole year. Xcel asserts that this approach does not result in a reasonable outcome.¹²⁸ Xcel requests that the Commission direct SPP to modify section 7.1.1 to address how ARR's will be reallocated if the customer does not exercise its rollover rights. Xcel asserts that, like MISO, SPP should take the ARR's back if the customer does not exercise its rollover rights. Xcel contends that this would ensure that customers with rollovers occurring between March 15 and June 1 are treated no differently from those customers who do not exercise their rollover rights during the other months of the year.¹²⁹

4. Commission Determination

102. We conditionally accept SPP's proposed revisions to its Tariff regarding congestion management, subject to a compliance filing due 30 days after the date of this order. Specifically, we find that SPP's proposed Tariff revisions comply with the Commission's directive that it allow transmission customers with rights to roll over their agreement to obtain ARR's in the annual allocation process without requiring them to give

¹²⁷ *Id.*

¹²⁸ Xcel Comments at 4-5.

¹²⁹ *Id.* at 5.

notice more than one year in advance. However, we agree with Xcel that further clarification is needed to ensure that customers with rollover rights between March 15 and June 1 that elect to not exercise their rollover rights only receive ARR until their contract expires. Thus, we will require SPP to modify section 7.1.1 of Attachment AE to provide that, for a customer with rollover rights between March 15 and June 1 that chooses not to exercise rollover rights, any ARRs associated with that contract will revert to SPP effective on the date the contract terminates.

103. We also find that SPP's proposed Tariff revisions to section 7.0 of Attachment AE comply with the Commission's directive that SPP add Tariff language stating that the TCR auction will be "subject to review by the Market Monitor consistent with Attachment AG."¹³⁰ In addition, we find that SPP's proposed revisions to the ARR nomination cap provisions in sections 7.1.3(1) and 7.1.3(3) of Attachment AE comply with the Commission's directive that it clarify how these provisions reflect significant swings in load.

104. Finally, SPP explains that it is not able to award off-peak ARRs to point-to-point customers subject to re-dispatch during a peak season because its transmission study based methodology is not sufficiently granular to make these allocations. In the September 2013 Order, the Commission determined that this study process was sufficiently granular to identify the peak seasons over the next several years when customers subject to re-dispatch could expect potential overloads affecting their ARR allocations. However, SPP explains that the re-dispatch obligation is a seasonal obligation and that within the peak season, SPP does not differentiate between certain days or hours as peak or non-peak. Given the seasonal nature of this allocation and the limitations of the methodology used for identifying potential system overloads, we find SPP's rationale for not allocating non-peak ARRs to point-to-point customers during a peak season with overloads to be reasonable.

¹³⁰ September 2013 Order, 144 FERC ¶ 61,224 at P 181.

E. Integration Issues

1. Bilateral Settlement Schedules

a. September 2013 Order

105. In the September 2013 Order, the Commission conditionally accepted SPP's Bilateral Settlement Schedule¹³¹ proposal, subject to a compliance filing.¹³² Specifically, the Commission required SPP to revise the transition mechanism to apply to all unsettled bilateral agreements entered into prior to the start of the Integrated Marketplace.¹³³ The Commission also required SPP to revise section 8.2 of Attachment AE to clarify that both a buyer and seller must confirm a Bilateral Settlement Schedule except for a Bilateral Settlement Schedule associated with an existing bilateral agreement under 8.2.1.¹³⁴

106. The Commission further found that SPP's proposal lacked sufficient clarity to comply fully with the Commission's directive in the October 2012 Order to include an "example of a Bilateral Settlement Schedule to 'facilitate transparency and ultimately reduce the likelihood of future disputes.'"¹³⁵ Specifically, the Commission noted that in

¹³¹ A "Bilateral Settlement Schedule" is an arrangement between two market participants for the transfer of energy or operating reserve obligations to financially integrate bilateral agreements into the Integrated Marketplace construct.

¹³² In the October 2012 Order the Commission required SPP to modify its Bilateral Settlement Schedule proposal to include a default transition mechanism that would protect buyers in bilateral agreements entered into prior to the start of the Integrated Marketplace. The transition mechanism would apply to all such existing bilateral agreements unless the parties to these existing bilateral agreements agreed otherwise through settlement discussions. October 2012 Order, 141 FERC ¶ 61,048 at P 326. In the February 2013 Compliance Filing, SPP included a transition mechanism for bilateral agreements entered into prior to the date the October 2012 Order.

¹³³ September 2013 Order, 144 FERC ¶ 61,224 at P 222.

¹³⁴ *Id.* P 223.

¹³⁵ *Id.* P 224 (citing October Order, 141 FERC ¶ 61,048 at P 270).

Addendum 2 to Attachment AE, SPP assumed that both parties agree to a sale with a maximum sales amount of 20 MWh, which SPP stated is 10 percent of market participant A's resource capacity.¹³⁶ The Commission found that SPP failed to explain how it derived the 10 percent amount, and that the assumptions underlying the numerical example do not show any resource capacity for market participant A. Additionally, the Commission stated that SPP provided an example which assumed three 5 MW TCRs "from" its load "to" the resources. The Commission found that this language conflicts with the language in the "Settlement Results with Bilateral Settlement Schedule" section that states that the TCRs are "from" the resources "to" the load. Accordingly, the Commission directed SPP to make a compliance filing that revised Addendum 2 to explain how SPP derived its proposed numbers, and to reconcile the inconsistency in the Tariff sections addressing the source and sink for TCRs.

107. The Commission also directed SPP to remove Tariff language in section 8.2 of Attachment AE, which allows SPP to terminate the Bilateral Settlement Schedule if a party is in default because the credit provisions in Attachment X were applicable.

108. Additionally, the Commission found that SPP's proposed section 2.2(11), which sets forth the deliverability requirements for a transfer of load under a bilateral contract, needed to be modified.¹³⁷ The Commission determined that, in crafting these provisions, SPP had given consideration to both the firmness of transmission service as well as the firmness of supply to ensure deliverability to load. These provisions concerning a transfer of load to the seller essentially make the seller the load-serving entity for that load, thereby, necessitating the requirement of "native load equivalency." However, the Commission agreed with TDU Intervenors that even in those contracts, which may not explicitly mention a native load equivalency of firmness, the seller may consider its obligations under the bilateral sale agreement as sufficiently firm to take on market

¹³⁶ *Id.* (citing SPP Tariff, Attachment AE, Addendum 2).

¹³⁷ September 2013 Order, 144 FERC ¶ 61,224 at P 227 & n.275 (Section 2.2(11) requires a market participant selling power under a bilateral transaction or registering another market participant's load as its own load asset to ensure the deliverability of the seller's power by having firm transmission and providing both capacity and energy with firmness that is equivalent to native load).

responsibility for that portion of the buyer's load. The Commission directed SPP to revise the Tariff in section 2.2(11) of Attachment AE to allow load transfers if the seller agrees to assume responsibility for the buyer's load that is transferred.¹³⁸

b. November 2013 Compliance Filing

109. SPP proposes to modify the transition mechanism applicable to pre-existing bilateral contracts under section 8.2.1 of Attachment AE. As revised, SPP's default procedures apply to bilateral agreements entered into prior to March 1, 2014, the planned start date of the Integrated Marketplace.¹³⁹ As revised, SPP states that section 8.2 clarifies that both the buyer and seller must confirm a Bilateral Settlement Schedule except when the Bilateral Settlement Schedule is associated with an existing bilateral agreement. SPP further submits a revised Addendum 2 to Attachment AE, which SPP asserts explains the example more clearly and describes the derivation of the numbers and assumptions used in the example.¹⁴⁰ SPP also proposes to remove Tariff language concerning the termination of the Bilateral Settlement Schedule when a party is in default. Additionally, SPP proposes to remove the native load equivalency requirement.¹⁴¹

c. Protests

110. TDU Intervenors argue that, while SPP inserted the date of March 1, 2014 in section 8.2.1 of Attachment AE to reflect the cutoff date for bilateral agreements to be treated as an existing bilateral agreement, it is premature to assume the market will start on March 1, 2014. Thus, TDU Intervenors ask that the Commission either conditionally accept the March 1, 2014 cutoff date subject to SPP modifying the date to the actual market-start date if it turns out to be different, or require SPP to replace "March 1, 2014" with the phrase "the start of the Integrated Marketplace."

¹³⁸ *Id.* P 227.

¹³⁹ November 2013 Compliance Filing at 28.

¹⁴⁰ *Id.*

¹⁴¹ *Id.* at 29.

111. TDU Intervenors also assert that SPP only partially complies with the Commission's directives in the September 2013 Order. Specifically, TDU Intervenors note that SPP adds language to section 8.2 expressly providing that the requirement that both the buyer and seller confirm the Bilateral Settlement Schedule is subject to an exception where the Bilateral Settlement Schedule is associated with an existing bilateral agreement under section 8.2.1. However, TDU Intervenors contend that SPP fails to modify the next sentence similarly, which allows either the buyer or the seller to terminate a Bilateral Settlement Schedule "at any time." TDU Intervenors argue that unless the exception relating to existing bilateral agreements under section 8.2.1 applies to this sentence as well, the protection afforded buyers under existing agreements would be rendered totally ineffective by the seller's right to terminate the Bilateral Settlement Schedule.¹⁴²

112. TDU Intervenors assert that the Commission "direct[ed] SPP to submit a compliance filing within 60 days of the date of this order that removes the Tariff language in section 8.2 of Attachment AE, which allows SPP to terminate the Bilateral Settlement Schedule if a party is in default."¹⁴³ According to TDU Intervenors, SPP proposes to revise this language rather than deleting it. TDU Intervenors state that the revised language still reflects the rejected position that SPP has the right to terminate a Bilateral Settlement Schedule. Thus, TDU Intervenors ask that the Commission require SPP to remove this sentence.

113. Xcel states that while the change in section 8.2 of Attachment AE requires only the buyer to confirm the Bilateral Settlement Schedule, the revision does not address how to ensure that the Bilateral Settlement Schedule conforms to the terms of the underlying bilateral agreement because the seller would now be excluded from the process. Xcel notes that section 8.2.1(2) reads in part that "[s]ubsequent submission by either the buyer or the seller [...] must be consistent with the quantities specified in the bilateral contract."¹⁴⁴ Thus, Xcel argues that when the Bilateral Settlement Schedule provisions are read together, the requirement that submissions must conform to the quantities in the

¹⁴² TDU Intervenors Protest at 11-12.

¹⁴³ *Id.* at 12 (quoting September 2013 Order, 144 FERC ¶ 61,224 at P 225).

¹⁴⁴ Xcel Comments at 6-7.

underlying contract should mean that a buyer may not confirm a Bilateral Settlement Schedule that is inconsistent with the terms of the existing bilateral agreement. Xcel requests that SPP confirm that section 8.2.1(2) of Attachment AE is intended to operate in this manner.

d. SPP Answer

114. SPP argues that the Commission should reject Xcel's comments because the September 2013 Order did not require SPP to set forth in its Tariff specific procedures for confirming the terms and conditions of a Bilateral Settlement Schedule. SPP argues that Xcel essentially concedes as much.¹⁴⁵ SPP explains that under section 8.2.1, SPP will confirm only those transitional Bilateral Settlement Schedules that conform to the parameters of the underlying bilateral contract. To the extent that SPP is unable to verify consistency between the submitted Bilateral Settlement Schedule and the underlying contract, SPP states that it will not confirm the Bilateral Settlement Schedule.

115. SPP states that it is unnecessary to make the change requested by TDU Intervenors to address the inconsistency in termination provisions in section 8.2 and section 8.2.1, because the two sections deal with different arrangements. According to SPP, the provisions in section 8.2 are general Bilateral Settlement Schedule requirements, while section 8.2.1 involves the transition mechanism for pre-existing bilateral contracts. Nonetheless, SPP states that if the Commission deems further revisions appropriate, SPP will revise the third sentence of section 8.2 to clarify that the mutual termination rights do not apply to a Bilateral Settlement Schedule associated with an existing bilateral agreement under section 8.2.1.¹⁴⁶

116. Finally, SPP asserts that it complied with the requirement regarding termination for defaults. SPP states that the Commission directed SPP to eliminate SPP's unilateral right to terminate a Bilateral Settlement Schedule and to instead require that any termination follow the SPP's existing Tariff procedures.¹⁴⁷

¹⁴⁵ SPP Answer at 15 (citing Xcel Comments at 6).

¹⁴⁶ *Id.* at 16.

¹⁴⁷ *Id.*

e. **Commission Determination**

117. As discussed below, we conditionally accept SPP's revisions to Bilateral Settlement Schedules subject to additional compliance. We agree with TDU Intervenors that, if the market startup is delayed, the March 1, 2014 cutoff date for determining which bilateral agreements are existing bilateral agreements subject to the transition period also needs to be delayed to coincide with the new market launch date. Thus, we direct SPP in a compliance filing due 30 days from the date of this order to replace "March 1, 2014" with the phrase "the start of the Integrated Marketplace."

118. We further find that SPP has not fully complied with the Commission's directive in the September Order that it modify section 8.2 to be consistent with the default mechanism in section 8.2.1. SPP's proposed revisions to section 8.2 do not clarify that the requirement that both the buyer and seller confirm the Bilateral Settlement Schedule is subject to an exception where the Bilateral Settlement Schedule is associated with an existing bilateral agreement under Section 8.2.1. Accordingly, we direct SPP in a compliance filing due 30 days from the date of this order, to revise the third sentence of section 8.2 to read "Either the buyer or seller may terminate the Bilateral Settlement Schedule at any time except when the Bilateral Settlement Schedule is associated with an existing bilateral agreement under section 8.2.1 of this Attachment AE" as SPP indicated that it was willing to do. Because section 8.2.1 requires only the buyer to terminate a Bilateral Settlement Schedule, we believe that this modification will clarify the Tariff in a way that addresses TDU Intervenors' concern.

119. In the September 2013 Order, the Commission directed SPP to delete the termination provisions of Bilateral Settlement Schedules in section 8.2 of Attachment AE for parties in default.¹⁴⁸ The Commission explained that SPP should follow the credit process in Attachment X before terminating any Bilateral Settlement Schedule because that process protects party's rights by, among other things, allowing parties to cure a default before termination of service. SPP is correct in asserting that the Commission's directive was to eliminate SPP's unilateral right to terminate a Bilateral Settlement Schedule and instead to require that any termination follow the SPP's existing Tariff procedures. However, on compliance, SPP proposes revisions to this language rather

¹⁴⁸ September 2013 Order, 144 FERC ¶ 61,224 at P 225.

than deleting it. We find that the revised language provides SPP with the same right to terminate a Bilateral Settlement Schedule for a defaulting party that the Commission previously rejected,¹⁴⁹ adding only the clarification that the default occurred under Attachment X. We find that SPP's proposed revisions do not comply with the September 2013 Order, as the revisions fail to protect a customer's right to cure the default before termination of service. Thus, we direct SPP in a compliance filing due 30 days from the date of this order to delete the language allowing it to unilaterally terminate a Bilateral Settlement Schedule in the event of default.

120. With respect to Xcel's concerns about whether a buyer may confirm a Bilateral Settlement Schedule that is inconsistent with the underlying bilateral agreement, we find that the Tariff clearly requires a buyer to confirm that a Bilateral Settlement Schedule is consistent with the bilateral agreement, and that the Transmission Provider will verify that the Bilateral Settlement Schedule parameters are consistent with the bilateral agreement.¹⁵⁰ Specifically, we note that in the October 2012 Order, the Commission required SPP to develop a transitional mechanism for Bilateral Settlement Schedules associated with bilateral agreements that, among other things, required only the buyer to confirm the Bilateral Settlement Schedule.¹⁵¹ On compliance, SPP established the provisions of the transitional mechanism under which, upon the request of the buyer, the Transmission Provider shall review and confirm that the particular bilateral agreement exists between the buyer and seller.¹⁵² The Tariff requires SPP to schedule a meeting between senior representatives of the buyer and seller within 30 days of the buyer's request and conduct discussions between the buyer and seller in accordance with the dispute resolution procedures of the Tariff.¹⁵³ Following confirmation, the buyer may

¹⁴⁹ *Id.*

¹⁵⁰ Section 8.2.1(1) of Attachment AE states, in part, that "[t]he Transmission Provider shall confirm that the buyer has submitted Bilateral Settlement Schedule parameters that are consistent with those specified in the bilateral contract." SPP Tariff, Attachment AE, section 8.2.1(1).

¹⁵¹ October 2012 Order, 141 FERC ¶ 61,048 at P 326.

¹⁵² SPP Tariff, Attachment AE, section 8.2.1(1).

¹⁵³ *Id.*

register and confirm a Bilateral Settlement Schedule representing the parameters of the agreement. We also note that Bilateral Settlement Schedules may be revised up to 44 days following the applicable Operating Day to be included in the final settlement.¹⁵⁴ Thus, if SPP informs the buyer that the Bilateral Settlement Schedule is inconsistent with the bilateral agreement, the buyer has time to revise the values to be used in final settlement so that they are consistent with the bilateral agreement.

121. Finally, we find that section 2.2(11) of Attachment AE is unclear as to what obligation the supplier is assuming regarding the “provision of energy and capacity.” Thus, we direct SPP in a compliance filing due 30 days from the date of this order to modify the last sentence of section 2.2(11) to read as follows: “For purposes of this section 2.2(11) of this Attachment AE, the sale of firm power shall refer to power sales deliverable with firm transmission service, with the supplier assuming the obligation to serve the buyer’s load with ~~to provide~~ both capacity and energy.”

2. Pseudo-Tie Arrangements

a. September 2013 Order

122. In the September 2013 Order, the Commission conditionally accepted SPP’s proposed Tariff revisions regarding External Dynamic Resources subject to an additional compliance filing. The Commission determined that SPP’s definition of External Dynamic Resource and its proposed requirements for submitting resource offers for External Dynamic Resources were just and reasonable. However, the Commission determined that SPP had not fully incorporated External Dynamic Resources into its Tariff, as directed by the October 2012 Order.¹⁵⁵ Specifically, SPP had not provided sufficient detail for the registration of External Dynamic Resources to explain how it

¹⁵⁴ *Id.* at section 8.2.

¹⁵⁵ While SPP explained its proposal for a new arrangement called an External Dynamic Resource designed to integrate external resources and submitted rules in the Market Protocols for these resources to participate in the market, SPP did not propose conforming revisions to its Tariff. The Commission required SPP to submit revised Tariff sheets to incorporate External Dynamic Resources into the appropriate sections of the SPP Tariff. October 2012 Order, 141 FERC ¶ 61,048 at P 350.

determines which Reserve Zone to assign a registered External Dynamic Resource. Thus, the Commission required SPP to submit a compliance filing to modify section 2.14.5 of its Tariff to explain more clearly its process for determining which Reserve Zone to assign a registered External Dynamic Resource during the registration process.¹⁵⁶

b. November 2013 Compliance Filing

123. SPP proposes to revise section 2.14.5 (External Dynamic Resource) and section 3.1.3 (Reserve Zone Establishment) of Attachment AE to clarify that for each External Dynamic Resource, SPP will identify a Price Node or Price Node group that is electrically associated with the Resource. SPP adds that the corresponding Reserve Zone assignment is based on the Reserve Zone that ultimately comprises the Price Node or Price Node group associated with the External Dynamic Resource.¹⁵⁷

c. Commission Determination

124. We find that SPP's proposed Tariff revisions are just and reasonable and comply with the requirements of the September 2013 Order, which required SPP to modify section 2.14.5 of Attachment AE to explain the process used for determining which Reserve Zone to assign a registered External Dynamic Resource during the registration process. Specifically, we find that SPP's proposed Tariff revisions explain clearly and accurately how it determines which Reserve Zone to assign a registered External Dynamic Resource during the registration process.

¹⁵⁶ September 2013 Order, 144 FERC ¶ 61,224 at P 239.

¹⁵⁷ November 2013 Compliance Filing at 30.

F. Market Mitigation and Monitoring**1. Parameters for Mitigation of Economic Withholding****a. September 2013 Order**

125. In the September 2013 Order, the Commission found that the local market power test in section 3.1 of Attachment AF needed to be modified to ensure clarity and to comply with the October 2012 Order's requirement that SPP ensure that "mitigation will occur, in the absence of a local reliability issue, only when there is a binding constraint or a binding Reserve Zone, *and* the additional conditions relating to the Resource-to-Load Distribution Factors apply."¹⁵⁸ The Commission also concluded that in section 3.1(1) of Attachment AF, SPP failed to include binding Reserve Zones as part of its examination of local market power in Frequently Constrained Areas.¹⁵⁹ Accordingly, the Commission required SPP to submit a compliance filing modifying section 3.1 of Attachment AF so that local market power is found when at least one of the following conditions is met: (1) the resource is located in a Frequently Constrained Area, as defined in Section 3.1.1, and one or more of the transmission constraints that define the Frequently Constrained Areas is binding or the Reserve Zone that defines the area is binding; (2) the resource is not in a Frequently Constrained Area and (a) has a Resource-to-Load Distribution Factor¹⁶⁰ less than or equal to negative five percent relative to a binding transmission constraint, or (b) is in a binding Reserve Zone; or (3) the resource is manually committed

¹⁵⁸ September 2013 Order, 144 FERC ¶ 61,224 at P 259 (quoting October 2012 Order, 141 FERC ¶ 61,048 at P 406 (emphasis in original)).

¹⁵⁹ Section 3.1.1 of Attachment AF defines a Frequently Constrained Area as an electrical area identified by the Market Monitor that is defined by one or more binding transmission constraints or binding reserve zone constraints that are expected to be binding for at least five hundred hours during a given twelve month period.

¹⁶⁰ The Resource-to-Load Distribution Factor is the simulated impact of incremental power output from a specific resource on the loading of a specific flowgate based on delivery to a representation of the locational weighting of all loads within all settlement locations.

by the Resource Provider or selected for commitment by a local transmission operator in the day-ahead or intra-day RUC processes.

b. November 2013 Compliance Filing

126. SPP states that it included the prescribed language in section 3.1(3). According to SPP, it modified the local reliability condition for determination of local market power to provide that the manual commitment in question occurs in the day-ahead or intra-day RUC processes as described in various sub-sections of section 5.2.2 (addressing Day-Ahead Reliability Unit Commitment) and section 6.1 (addressing Intra-day Reliability Unit Commitment) of Attachment AE.

c. Protests

127. The Market Monitor supports the Commission's direction for SPP to place a lower mitigation threshold on the offers of resources committed to address local reliability issues, and SPP's application of tighter mitigation by applying it to some manual commitments. The Market Monitor contends SPP needs to apply the tighter mitigation to all manual commitments to fully protect SPP's markets from potential market power abuse.¹⁶¹

128. The Market Monitor argues that section 3.1 of Attachment AF is missing a reference that limits SPP's ability to mitigate adequately the market power of generating resources in the multi-day reliability assessment process and the Day Ahead Market. The Market Monitor argues that manual commitments include any commitment made outside of a security-constrained unit commitment process, but that the limited reference in proposed section 3.1 results in an exclusion of manual commitments made in the day-ahead market and the multiday RUC. The Market Monitor contends that a known local reliability issue may necessitate that SPP or the relevant transmission operator commit a resource in the multi-day reliability assessment commitment, when the resource requires more time to start than can be accommodated by a day-ahead RUC or an intra-day RUC. The Market Monitor explains that this longer-term reliability assessment commitment

¹⁶¹ Market Monitor Comments at 3.

may include resources that need to be committed for days, if not weeks, to alleviate a voltage support condition supported by an outage.¹⁶²

129. The Market Monitor argues that in the day-ahead market process, a resource may be manually committed by SPP. It explains that because this commitment is made outside the market clearing engine, the resource's offers are not exposed to the mitigation logic. Hence, a resource committed under these circumstances will be eligible for make whole payments based on the submitted offers, irrespective of the magnitude of these offers relative to the mitigation thresholds. The Market Monitor explains that these resources likely possess local market power because the transmission provider has concluded that a manual commitment is necessary, and therefore the resources should be subjected to the mitigation process. The Market Monitor also states that the Market Monitoring plan, with the addition of the Multi-Day Reliability Assessment and the day-ahead market will address the concerns of Westar, who has called for SPP to impose the tighter mitigation threshold on all resources committed to address local reliability issues by modifying the definition of local reliability issues.¹⁶³

130. Finally, the Market Monitor suggests that SPP make the following changes, shown in underline below, to section 3.1(3) to provide for mitigation addressing each of these commitments:

The Resource is manually committed by the Transmission Provider or selected for commitment by a local transmission operator in the Multi-Day Reliability Assessment, Day-Ahead Market, Day-Ahead RUC or Intra-Day RUC processes as described in Attachment AE, Sections 4.5.2,¹⁶⁴ 5.1.2,¹⁶⁵ 5.2.2(3), 5.2.2(4), 5.2.2(5), 6.1.2(3), 6.1.2(4), and 6.1.2(5).

¹⁶² *Id.* at 3.

¹⁶³ *Id.* at 3-4. The issues raised by Westar are addressed in the Manual Commitments section of this order. *See infra* P 64.

¹⁶⁴ Section 4.5.2 of Attachment AE addresses Multi-Day Reliability Assessment Analysis.

d. SPP Answer

131. SPP states that it agrees with the Market Monitor, and believes that incorporating the Tariff revisions suggested by the Market Monitor will close a potential gap in SPP's market power mitigation procedures. SPP explains that it was not SPP's intention to exclude from the mitigation processes resources that are committed in the Multi-Day Reliability Assessment Process and the day-ahead market. SPP states that upon Commission direction, it will submit the Tariff modification proposed by the Market Monitor.¹⁶⁶

e. Commission Determination

132. We find that resources that are manually committed should be subject to the tighter mitigation in the Tariff at section 3.2 of Attachment AF, independent of the process under which they are committed. We agree with the Market Monitor that SPP's proposed Tariff revisions did not include all of the relevant references to the Tariff regarding manual commitments. However, we find that a reference to section 4.5.3 of Attachment AE (Multi-Day Reliability Assessment Results) also must be added because it includes the actual commitment under the Multi-Day Reliability Assessment Process. Accordingly, we will require SPP to revise section 3.1(3) of Attachment AF of its Tariff in its compliance filing due within 30 days of the date of this order to add references to sections 4.5.2 and 5.1.2 of Attachment AE as recommended by the Market Monitor, and to add a reference to section 4.5.3 of Attachment AE.¹⁶⁷

¹⁶⁵ Section 5.1.2 of Attachment AE addresses Day-Ahead Market Execution.

¹⁶⁶ SPP Answer at 6, 17.

¹⁶⁷ To the extent that SPP removes sections 5.2.2(5) and 6.1.2(5) from Attachment AE as discussed in the Manual Commitment section of this order, then SPP should remove references to these sections in section 3.1(3) of Attachment AF of the Tariff.

2. **Frequently Constrained Area Mitigation of Economic Withholding**

a. **September 2013 Order**

133. In the September 2013 Order, the Commission conditionally accepted SPP's definitions of Frequently Constrained Areas and pivotal supplier, the manner for identification and modification of Frequently Constrained Areas, and the proposed conduct and impact tests, subject to a compliance filing.

134. The Commission noted that SPP's revised Attachment AF does not include a previously accepted provision of section 3.2.2,¹⁶⁸ which provided for mitigation of other resources represented by the market participant that were on the importing (i.e., load) side of the constraint within the SPP system.¹⁶⁹ The Commission concluded that it is unclear how SPP's requirement that there be a pivotal supplier for an electrical area to qualify as a Frequently Constrained Area identifies the same affiliated resources for mitigation as the deleted provision in section 3.2.2. In particular, the Commission stated that the application of the previous section 3.2.2 was not limited to Frequently Constrained Areas. Accordingly, it would have applied to all areas where there is mitigation, including when

¹⁶⁸ SPP proposed removing this language in the February 2013 Compliance Filing rather than changing the terms "Offer Cap" and "Cap" within the provision to terminology appropriate for its mitigation method, such as "conduct threshold," as was required by the October 2012 Order. October 2012 Order, 141 FERC ¶ 61,048 at P 408. SPP's witness Dr. Hyatt stated in the February 2013 Compliance Filing that the language was replaced by a pivotal supplier test, which Dr. Hyatt asserted should identify the same set of resources. February 2013 Compliance Filing, Exh. No. SPP-11 at 7.

¹⁶⁹ The Commission noted that mitigation of an affiliate's offer may be necessary because the affiliated resource on the load side of the constraint can benefit from the higher prices associated with its affiliate's actions or can in some manner make the constraint worse, thereby worsening the impact. September 2013, Order, 144 FERC ¶ 61,224 at P 276 n.321.

there is mitigation within non-Frequently Constrained Areas and areas with local reliability issues.¹⁷⁰

135. Further, the Commission found that a group of affiliated suppliers may exist within a Frequently Constrained Area and may be subject to the more stringent mitigation associated with those areas without them qualifying as a pivotal supplier either individually or jointly. The Commission required SPP to provide examples that show how mitigation of affiliated resources would occur given the pivotal supplier designation and given the language in section 3.2.2 that SPP proposed to remove. The Commission explained that these examples should show how the mitigation would occur with and without the provision for mitigation of other resources represented by the market participant that were on the importing (i.e., load) side of the constraint within the SPP system. The Commission directed SPP to include examples that show mitigation of an affiliated resource in Frequently Constrained Areas, non-Frequently Constrained Areas and in areas with commitments for reliability reasons. The Commission also directed SPP to include in its examples instances in which the affiliated resources have and have not failed the conduct and impact tests.¹⁷¹

136. The Commission required SPP to address whether and how a demand response resource can be determined to be a pivotal supplier under section 3.1.1.1 of Attachment AF given that it is unclear how each of the conditions therein applies to demand response resources. The Commission also directed SPP to address the applicability of each of the provisions under section 3.1.1.1 to demand response resources as potential pivotal suppliers.¹⁷²

¹⁷⁰ September 2013 Order, 144 FERC ¶ 61,224 at P 269.

¹⁷¹ *Id.* P 276.

¹⁷² *Id.* P 273.

b. November 2013 Compliance Filing

137. SPP proposes to clarify section 3.1.1.1 of Attachment AF to provide that a supplier can be deemed “pivotal” in situations where the energy output or provision of operating reserves by any or some of its resources jointly must be increased or decreased to resolve the binding transmission constraint or binding reserve zone constraint during some or all hours.

138. In response to the Commission’s stated concerns relating to removal of the language in section 3.2.2 of Attachment AF, Dr. Mooney explains that the affiliated resource provision (presumably without the edits that were required by the Commission relating to removal of offer caps language) is a hold-over from its Energy Imbalance Service Market mitigation plan which has offer caps and arguably a low threshold for determining that a resource has local market power due to the voluntary nature of the Energy Imbalance Service Market. Dr. Mooney testifies that the security constrained unit commitment process can commit a generator that exceeds the Resource-to-Load Distribution Factor threshold relative to a binding constraint, and any mitigation will allow the commitment to be done at competitive offer levels. Further, she states that the Integrated Marketplace mitigation and monitoring plans have well-defined physical withholding and parameter mitigation provisions that further limit the ability of a market participant to pursue a strategy through which an affiliate could exercise market power.¹⁷³

139. Dr. Mooney offers additional information regarding the pivotal supplier test, conducted as part of the Frequently Constrained Area identification process. She states that to be a pivotal supplier, some combination of increased production from the market participant’s resources on the exporting side of the constraint is necessary to control the constraint. According to Dr. Mooney, the affiliated resource provision was included originally out of concern that mitigating only those resources with Resource-to-Load Distribution Factors less than or equal to negative five percent might not be sufficient, if the associated market participant is a pivotal supplier itself. She notes that whether it is sufficient to mitigate a resource that crosses the Resource-to-Load Distribution Factor threshold depends on the degree to which the market participant is a pivotal supplier, not necessarily on whether the resource is part of a commonly-owned fleet of resources located on either side of a constraint. She maintains that it is not necessary to mitigate all

¹⁷³ November 2013 Compliance Filing, Exh. No. SPP-13 at 5.

of the resources on the importing side of the constraint; rather, Dr. Mooney posits that the necessary and proper objective is the mitigation of sufficient resources so that congestion can be resolved with competitive offers. Dr. Mooney argues that subjecting this set of resources (those sufficient to resolve the congestion) to the mitigation measures ensures that congestion can be resolved by the coordinated dispatch of resources that either offered in at competitive levels or were mitigated to competitive levels.¹⁷⁴

140. Dr. Mooney testifies that mitigation of manually committed resources primarily concerns make whole payments. A resource is manually committed because the security constrained unit commitment fails to recognize the need for the resource. Dr. Mooney states that the Market Monitor does not expect to see the manually committed resource and other “affiliated” resources raising prices to uncompetitive levels through bidding strategies. Rather, the concern is that the manually committed resource will be uneconomic with respect to market prices and be eligible for a make whole payment. According to Dr. Mooney, setting the conduct threshold to 10 percent for these resources addresses this problem.¹⁷⁵

141. Dr. Mooney further argues that the security constrained unit commitment in conjunction with the economic withholding mitigation measures, parameter mitigation rules, and physical withholding monitoring provisions will not allow a market participant to benefit from a strategy of withholding a resource that is pivotal to a constraint while simultaneously increasing the bids of its other (i.e., affiliated) resources. She states that an analysis performed by the SPP Market Monitor indicated that the price impacts from resources that do not meet or exceed the Resource-to-Load Distribution Factor threshold rarely rise to the level of market impact test thresholds. The results of this analysis are included as Exhibit Nos. SPP-14 and SPP-15. Further, she notes that the Frequently Constrained Area process requires the Market Monitor to periodically reassess the designation of Frequently Constrained Areas, and that accordingly a non-Frequently Constrained Area that is experiencing heavy congestion will be subjected to a pivotal

¹⁷⁴ *Id.* at 5-6.

¹⁷⁵ *Id.* at 7-8.

supplier analysis and could be included in a future Frequently Constrained Area designation.¹⁷⁶

142. In response to the Commission's directive that SPP provide examples of the need for mitigation of affiliated resources, SPP provided exhibits designed to address the need for mitigation of affiliated resources. Exhibit Nos. SPP-14 and SPP-15 illustrate the price impact of the marginal MW of output from affiliated resources.¹⁷⁷ Dr. Mooney testifies that the affiliate resource provision would cause any affiliated resource with a negative Resource-to-Load Distribution Factor, (that is an affiliated resource failing the conduct test with an Resource-to-Load Distribution Factor less than negative five percent) to become a candidate for automatic mitigation. She argues that such affiliates would not cause a price impact that exceeds the impact test threshold. According to Dr. Mooney, the analysis shows that very few resource-intervals during the two peak summer weeks of 2012 would have an affiliate unmitigated that could have an impact above the impact test thresholds. Dr. Mooney testifies that for all of 2012, the share of affiliated resource that falls in the zero to negative five percent Resource-to-Load Distribution Factor category (and thus otherwise would not be subject to any mitigation under SPP's proposal) is less than six percent. She states that even the 3.9 percent of affiliated resources with potential for \$15-20/MWh impacts and the 5.5 percent of affiliated resources with potential for \$20-25/MWh price impacts, represent only 251 and 175 resource intervals respectively. Dr. Mooney asserts that the number of resource-

¹⁷⁶ *Id.* at 7.

¹⁷⁷ Dr. Mooney explained that the price impact is determined by multiplying the Resource-to-Load Distribution Factor by the shadow price of the congested transmission constraint. The Resource-to-Load Distribution Factor measures the ability of the resource to relieve the constraint, and the shadow price indicates the marginal value of an extra MW of relief on that constraint. For example, a resource with a negative ten percent Resource-to-Load Distribution Factor affecting a constraint with a \$100 shadow price provides .10 MWs of relief to the constraint by producing one more MW of output. The value of the additional MW is \$100, so the marginal price impact would be 10 percent x \$100/MW = \$10/MW. *Id.* at 8.

intervals is quite small compared to the 38,814 resource-intervals represented in which an affiliated resource could have a price impact of less than \$5/MW.¹⁷⁸

143. Dr. Mooney argues that this indicates that the proposed mitigation will effectively mitigate affiliated resources of concern, because they qualify for mitigation due to their Resource-to-Load Distribution Factor or are in a Frequently Constrained Area.¹⁷⁹ She maintains that this evaluation is not without cost, because the automatic mitigation program must solve every 5 minutes in the market software. She states that with or without the affiliate resource provision, the mitigation effectively captures 99 percent of the non-Frequently Constrained Area resources with impacts exceeding the \$5 threshold level and all of the resources qualifying for Frequently Constrained Area treatment.

144. SPP submitted testimony from Dr. Mooney in response to the Commission's requirement that it discuss how the pivotal supplier determination for a Frequently Constrained Area would relate to a demand response resource. Dr. Mooney testifies that demand response resources will be analyzed and treated in a manner comparable to a generation resource for purposes of applying the pivotal supplier standard under section 3.1.1.1 of Attachment AF. She states that the Integrated Marketplace allows for two types of demand response resources, dispatchable demand response resources and block loaded demand response resources, and that both types will be modeled in the SPP Commercial Model in the same manner as any other resource, with a defined settlement location and associated price node. According to Dr. Mooney, the data necessary for including demand response resources in a pivotal supplier analysis will be readily available in the Market Monitor database. In particular, historical market solution data will be available and, for demand response resources, will include minimum and maximum capabilities, ramp rate offers, resource shift-factors, dispatch instructions, and the allocation of operating reserves. She states that on the basis of these data, the Market Monitor will analyze a demand response resource's capability to meet reserve zone requirements and to relieve flowgate congestion, and will determine whether the pivotal supplier standard is met under section 3.1.1.1 of Attachment AF.¹⁸⁰

¹⁷⁸ *Id.* at 9.

¹⁷⁹ *Id.* at 8-9.

¹⁸⁰ *Id.* at 20-21.

c. Commission Determination

145. We will accept SPP's proposal to delete previous section 3.2.2 of Attachment AF. As SPP has explained, it submitted this provision in error, and the mitigation of offers by a resource that violate the conduct and impact thresholds should be sufficient to prevent affiliated resources from benefitting from economic withholding of a resource. However, we do not agree with Dr. Mooney's statement that whether it is sufficient to mitigate a resource that crosses the Resource-to-Load Distribution Factor threshold depends on the degree to which the market participant is a pivotal supplier, and not necessarily on whether the resource is part of a commonly-owned fleet of resources located on either side of a constraint. Mitigation of individual resources that are either within or outside a Frequently Constrained Area is not tied to whether that particular resource is a pivotal supplier. Attachment AF provides that for a Frequently Constrained Area to be established, the Frequently Constrained Area must include a pivotal supplier as described by section 3.1.1 of Attachment AF. However, that section does not require that every resource within or outside a Frequently Constrained Area be a pivotal supplier in order to be subject to mitigation, nor would we expect that every such supplier would be a pivotal supplier.

146. We find that SPP has adequately addressed how the determination of a pivotal supplier could apply to demand response resources. Further, we find that SPP has added the required language to section 3.1.1.1 of Attachment AF relating to market power associated with multiple resources of that supplier that must be increased or decreased in order to relieve the constraint. We note that such resources might lie on either the importing or exporting side of the constraint. Accordingly, we will accept those provisions.

3. Opportunity Costs to be Included in Mitigated Offers

a. September 2013 Order

147. In the September 2013 Order, the Commission found that certain aspects of the mitigated offer proposal, especially surrounding the calculation for opportunity costs,

were not fully supported and/or lacked sufficient details to be accepted. Accordingly, the Commission conditionally accepted them and required an additional compliance filing.¹⁸¹

148. The Commission required SPP to modify the language in section 3.2 of Attachment AF.¹⁸² The Commission required SPP to file language that instead refers to revenues forgone during the timeframe when resources experience the run-time restrictions.¹⁸³

149. The Commission determined that SPP had not sufficiently specified the physical equipment limitations on starts and stops, nor the fuel supply limitations associated with the determination of opportunity costs because SPP had proposed to include opportunity costs in mitigated offers, and such costs must be “legitimate and verifiable,”¹⁸⁴ the Commission required SPP to clearly specify these limitations.

150. The Commission also directed SPP to explain how the Market Monitor will verify physical equipment limitations submitted by a market participant.¹⁸⁵ The Commission noted that SPP’s proposal leaves it up to the market participant in section 3.3E of

¹⁸¹ September 2013 Order, 144 FERC ¶ 61,224 at P 295.

¹⁸² The language to be replaced stated “Opportunity cost shall be an estimate of the Energy and Operating Reserve Markets revenues net of short run marginal costs for the marginal forgone run time during the period of limitation as detailed in the Market Protocols.”

¹⁸³ September 2013 Order, 144 FERC ¶ 61,224 at P 302.

¹⁸⁴ *Id.* P 296 (citing *PJM Interconnection, L.L.C.*, 127 FERC ¶ 61,188, at P 7 (2009); *Midwest Indep. Transmission Sys. Operator, Inc.*, 109 FERC ¶ 61,285, at P 229 (2004) (“legitimate risks and opportunity costs’ include inter-temporal opportunity costs caused by run-time restrictions, operational risks such as the risks of unit failure (including costs of repairs and costs of foregone sales during the repair period), short-term fluctuations in fuel prices or availability, and possibly, other factors.”)).

¹⁸⁵ *Id.* P 298 (citing *PJM Interconnection, L.L.C.*, 134 FERC ¶ 61,192, at PP 27-28 (2011)).

Attachment AF to submit documentation relating to start-up and no-load offers that is “adequate to permit the Market Monitor to verify submitted offers.”¹⁸⁶ The Commission determined that this standard does not sufficiently address how equipment limitations will be verified, it does not require NERC-verifiable data, and/or other data that can be independently verified and that is subject to penalty. Accordingly, the Commission directed SPP to explain how the Market Monitor will verify such limitations as part of the Market Monitor’s review of the offer and to make any necessary Tariff revisions to implement this process.

151. The Commission also found that SPP had not fully addressed the issue of opportunity costs associated with peak hours or how opportunity costs change to reflect a resource’s going forward limitations. The Commission found that it would not be appropriate for mitigated offers to include opportunity costs associated with revenues only from the expected highest priced hours in the market when the resource is not constrained to only a few such peak hours. In addition, the Commission concluded that the opportunity cost for a resource may change as the going-forward limitations upon a resource changes (for example, a resource would likely have different opportunity costs when it has 200 hours remaining in which it can operate versus two hours remaining). Therefore, the Commission directed SPP to develop Tariff language to address this issue in a manner accounts for opportunity costs that vary associated with these factors.¹⁸⁷

152. The Commission also determined that it is unclear how market participants will specify an estimate of the energy and operating reserves revenues net of short-run marginal costs for the marginal forgone run-time during the period of limitation as detailed in the Market Protocols. The Commission concluded that SPP had not specified (in its Tariff or otherwise) how those projected market prices will be developed, nor did it provide any method to ensure that different market participants will use the same prices when they calculate possible foregone sales during the same time period and location. SPP also had not established how market participants will estimate future prices nor provided a formula for that estimation. Accordingly, the Commission required SPP, to

¹⁸⁶ *Id.* (quoting SPP Tariff, Attachment AF, section 3.3(E)).

¹⁸⁷ *Id.* P 299.

explain how market participants will estimate such forgone future market prices and how they will determine associated opportunity costs.¹⁸⁸

153. Finally, the Commission stated that it would not direct SPP to include a *force majeure* requirement, nor would it accept SPP's proposed addition of such a requirement. The Commission explained that it rejected a similar provision proposed by PJM, because PJM had failed to demonstrate how events out of resources' control would necessarily result in a limited number of run hours.¹⁸⁹ The Commission found that SPP's proposal for a *force majeure* provision similarly lacked sufficient justification.¹⁹⁰

b. November 2013 Compliance Filing

154. SPP proposes several changes to its Tariff to address the Commission's directives concerning mitigated offer development. SPP adds a substantial degree of detail to its Tariff relating to the opportunity costs that may be included in mitigated offers, and includes the testimony of Dr. Mooney to support the proposed Tariff revisions. In revised section 3.2D of Attachment AF, SPP's opportunity cost estimate, which is used to estimate forgone revenues associated with run-time limitations, will be based on revenues foregone during the timeframe when the resource experiences the run-time limitation. According to SPP, this change essentially adopts the language suggested by the Commission.¹⁹¹

155. In the accompanying testimony, Dr. Mooney explains that all data used in the calculations of mitigated offers, including opportunity cost inputs, is subject to review and approval of the Market Monitor, who will verify consistency among market participants.¹⁹² SPP proposes not to specify in the Tariff that opportunity costs will be

¹⁸⁸ *Id.* P 300.

¹⁸⁹ *Id.* P 303.

¹⁹⁰ *Id.*

¹⁹¹ November 2013 Compliance Filing at 34 (citing September 2013 Order, 144 FERC ¶ 61,224 at P 302).

¹⁹² November 2013 Compliance Filing, Exh. No. SPP-13 at 14.

reflected in the total fuel costs or the Variable Operating and Maintenance costs of the mitigated energy offer. Instead, SPP proposes to include opportunity costs by including such costs in the formula for the mitigated energy offers provided in section 3.2D of Attachment AF.

156. SPP's proposed revisions to the Tariff language in section 3.2D of Attachment AF provide that a market participant may include in the calculation of its energy offer curve an amount reflecting opportunity cost. This language states that opportunity cost shall be an estimate of the Energy and Operating Reserve Market revenues, net of short run marginal costs for the marginal forgone run time during the timeframe when the resource experiences the run-time restrictions as detailed in the Market Protocols.

157. SPP addresses opportunity costs associated with physical equipment limitations in section 3.2D of Attachment AF. This section provides that opportunity costs can be included in the mitigated energy offer when those costs occur associated with externally imposed environmental run-time restrictions or other physical equipment limitations on the number of starts or run-hours. Within section 3.2D, SPP proposes to condition the inclusion in opportunity cost calculations of the physical equipment limitations on the number of starts or run-hours, on verification by the Market Monitor to the manufacturer's recommendation or bulletin, or a documented restriction imposed by the applicable insurance carrier.

158. Instead of explaining how it will ensure fuel supply limitations are legitimate and verifiable, SPP explains that it removed fuel supply limitations as an eligible component of opportunity costs in light of the Commission's rejection of any *force majeure* requirement. SPP states that it reserves the right to propose and to justify such a provision in a future section 205 filing, and it explains that in any such filing, it would be prepared to demonstrate how certain fuel supply limitations result in diminished run-time hours.¹⁹³

159. With respect to the issue of the peak hour and going forward limitations associated with opportunity costs, SPP's witness Dr. Mooney testifies that the opportunity cost calculation looks at forecasts of the margin between future market prices and resource costs to indicate the upcoming hours in which the resource will be most economic, and

¹⁹³ November 2013 Compliance Filing at 34.

thus in which hours it is most efficient for the resource to run. According to Dr. Mooney, the calculation determines an opportunity cost adder which is the lowest price at which the market would be expected to dispatch the resource without violating compliance with the run-time restriction. Dr. Mooney asserts that the offer is only as high as is necessary to maintain compliance with the run-time restriction reserving the availability of the resource for the hours in which the market is expected to need it most. Because prices tend to vary more than resource costs, Dr. Mooney argues that the most economic hours for the resource to run are those with the highest forecast prices. Dr. Mooney explains that the opportunity cost calculation in the development of a mitigated offer for a resource ranks all potential run hours for the resource by its margin, which is the difference between forecast revenues and forecast operating costs. Dr. Mooney indicates that, because the opportunity cost adder to the mitigated offer is lower when the resource is able to run additional hours, it is important for the market participant to reflect the available hours in the calculation accurately.¹⁹⁴

160. Dr. Mooney explains that whenever a resource is deployed, the resource uses some portion of its available run-time. She states that to maintain an expectation of compliance with its run-time restriction, the market participant must frequently update the opportunity cost adder to reflect reduced run-time limits. According to Dr. Mooney, the Market Protocols will include step by step instructions further detailing the method described in the Tariff. Dr. Mooney explains that for resources with run-time limitations of less than 30 days, the market participant will be required to update the opportunity cost calculation daily. For resources with run-time limitations of more than 30 days, the market participant will be required to update the calculation at least weekly. She states that the Market Monitor will shadow calculate all opportunity cost calculations as part of its mitigated offer monitoring process.¹⁹⁵

161. In response to Commission concerns with the consistent forecasting of projected market prices used in the opportunity cost pricing across market participants, Dr. Mooney testifies that the Market Monitor will determine the forecast model that would establish a relationship between the electricity price and the natural gas price. This model will be

¹⁹⁴ November 2013 Compliance Filing, Exh. No. SPP-13 at 11-12.

¹⁹⁵ *Id.* at 12-13.

placed in the Market Protocols and will be used as the basis for all market participant locational marginal price forecasts in order to ensure that each market participant is forecasting prices consistently.¹⁹⁶ Section 3.2D of Attachment AF provides that resource- specific opportunity costs are calculated by forecasting locational marginal prices based on futures contract prices for natural gas and the historical relationship between the SPP system marginal energy component of locational marginal prices and the price of natural gas, as determined by the Market Monitor.¹⁹⁷

162. Under section 3.2D of Attachment AF of the Tariff, which provides for mitigation of energy offers, the Market Monitor will verify all market participants' opportunity cost calculations for consistency and accuracy. Dr. Mooney states that when the Market Monitor determines that the market price for any period is not competitive, under section 3.2D it will adjust the locational marginal price forecasting process used in the opportunity cost calculations to ensure that forecasted locational marginal prices do not reflect non-competitive market conditions.

c. Protests

163. KCP&L and GMO protest SPP's removal of fuel supply limitations from the opportunity cost calculation associated with mitigated offers. They note that in the September 2013 Order, the Commission accepted SPP's proposal to include fuel supply limitations on its list of potential opportunity costs, conditioned upon SPP's submittal of a compliance filing to provide greater specificity as to how fuel supply limitations would

¹⁹⁶ *Id.* at 13.

¹⁹⁷ The proposed revisions to section 3.2 require that locational marginal price forecasts shall take into account historical variability and basis differentials affecting the settlement location at which the resource is located for a three-year period immediately preceding the period of time in which the resource is bound by the referenced restrictions. Further, the proposed revisions provide that locational marginal price forecasts shall subtract the forecasted costs to generate energy at the settlement location at which the resource is located, as specified in the Market Protocols. The proposed Tariff language provides that if the difference between the forecasted locational marginal prices and the forecasted costs to generate energy is negative, then the opportunity cost will be determined to be zero. SPP Tariff Attachment AF, section 3.2.

be determined to be “legitimate and verifiable,”¹⁹⁸ but the Commission did not instruct SPP to remove “fuel supply limitations” as a potential opportunity cost. KCP&L and GMO request that the Commission require SPP to reinsert “fuel supply limitations” because such limitations are an appropriate component of opportunity cost.¹⁹⁹

164. KCP&L and GMO argue that SPP misinterpreted the Commission’s September 2013 Order. They argue that the Commission conditionally accepted revised section 3.2 of Attachment AF, subject to further compliance filing to support the proposed opportunity costs as “legitimate and verifiable,” but it did not accept an additional proposal, made in SPP’s answer to the TDUs Intervenor, to add a *force majeure* provision.²⁰⁰ They contend that SPP incorrectly interpreted the Commission’s rejection of the *force majeure* proposal as rejection of the inclusion of fuel supply limitations in opportunity cost calculations, despite the Commission having conditionally approved the inclusion of fuel supply limitations.²⁰¹

165. KCP&L and GMO argue that SPP should include fuel supply limitations as a potential opportunity cost, based on the severe flooding on the Missouri River during the summer of 2011 which disrupted coal shipments. As a result of this disruption, KCP&L was forced to rely primarily on its limited reserve coal supply.²⁰² KCP&L and GMO explain that in order to maintain system reliability, KCP&L, in consultation with the Market Monitor, developed a protocol to conserve the coal, which allowed KCP&L to continue to run during peak periods during the flooding period, thereby maintaining reliability. They assert that during this period they stayed in close communication with

¹⁹⁸ KCP&L and GMO Protest at 6 (citing September 2013 Order, 144 FERC ¶ 61,224 at P 296).

¹⁹⁹ *Id.* at 8-9.

²⁰⁰ *Id.* at 6.

²⁰¹ *Id.*

²⁰² *Id.* at 9-10. KCP&L and GMO explain that each of the three rail companies obligated to deliver coal was unable to perform under their contracts between June and early September 2011.

the Market Monitor, and based on discussions with it, KCP&L submitted normal offers to SPP reflecting KCP&L's opportunity costs associated with the flooding. KCP&L and GMO argue that without fuel limitations in the mitigated offer, similar events in the Integrated Marketplace would cause significant harm to generators with fuel supply limitations and could result in reliability risks.²⁰³ Further, the offer of a company with fuel supply issues would exceed the threshold above the mitigated offer because the mitigated offer would not take the fuel supply limitation into account. In such circumstances, the offer would be mitigated, forcing the unit to run uneconomically, and if the condition persisted, the unit could run out of fuel entirely, resulting in a reliability risk during peak periods.²⁰⁴

166. KCP&L and GMO maintain that KCP&L and the Market Monitor were able to evaluate the likely duration of the flood-related fuel supply limitation.²⁰⁵ They contend that in the Integrated Marketplace, entities could similarly consult with the Market Monitor and estimate the duration and impact of the fuel supply limitation in terms of the total hours the generating unit could run based on the available fuel. With that determination, market participants could develop their daily mitigated offers. KCP&L and GMO argue that this evaluation would be comparable to the determination of environmental or equipment limitations, because in each circumstance it is necessary to evaluate the actual and expected conditions to determine the unit's maximum number of operating hours during the period of impact.²⁰⁶ They state that while this evaluation necessarily involves some predictions, the Market Monitor can turn to third parties to verify pertinent predictions and/or data.²⁰⁷

²⁰³ *Id.* at 11.

²⁰⁴ *Id.* at 10-11.

²⁰⁵ *Id.* at 12.

²⁰⁶ *Id.*

²⁰⁷ *Id.* KCPL and GMO state that, for example, the Army Corps of Engineers provided flood predictions.

167. KCP&L and GMO also argue that SPP's Market Protocols provide for communications between market participants and the Market Monitor if the circumstances underlying the mitigated offers change. They argue that the Market Monitor's verification of all market participants' opportunity cost calculations for consistency and accuracy under section 3.2D of Attachment AF meets the requirement that opportunity costs be legitimate and verifiable.²⁰⁸ They maintain that the Market Monitor could continue to monitor the situation and to verify that the fuel supply limitation was ongoing, and that the mitigated offer remained accurate and justified, as section 3.2D of Attachment AF provides that the Market Monitor will verify opportunity cost calculations for consistency and accuracy, as is customary for Market Monitors. Therefore, KCP&L and GMO request that the Commission direct SPP to reinsert fuel supply limitations as a category of opportunity costs.²⁰⁹

168. KCP&L and GMO contend that the Tariff language provided by SPP to show that opportunity costs are legitimate and verifiable is sufficient for purposes of fuel supply limitations.²¹⁰

169. AEP and Westar support KCP&L and GMO's request that the Commission require SPP to re-insert "fuel supply limitations" as a category of potential opportunity costs for purposes of determining mitigated offer requirements.²¹¹

d. Commission Determination

170. We will accept SPP's proposed revisions to its Tariff to address the Commission's directives concerning mitigated offer development, subject to SPP submitting a compliance filing, as discussed below. We agree with KCP&L and GMO that the Commission did not require that "fuel supply limitations" be removed from the Tariff in

²⁰⁸ *Id.* at 13.

²⁰⁹ *Id.* at 12-13.

²¹⁰ They provide alternate language if the Commission does not believe this to be the case. *Id.* at 14.

²¹¹ AEP Comments at 1-2; Westar Protest at 8.

its September 2013 Order; rather, the Commission required SPP to provide greater specificity as to how fuel supply limitations would be determined to be “legitimate and verifiable.”²¹² KCP&L and GMO have demonstrated that potential opportunity costs relating to fuel supply limitations can be legitimate and verifiable. We note that the Commission rejected an opportunity cost recovery proposal by PJM that would have provided that an "Out of Management Control" fuel event will result in a reduced number of run hours and thus qualify for an associated opportunity cost. However, the Commission noted that a generator with gas storage could experience a future limitation on run-hours with such an event, and thus be eligible for recovery of those opportunity costs.²¹³ We find that the scenario discussed by KCP&L and GMO in which a generator has a limited supply of coal and coal deliveries were interrupted to be analogous to the situation in which a generator with gas storage experiences interrupted gas supplies. Thus, we find that the fuel supply limitations in the example provided by KCP&L and GMO may be appropriately considered in opportunity costs rather than excluded from such calculations.

171. Further, we find that the process KCP&L and GMO describe as used by KCP&L and the Market Monitor, involving frequent communication between the parties and independent analysis where applicable, is the type of determination of costs that should occur in such circumstances. With respect to the example of the 2011 flooding provided by KCP&L and GMO, we agree that there were legitimate fuel supply limitations when deliveries of coal to KCP&L were interrupted, and that such limitations resulted in opportunity costs. Accordingly, we agree with KCP&L and GMO that such opportunity costs should be included in the determination of the mitigated offer, and we direct SPP to reinsert “fuel supply limitations” in section 3.2D of Attachment AF as a potential opportunity cost in a compliance filing due within 30 days of the date of this order.

²¹² September 2013 Order, 144 FERC ¶ 61,224 at P 296 (quoting *PJM Interconnection, L.L.C.*, 127 FERC ¶ 61,188 at P 7).

²¹³ *PJM Interconnection, L.L.C.*, 134 FERC ¶ 61,192 at P 32 n.25.

Specifically, SPP is required to add the word “or” to the end of the second criterion, and add “(3) Fuel Supply Limitations” thereafter.²¹⁴

172. With respect to SPP’s proposed Tariff revisions relating to prices associated with run-time limitations in section 3.2D of Attachment AF, we find that SPP’s approach to updating these factors is appropriate but should be referenced in the Tariff. Accordingly, we will require SPP to submit, in a compliance filing due within 30 days of the date of this order, Tariff revisions to include language in section 3.2D specifying that run-time hour restrictions are to be updated as specified in the Market Protocols, with more frequent updating to occur the fewer hours that remain available, consistent with the Market Protocols. Similarly, we will require SPP to submit, in the compliance filing due within 30 days of the date of this order, Tariff revisions in section 3.2D of Attachment AF to provide that the price forecast model to be used in developing such opportunity costs will be determined by the Market Monitor, and that formulas and instructions will be published in the Market Protocols as part of the Mitigated Offer Development Guidelines, and updated as needed by the Market Monitor.

173. We find that SPP has not sufficiently addressed the opportunity costs that relate to operating reserves. While cross-product opportunity costs (for example, the cost of providing operating reserves rather than energy) are included in the market outcomes, there may be inter-temporal opportunity costs associated with operating reserves. Accordingly, we will require SPP, in the compliance filing due within 30 days of the date of this order, to incorporate language in section 3.4 of Attachment AF providing that legitimate and verifiable opportunity costs may be included in the operating reserve offer, and that such opportunity costs will be evaluated by the Market Monitor, as is done for energy offers.

174. We will also require SPP to clarify in Tariff revisions to section 3.4 of Attachment AF that opportunity costs for operating reserves measuring forgone energy or other types

²¹⁴ Accordingly, the second criterion as revised will read “Physical equipment limitations on the number of starts or run-hours as verified by the Market Monitoring Unit and determined by reference to the manufacturer’s recommendation or bulletin, or a documented restriction imposed by the applicable insurance carrier; or.”

of operating reserve production should not be included in mitigated offers. Further, we will require SPP to address the price forecast for operating reserves in the determination of opportunity costs providing that any price forecast will be developed by the Market Monitor. In addition, we will require SPP to revise section 3.4 to provide that, with respect to inter-temporal opportunity costs for operating reserves, any run-time limitations that are applicable will be updated using the same processes established for energy offers set forth in section 3.2D of Attachment AF. We will require SPP to submit these revisions to section 3.4 of Attachment AF in a compliance filing to be submitted within 30 days of the date of this order.

175. We will also require SPP to submit, in the compliance filing due within 30 days of the date of this order, revisions to its Tariff to replace the term “foregone” with the term “forgone” in section 3.2D of Attachment AF.

4. Costs to be Used in Mitigated Offer Development and Resolution of Conflicting Mitigated Offers

a. September 2013 Order

176. In the September 2013 Order, the Commission found that SPP had not explained how certain costs that are to be used in the development of mitigated offers, including fuel costs, fuel-related costs (e.g., emissions costs), opportunity costs, Variable Operating and Maintenance costs, and start-up and no-load costs, will be consistently developed by market participants. Moreover, the Commission observed that the current proposal appeared to grant market participants significant discretion in how to calculate such costs, and the Commission concluded that SPP’s approach did not provide the consistency necessary for SPP’s Integrated Marketplace. Accordingly, the Commission conditionally accepted SPP’s proposal, but required SPP to propose specific Tariff language to ensure consistency in the calculation (but not necessarily the level) of these costs across all market participants. The Commission explained that where there are common factors or measures that are applied in multiple mitigated offers, these must be applied consistently. The Commission also required SPP to explain how mitigated offers will address

frequently changing input costs, such as fuel costs, so that input costs are up to date in the mitigated offers.²¹⁵

177. The Commission also determined that SPP's proposed treatment of the development of mitigated offers by market participants does not appropriately address how mitigation will occur when the mitigated offers submitted by the market participant and those calculated by the Market Monitor differ. Specifically, the Commission found that the Tariff's requirement for reporting the inconsistency to the Commission does not ensure that market participants apply the formulas and definitions of costs correctly, and that appropriate mitigation is applied, as required in the October Order. The Commission directed SPP to provide in its Tariff, consistent with its Market Protocols, that if a market participant submits a dispute over its mitigated offer, the previously approved mitigated offer is used until the dispute is resolved. The Commission found that the 15 day dispute resolution process to be a reasonable timeline. The Commission also directed SPP to submit language establishing any additional measures that will occur if and when the dispute is resolved in the market participant's favor. As an example, the Commission directed SPP to explain what will occur with respect to market settlements that have occurred while the disputed mitigated offers were in effect, and it directed SPP to explain its proposed approach.²¹⁶

b. November 2013 Compliance Filing

178. SPP proposes a number of changes to sections 3.2, 3.3, 3.4, and 3.5 of Attachment AF to address the Commission's concerns. Section 3.2, which relates to mitigation of energy offers, provides that the market participant shall submit heat rate curves, descriptions of how spot fuel prices and/or contract prices are used to calculate fuel costs, variable fuel transportation and handling costs, emission costs, and Variable Operating and Maintenance costs to the Market Monitor. It provides that all cost data

²¹⁵ September 2013 Order, 144 FERC ¶ 61,224 at P 321 (noting, for example, that MISO adjusts its calculation of reference levels for fuel prices on a daily basis. MISO Tariff section 64.1.4 and MISO Market Monitoring and Mitigation Business Practices Manual at 6-42. CAISO's Tariff section 39.7.1.1.1 similarly provides for daily calculation of the fuel price index.).

²¹⁶ *Id.* P 322.

and cost calculation descriptions are subject to the review and approval of the Market Monitor to ensure reasonableness and consistency across market participants. SPP's changes associated with opportunity cost inclusion in mitigated offers and associated Tariff language are discussed in the section above. SPP adds detail on the information for replication of the mitigated offer curve that market participants must provide. For fuel costs, market participants must provide the Market Monitor with an explanation of the market participant's fuel cost policy, indicating whether fuel purchases are subject to a fixed contract price and/or spot pricing and specifying the contract price and/or referenced spot market prices. Section 3.2D of Attachment AF provides that any included fuel transportation and handling costs must be short-run marginal costs only, exclusive of fixed costs. For emissions costs, section 3.2D requires market participants to report the emissions rates of their units and indicate the applicable emissions allowance cost. For Variable Operating and Maintenance costs, section 3.2D requires market participants to submit these costs, calculated in adherence with Appendix G of the Market Protocols reflecting short-run marginal costs, exclusive of fixed costs. For fuel, emissions and Variable Operating and Maintenance costs, SPP proposes Tariff language stating that further details associated with the development, validating, and updating of these costs are included in Appendix G of the Market Protocols.

179. SPP also revises language in section 3.3E of Attachment AF to require that the market participant will provide all inputs for the calculation of mitigated start-up and no-load offers, as opposed to the market participant providing the methods for such calculations, as SPP previously proposed.²¹⁷ SPP proposes that the required information include: heat rate curves, descriptions of how spot fuel prices and/or contract prices are used to calculate fuel costs, variable fuel transportation and handling costs, emissions costs, and Variable Operating and Maintenance costs. Section 3.3E provides that all cost data and cost calculation descriptions are subject to the review and approval of the

²¹⁷ Dr. Mooney testifies that, contrary to SPP's intent, the former Tariff language in section 3.3E of Attachment AF could have been interpreted as vesting market participants with discretion in the calculation of mitigated start-up and no-load costs. According to Dr. Mooney, the proposed language changes in 3.3E remove any ambiguity in this regard. She states that similarly explicit and transparent calculation instructions are set forth in 3.2D for energy offer curves. November 2013 Compliance Filing, Exh. No. SPP-13 at 15.

Market Monitor to ensure reasonableness and consistency across market participants. Section 3.3E requires similar detail on fuel, emissions and Variable Operating and Maintenance costs as is required for energy offer curves, and it specifies that further details associated with the development, validation, and updating of these costs are included in Appendix G of the Market Protocols.

180. SPP also added to the language in section 3.5 of Attachment AF, which provides that the Market Monitor will review the costs included in each mitigated offer to ensure that the market participant applied the formulas and definitions in sections 3.2, 3.3, and 3.4 and the Market Protocols correctly, and that the level of mitigated offer is otherwise acceptable. In particular, it proposes language providing that if a market participant submits a dispute concerning its mitigated offer, the previously approved offers shall be used until the dispute is resolved. Revised section 3.5 provides that the transmission provider will remedy mitigated offer disputes resolved in favor of the market participant by performing price corrections and settlements as set forth in section 8.4 of Attachment AE and the Market Protocols.

181. Section 8.4 of Attachment AE provides for price corrections associated with software errors or data input errors. Under section 8.4, in any operating hour for which the transmission provider believes that a software error or data input error will require correction of one or more Locational Marginal Price or Market Clearing Prices, the transmission provider will make publicly available on OASIS as soon as possible, but not later than 1700 hours on the fourth day in which the locational marginal prices and market clearing prices would be affected by the corrected price calculation. The proposed price correction is posted within five days of when the notice of the proposed price correction occurs. For price corrections identified after the notice period, as those subject to dispute resolution about mitigated offers would be due to the length of the dispute resolution process, the transmission provider will request Commission approval prior to making the necessary price correction. Section 8.4 provides that prices and day-ahead cleared amounts will be recalculated in a manner that reflects, as closely as possible, the locational marginal prices and market clearing prices for operating reserves that would have resulted but for the software or data input error while maintaining the original day-ahead market unit commitment. For the Real-Time Market, SPP proposes to recalculate the locational marginal prices and market clearing prices in a manner that reflects, as closely as possible, the locational marginal prices and market clearing prices

that would have resulted but for the software or data input error. For the Real-Time Market, SPP proposes to pay market participants under the procedures for out-of-merit generation, as it does for other Real-Time Market changes to prices and compensation.²¹⁸

c. Protests

182. TDU Intervenors assert that SPP should clarify the Market Monitor's authority to reject an incorrectly calculated mitigated offer curve. They point to the Commission's concern about how mitigation would occur when the mitigated offers differ from those calculated by the market participants, and its directive that SPP revise its Tariff to provide "that if a market participant submits a dispute over its mitigated offer, the previously approved mitigated offer is used until the dispute is resolved." They also point to the Commission's directive that SPP "establish []any additional measures that will occur if and when the dispute is resolved in the market participant's favor such as what will occur with respect to market settlements that have occurred while the disputed provisions were in effect." TDU Intervenors contend that while the language SPP has inserted in section 3.5 of Attachment AF copies the September 2013 Order's language, the Tariff does not capture the intent of the Commission's directives. TDU Intervenors contend that the Commission, in the September 2013 Order, implies that the Market Monitor can reject a mitigated offer that does not match that of the market participant, subject to dispute resolution, and allow the previously approved mitigated offer to remain in effect. They state that unless the Market Monitor has the authority to reject incorrectly

²¹⁸ For example, where the recalculated Real-Time Market locational marginal price is less than a resource's energy offer, compensation will occur under section 8.6.6.1 of Attachment AE, which provides that where the manual dispatch instruction is for energy in the up direction and the energy offer curve cost associated with the OOME MW is greater than the Real-Time Market locational marginal price, the asset owner will receive a payment for the difference multiplied by the OOME MW. Section 8.6.6 specifies that the payment shall be limited to the amount necessary to compensate the asset owner for any under-recovery resulting from its resource's response to the manual dispatch instruction. The OOME MW is calculated as the positive difference between (1) the lesser of the actual resource output or the resource's manual dispatch instruction MW, and (2) the resource's economic operating point.

calculated mitigated offers, a market participant would never have the opportunity to submit a dispute.²¹⁹

183. TDU Intervenors assert that Attachment AF does not explicitly give the Market Monitor the authority to reject the market participant's submitted offer curve in the event that the Market Monitor calculates a different offer curve. They argue that section 3.5 of Attachment AF instead gives the Market Monitor the authority to "review the costs included in each mitigated Resource Offer in order to ensure that the Market Participant has correctly applied the formulas and definitions in Sections 3.2, 3.3, 3.4 and the Market Protocols and that the level of the mitigated offer is otherwise acceptable."²²⁰ They note that the Tariff does not state what happens when the Market Monitor concludes that the formulas were not correctly applied or that the level of the mitigated offer is unacceptable. TDU Intervenors request that the Commission direct SPP to revise its Tariff to explicitly state the Market Monitor's authority to reject an incorrectly calculated mitigated offer, subject to dispute resolution, consistent with the spirit of the September 2013 Order. Alternatively, they request that the Commission clarify that SPP's proposed Attachment AF section 3.5 does, in fact, give the Market Monitor that authority.²²¹

184. Xcel supports the changes SPP proposes to sections 3.2, 3.3, and 3.5 of Attachment AF to specify clearly how certain costs are to be used in the development of mitigated offers, including fuel costs, opportunity costs, Variable Operating and Maintenance costs and start-up and no-load costs. However, Xcel notes that such information is commercially sensitive. Xcel requests that SPP clarify that the additional cost data used for development of mitigated offers is subject to the confidentiality provisions of section 11 of Attachment AE to the SPP Tariff.

²¹⁹ TDU Intervenors at 12-13.

²²⁰ *Id.* at 13.

²²¹ *Id.*

d. Answers

185. SPP answers that the contention related to the Market Monitor's authority to reject a non-compliant mitigated offer curve is meritless, as SPP's Tariff revisions in section 3.5 of Attachment AF conform precisely to the Commission's directive. It states that in the case of a disputed offer, to the extent that a market participant does not comply with the Market Monitor's directive to adopt the last effective mitigated offer applies pending dispute resolution – such non-compliance would violate the terms of the Tariff and be subject to action by the Commission's Office of Enforcement.²²²

186. In its reply, TDU Intervenors state that SPP appears to assume that the Market Monitor has the authority to direct a market participant to use the last effective mitigated offer.²²³ They argue that the Tariff does not explicitly provide for such authority. TDU Intervenors request that the Commission require SPP to make the Market Monitor's authority explicit.

e. Commission Determination

187. We find that SPP has sufficiently explained how it will maintain consistency in the costs used in the development of mitigated offers by market participants, and how it will apply common factors consistently with respect to mitigated offers for energy, start-up and no-load. However, we find that SPP has not set forth in section 3.4 of Attachment AF how it will apply common factors or measures, such as any related to fuel costs, to operating reserves. Accordingly, we will require SPP to submit, in a compliance filing due within 30 days of the date of this order, Tariff revisions to provide in section 3.4 of Attachment AF that for fuel costs and opportunity costs tied to fuel, market participants must provide the Market Monitor with an explanation of the market participant's fuel cost policy, and must indicate whether fuel purchases are subject to a fixed contract price and/or spot pricing and specifying the contract price and/or referenced spot market prices.

188. We will accept the language SPP proposes to add to section 3.5 of Attachment AF relating to validation of resource offer parameters, as we find that it complies with the

²²² SPP Answer at n.13.

²²³ TDU Intervenors Reply at 3.

Commission's directive in the September 2013 Order. We also find that SPP has sufficiently explained in section 3.2 of Attachment AF how it will address changing fuel costs. However, we agree with TDU Intervenors that the September 2013 Order allowed the Market Monitor to reject a mitigated offer that does not match that of the market participant, subject to dispute resolution, and that this allows the previously approved mitigated offer to remain in effect. We agree with TDU Intervenors that, unless the Market Monitor has the authority to reject incorrectly calculated mitigated offers, a market participant would never have the opportunity to submit a dispute to the Market Monitor. Accordingly, we will require SPP to insert language into section 3.5 of Attachment AF to specify that if the mitigated offer determined by the market participant and the Market Monitor differ, that the mitigated offer of the Market Monitor is to be used, unless the market participant disputes the level of the mitigated offer. However, the clarifying language must specify that, if the market participant formally disputes the level of the mitigated offer, the previously accepted mitigated offer will be used from the time at which the formal dispute is made until the dispute is resolved. We will require SPP to submit revisions to its Tariff to provide this clarification in a compliance filing due within 30 days of the date of this order.

189. With respect to SPP's proposal for additional measures that will occur if and when the dispute is resolved in the market participant's favor, we find that SPP's proposed treatment of such disputes raises concerns. In particular, section 8.4 of Attachment AE provides for recalculation of locational marginal prices and market clearing prices, and we believe that recalculation of prices every time there is a disagreement about a single mitigated offer could lead to substantial disruption of the market. Further, given the delay that would be associated with the dispute resolution process, section 8.4 of Attachment AE would result in each revision to a mitigated offer that occurs in favor of a market participant being reported to the Commission for its approval of the proposed associated resettlement, because any associated price corrections would not occur within the standard four calendar day period.²²⁴

²²⁴ Section 8.4(2) of Attachment AE provides that for price corrections that occur after the notice period (which extends until 1700 hours on the fourth day calendar day following the day in which the prices would be affected by the contemplated price correction), SPP states that it will request Commission approval before making the necessary price correction.

190. We will require SPP to revise section 3.5 of Attachment AF to remove references to changes in market prices associated with section 8.4 of Attachment AE. We will require SPP to instead provide in section 3.5 that SPP will resolve mitigated offer disputes by providing make whole payments, as necessary, to the market participant whose mitigated offer was improperly determined by the Market Monitor. We will require SPP to make these changes in its compliance filing due within 30 days of the date of this order. We will also require the Market Monitor to provide to the Commission, in the informational report to be filed 15 months after the commencement of the Integrated Marketplace, reflecting a full 12 months of data, a description of the number and extent of mitigated offers that are subject to dispute resolution, and whether the dispute was resolved in favor of the market participant or the Market Monitor.

191. We agree with Xcel that the costs that are to be used in the development of mitigated offers, including fuel costs, opportunity costs, Variable Operating and Maintenance costs, and start-up and no-load costs may be commercially sensitive. However, these costs are found not only in the sections to which Xcel refers, but also in sections 3.4, and 3.6 of Attachment AF. Accordingly, we will require SPP to clarify in sections 3.2, 3.3, 3.4, 3.5 and 3.6 of Attachment AF that the cost data submitted under that section for development of mitigated offers, including the additional opportunity cost data, will be subject to the confidentiality provisions of section 11 of Attachment AE to the SPP Tariff. We will require SPP to make these changes in its compliance filing due within 30 days of the date of this order.

5. Uneconomic Production

a. September 2013 Order

192. In the September 2013 Order, the Commission determined that SPP's proposal to mitigate for uneconomic production on the other side of a constraint lacked an automatic screen necessary to identify a broader range of resources that could be engaged in uneconomic production to cause or exacerbate a constraint. Accordingly, the Commission directed SPP to insert language in section 4.6.1 of Attachment AG providing that it will monitor for uneconomic production being accomplished (1) via the energy offer where the incremental energy offer price for the resources is less than 50 percent of the applicable reference level and (2) via time-based or other (non-time and non-dollar

based) resource offer parameters including in situations when the resource has a positive Resource-to-Load Distribution Factor. Moreover, to ensure that uneconomic production is fully reported under the sections addressing uneconomic production, such as section 4.6.1, the Commission required SPP to provide clarifying language in Attachment AF section 3.2B so that it is revised to read “An Energy Offer below \$25/MWh will not be subject to mitigation measures for economic withholding.”²²⁵

b. November 2013 Compliance Filing

193. SPP proposes to remove language from section 4.6.1(a) of Attachment AG requiring the Market Monitor to determine the MW impacts of resource output on the transmission constraint from the following sources: self-committed resources with uneconomic output (i.e., where resource incremental cost exceeds resource locational marginal price); and SPP-committed resources operating outside their operating tolerances. SPP proposes to add language establishing that potential uneconomic production will be indicated, and subject to further analysis when the resource has a positive “Resource-to-Load factor” and any of the following conditions are met: (1) a resource is identified with an incremental energy offer price less than 50 percent of the applicable reference level; (2) a resource is determined to be operating outside its operating tolerance; or (3) a resource is subject to a time-based or other resource offer parameter (i.e., a parameter that is non-time and non-dollar based) that violates any of the thresholds in section 3.6 of Attachment AF.²²⁶ SPP also proposes to revise the language in section 3.2B of Attachment AF to provide that the exclusion from mitigation measures for offers below \$25 only applies to the measures for economic withholding.

²²⁵ September 2013 Order, 144 FERC ¶ 61,224 at P 369.

²²⁶ SPP states that it has expanded the screening procedures under section 4.6.1 of Attachment AG. It states that as revised, the screening process includes provisions requiring the Market Monitor to monitor for uneconomic production via (1) the Energy Offer, where the incremental energy offer price is less than fifty percent of the applicable reference level, and (2) time-based or other resource offer parameters (non-time and non-dollar based), including in situations where the resource has a positive Resource-to-Load Distribution Factor. November 2013 Compliance Filing at 39-40.

c. Commission Determination

194. We will accept SPP's deletion of the language in section 4.6.1(a). However, we find that SPP must remove language in new condition (3) in section 4.6.1 of Attachment AG that refers to section 3.6 of Attachment AF. The application of the thresholds in section 3.6 of Attachment AF to uneconomic production is not straightforward. While the thresholds in section 3.6 address withholding, they may fail to account for important instances of uneconomic production. Increases in time-based offer parameters, increases in minimum offer values, or decreases in maximum values of non-time or dollar based values as described in section 3.6 of Attachment AF could be used by a market participant in concert with a low energy offer to ensure that a resource that is engaging in uneconomic production with a low price offer can remain in that position for an extended period, such as would be the case if the resource were to bid a longer minimum run time. For example, a resource could bid a longer minimum run time to extend the hours in which it over-produces. However, in an instance of potential uneconomic production, a market participant could instead attempt to increase the likelihood that its resource is dispatched by either attempting to (1) reduce time-based parameters for its resource rather than raising them, or (2) lower minimum values and raising maximum values of offer parameters expressed in units other than time or dollars, in order to increase the likelihood that its unit is dispatched. A market participant could also attempt to lower rather than raise the minimum economic capacity operating limit in order to sell additional units even when those sales are not economic.

195. For these reasons, we will require SPP to remove the reference in section 4.6.1.a(3) to section 3.6 of Attachment AF.²²⁷ In its place, we will require SPP to condition the reporting of time-based or other offer parameters to circumstances where it appears that uneconomic production is occurring or being facilitated by time-based or other (non-time and non-dollar) offer parameters. We note that to the extent that the Market Monitor suspects, after consultation with the market participant, that the market participant has violated the Commission's prohibition against market manipulation by engaging in uneconomic production through its choice of physical offer parameters, the Market Monitor is required to refer that behavior to the Commission's Office of

²²⁷ SPP must also remove the "or" at the end of section 4.6.1.a(2), because it will now be the last condition in the sequence.

Enforcement, in accordance with the requirements of Order No. 719.²²⁸ We will require SPP to insert the word “Distribution” in the term “Resource-to-Load factor” in section 4.6.1a, so that it reads “Resource-to-Load-Distribution factor” as the term is used elsewhere in the Tariff. We will require SPP to submit these revisions to its Tariff in its compliance filing due 30 days after the date of this order.

196. Finally, we find that SPP’s Tariff revisions comply with the requirement in section 3.2B of Attachment AF to limit the applicability of mitigation to only offers over \$25 to the case of economic withholding, as required by the Commission. Therefore, we will accept this language.

6. Physical Withholding and Unavailability of Facilities

a. September 2013 Order

197. In the September 2013 Order, the Commission found that SPP had not explained its proposal under section 4.6.4.2 of Attachment AG that limits the Market Monitor’s reporting of physical withholding of transmission facilities to several circumstances including in 4.6.4.2(a), that limits such reporting to when one or more transmission constraints are binding, or a local reliability issue is active. The Commission required SPP to remove these conditions from the reporting of potential physical withholding of transmission facilities.²²⁹

b. November 2013 Compliance Filing

198. SPP proposes to remove the various conditions from provisions governing the reporting of potential physical withholding of transmission facilities, including section 4.6.4.2(a) of Attachment AG.

²²⁸ *Wholesale Competition in Regions with Organized Electric Markets*, Order No. 719, FERC Stats. & Regs. ¶ 31,281, at P 354 (2008), *order on reh’g*, Order No. 719-A, 74 Fed. Reg. 37,776 (Jul. 29, 2009), FERC Stats. & Regs. ¶ 31,292 (2009), *order on reh’g*, Order No. 719-B, 129 FERC ¶ 61,252 (2009).

²²⁹ September 2013 Order, 144 FERC ¶ 61,224 at P 380.

c. Commission Determination

199. While SPP has removed the various conditions from provisions governing the reporting of potential physical withholding of transmission facilities, including section 4.6.4.2(a) of Attachment AG, we find that SPP has not removed additional language within 4.6.4.2 that refers to the conditions in section 4.6.4.2(a). In particular, the previous section 4.6.4.2(b) (which is now section 4.6.4.2(a)) refers to the deleted section stating that “The transmission facility satisfies a condition in Section 4.6.4(d) or 4.6.4(e) of this Attachment AG and has been determined to have contributed to the constraints, congestion or Local Reliability Issues as described in Section 4.6.4.2(a) of this Attachment AG.” Accordingly, the Commission will require SPP to remove the following phrase from the end of section 4.6.4(a) (previously 4.6.4(b)): “and has been determined to have contributed to the constraints, congestion or Local Reliability Issues as described in Section 4.6.4.2(a) of this Attachment AG.” We will require SPP to make this revision in the compliance filing due within 30 days of the date of this order.

7. Variable Energy Resources

a. September 2013 Order

200. In the September 2013 Order, the Commission determined that SPP had not sufficiently explained how its monitoring and mitigation procedures apply to VERs. While SPP stated that it will monitor and mitigate VERs in the same way that it monitors and mitigates other resources, the Commission found that it failed to explain whether these monitoring and mitigation measures for economic withholding, physical withholding, unavailability of facilities and/or uneconomic production are appropriate for VERs, given their unique characteristics and risks of exercising market power. The Commission found that SPP failed to address whether all types of VERs warrant identical monitoring and mitigation measures during all five-minute dispatch intervals in the real-time market (e.g., when SPP applies persistence forecasting for dispatchable VERs). Further, the Commission stated that SPP had not demonstrated how various generic Tariff provisions will apply to VERs. In addition, the Commission found that SPP had not addressed: how the Market Monitor will monitor energy offers of VERs, given the unique characteristics of VERs and their use of forecasts; how monitoring and mitigation will apply if SPP uses its own forecast rather than the offer information submitted by a

VER; and how all facets of the Market Monitor's monitoring and mitigation approach will, or will not, apply to VERs.²³⁰ The Commission directed SPP to address these issues on compliance. In addition, the Commission required SPP to demonstrate whether its monitoring and mitigation measures for economic withholding, physical withholding, unavailability of facilities and/or uneconomic production are appropriate for dispatchable and/or non-dispatchable VERs and under which circumstances. The Commission directed SPP to address how these measures would be applied; and file any Tariff revisions necessary to provide these clarifications.²³¹

b. November 2013 Compliance Filing

201. SPP's witness, Dr. Mooney, testifies that VERs cannot, in general, be exempted from market power monitoring and mitigation. She states that in SPP, various wind farms are owned or controlled by market participants with sizeable market shares, and that several are located in Frequently Constrained Areas.²³² She maintains that these market participants could benefit from the exercise of market power. Dr. Mooney argues that with an exemption from the automatic mitigation process, a dispatchable VER on the importing side of a binding constraint could profitably raise its offer to the benefit of its other resources. According to Dr. Mooney, SPP's automatic mitigation process will not mitigate offers below \$25/MWh and that, historically, the economics of dispatchable VERs have not justified offers exceeding that amount. Accordingly, she contends that the Market Monitor does not expect the offers of dispatchable VERs to be mitigated. However, she testifies that an exemption from mitigation would create vulnerability in SPP's market design. She states that for similar reasons, SPP proposes to make dispatchable VER offers subject to market monitoring.²³³

²³⁰ *Id.* P 326 (citing October 2012 Order, 141 FERC ¶ 61,048 at PP 395, 414).

²³¹ *Id.*

²³² We note that SPP filed its proposed Frequently Constrained Areas in ER12-1179-014 on December 16, 2013. This proposal is pending before the Commission.

²³³ November 2013 Compliance Filing, Exhibit No. SPP-13 at 17.

202. Dr. Mooney testifies that SPP does not propose to make non-dispatchable VERs subject to mitigation and monitoring for economic withholding. According to Dr. Mooney, non-dispatchable VERs cannot set prices, cannot economically withhold, and cannot have their offers mitigated because they are always price takers in the market. Thus, she concludes that non-dispatchable VERs will not be captured by the mitigation and/or monitoring processes for economic withholding.²³⁴

203. According to Dr. Mooney, the Market Monitor will monitor and mitigate both dispatchable and non-dispatchable VERs for physical withholding, including for capacity deratings that are inconsistent with the wind forecast, outages, and sizeable deviations from dispatch instructions. She states that SPP could mitigate a physical offer parameter in response to a recommendation from the Market Monitor; however, this would only occur after the Market Monitor has determined that the withholding affected prices and after consultation with the market participant to assess the validity of the offer parameter, as described in section 3.6 of Attachment AF.²³⁵

204. Dr. Mooney addresses how the Market Monitor will monitor the maximum output limits and other forecasting information submitted by VERs in the real-time balancing market and RUC processes to ensure that the relevant resources are not engaging in physical withholding. She testifies that the Market Monitor will use the SPP wind forecast to monitor the maximum output limits submitted by VERs, and that the potential for inconsistency among the SPP wind forecast, market participant wind forecasts, and the real-time output will be taken into consideration. According to Dr. Mooney, further investigation into potential physical withholding will occur only when the resource has local market power and has affected market prices. Dr. Mooney testifies that in cases where SPP uses its own wind output forecast in place of a higher VER-submitted

²³⁴ *Id.* at 17-18.

²³⁵ *Id.* We note that section 3.6 of Attachment AF is formally classified as within the Economic Withholding section of the Tariff as it addresses mitigation of offer parameters. Physical withholding, as established in section 4.6.4 of Attachment AG, is only subject to automatic mitigation if it is detailed in Attachment AF. Otherwise, it is subject to monitoring and reporting to the Commission under section 4.6.4 of Attachment AG, and not to automatic mitigation.

economic maximum operating limit, the Market Monitor will base its monitoring and mitigation on the SPP wind output forecast as the economic maximum operating limit.²³⁶

205. Dr. Mooney states that SPP will monitor and mitigate for unavailability of facilities and uneconomic production. The Market Monitor will also monitor for unavailability of dispatchable and non-dispatchable VERs consistently with its monitoring of outages for other generating resources. According to Dr. Mooney, the Market Monitor will monitor for uneconomic production of VERs that overload congested transmission constraints and thereby affect prices. Dr. Mooney states that this could include dispatchable VERs generating above the resource's operating tolerance or when the offer is less than 50 percent of the mitigated offer. She states that non-dispatchable VERs will be monitored as self-committed resources and may be investigated for uneconomic production if the "[r]esource's [locational marginal price] is below its incremental cost of production."²³⁷ She points to section 4.6.1 of Attachment AG, which provides that the monitoring process involves determining whether "the uneconomic production is not obviously justified by reliability or other operational concerns."²³⁸

206. SPP proposes several Tariff revisions to address the monitoring and mitigation of VERs. In section 3.2D of Attachment AF, which addresses costs that may be included in mitigated offers for energy offer curves, SPP proposes new language to allow mitigated energy offer curves for VERs to include, but not to exceed, any quantifiable costs that vary by MWh output, including short-run Variable Operating and Maintenance costs. Dr. Mooney contends that, because wind resources incur few variable production costs, the mitigated energy offer is expected to be near zero. She maintains that the provision to allow for "any quantifiable costs that vary by MWh" provides the market participant some flexibility to include other documented costs that it can justify as short-run marginal costs to the Market Monitor, such as costs associated with lost revenues resulting from production subsidies such as production tax credits. The treatment of

²³⁶ *Id.* at 19.

²³⁷ *Id.* We presume that this refers to a situation where the resource's offered price is below its incremental cost of production.

²³⁸ *Id.*

start-up and no-load costs for VERs is reflected in revisions to sections 3.3C and 3.3D of Attachment AF. As proposed, section 3.3C provides that the mitigated start-up offer for VERs shall be zero because VERs do not include start-up costs. Similarly, section 3.3D would provide that the mitigated no-load offer for VERs shall be zero because VERs do not incur no-load costs.²³⁹

c. Commission Determination

207. We find that SPP has satisfied the Commission's directive in the September 2013 Order to explain whether its monitoring and mitigation measures for economic withholding are appropriate for non-dispatchable VERs. In particular, we agree with SPP that mitigation of non-dispatchable VERs for economic withholding of the energy offer curve under Attachment AF is unnecessary, because those resources are unable to set prices. Accordingly, we will require SPP to submit, in the compliance filing due within 30 days of the date of this order, Tariff revisions to provide in section 3.2 of Attachment AF that the mitigation of economic withholding for energy offer curves will not be applied to non-dispatchable VERs, but that monitoring will occur for energy offers of such resources. We note that, with this change, mitigation of non-dispatchable VERs will continue to occur under sections 3.4 (Operating Reserve Offers) and 3.6 (Additional Mitigation Measures for Resource Offer Parameters) of Attachment AF, as applicable.

208. We agree that there should be monitoring and mitigation of all offer parameters of dispatchable VERs. Under Attachment AF, when the specified conditions are met, monitoring and mitigation occurs with respect to offer parameters such as the price curve, time based parameters such as ramp rates, and non-time based parameters such as economic minimums or economic maximums. We will conditionally accept SPP's proposed language in section 3.2D of Attachment AF that discusses the costs that may be included for VERs. However, we will require SPP to submit Tariff revisions limiting the applicability of section 3.2D to dispatchable VERs, rather than to VERs generally, in the compliance filing due within 30 days of the date of this order. We will also accept SPP's proposed mitigated offer levels of zero for start-up and no-load offers.

209. We find that SPP must apply the existing Tariff provisions under Attachment AG to both dispatchable and non-dispatchable VERs, consistent with the provisions relating

²³⁹ *Id.* at 19-20.

to other types of resources. We agree with SPP that these resources may exercise market power via physical withholding, unavailability of facilities or uneconomic production. Under Attachment AG, physical withholding behaviors associated with section 4.6.4 of Attachment AG are subject to monitoring but not mitigation by SPP or its Market Monitor. Instead, these behaviors are subject to referral to the Commission's Office of Enforcement under section 4.6.4.3 of Attachment AG. This group of behaviors would include the outages, and sizeable deviations from dispatch instructions cited by Dr. Mooney. As required in the September 2013 Order, SPP is not to limit the reporting of such physical withholding to circumstances where the impact tests established in Attachment AF are violated.²⁴⁰ We also note that pursuant to SPP's Tariff, the SPP's Market Monitor does not mitigate uneconomic production and unavailability of facilities. Rather, its responsibility is to monitor for these behaviors and to refer them to the Commission's Office of Enforcement, as specified in section 4.6.

8. Mitigation of Demand Response

a. September 2013 Order

210. In the September 2013 Order, the Commission determined that SPP must provide consistent treatment between demand response resources when considering generally applicable parameters. The Commission stated that the concern here is similar to the concerns regarding opportunity costs for all resources, as explained in the section of that order focusing on mitigated offer development by a market participant. The Commission found that SPP must develop a consistent plan for dealing with those operating parameters that are generally applicable to all demand response resources.²⁴¹ For example, SPP should consider whether opportunity costs for limited starts should be tied to prices in other hours such as average or peak hours, and if the latter, to which peak

²⁴⁰ September 2013 Order, 144 FERC ¶ 61,224 at PP 379-380.

²⁴¹ As the Commission stated in Order No. 719, limits on duration, frequency, and the amount of service in a demand response resource's bid are comparable to the limits generators may specify on price, quantity, startup and no-load costs. *See* Order No. 719, FERC Stats. & Regs. ¶ 31,281 at P 81.

hours. Accordingly, the Commission directed SPP to explain its treatment of generally applicable operating parameters for mitigated offers of demand response resources.²⁴²

211. The Commission found that SPP had not sufficiently addressed how physical withholding standards should be applied to demand response, and how it can be determined that the resource is simply using its capacity rather than physically withholding from the market. The Commission concluded that it is not clear what a derating or forcing out of service means in the context of a demand response resource. The Commission also found it is unclear how SPP would address the operation of a demand response resource in an uneconomic manner or a declaration that a demand response resource's capability to provide energy is reduced. Moreover, the Commission found it unclear how this analysis would occur for demand response resources, of any changes in offer parameters such as ramp rates or economic and emergency limits; or in operating parameters such as a resource's availability for dispatch, maximum duration for the dispatch, maximum amount of energy per day or week that a resource could produce, and limitations related to the primary operation of the facility. Therefore, the Commission required SPP to clarify and provide Tariff revisions, as necessary, to account for how the Market Monitor will apply physical withholding standards to demand response.²⁴³

b. November 2013 Compliance Filing

212. SPP provides testimony from Dr. Mooney to explain that SPP's proposal for the development of mitigated offers of demand response resources will use the same mitigated offer development process that SPP will use for other generating resources. According to Dr. Mooney, if a demand response resource faces a run-time restriction, the same opportunity cost policy and calculation described above for resources facing an externally imposed run restriction would apply. For demand response resources that reduce load, opportunity costs associated with load reduction, such as the forgone profits from modifying primary production operations, may be included because they reflect the implications of market availability. Dr. Mooney explains that the Market Monitor will review and approve the explicit and implicit costs included in the mitigated offer of load

²⁴² September 2013 Order, 144 FERC ¶ 61,224 at P 339.

²⁴³ *Id.* P 340.

reducing demand response resources on a case-by-case basis. She states that limits on the number of hours a demand response resource can be available for load reduction to SPP will not be incorporated as opportunity costs associated with externally imposed run-time limitations. She maintains that the calculation of opportunity costs for load reducing demand response resources does not require further consideration of the distribution of market prices across hours.²⁴⁴

213. In response to the Commission's compliance directive that SPP explain its physical withholding standards, Dr. Mooney testifies that there are three physical withholding standards described in section 4.6.4 of Attachment AG that apply to generating resources.²⁴⁵ First, Dr. Mooney asserts that unavailable demand response resources utilizing behind-the-meter generation will be held to the standard of verifiability, stating that an unverifiable derating for a load-reducing demand response resource would include a sizeable decrease in the maximum capacity offered to the market. Second, Dr. Mooney states that the refusal to provide offers or schedules for resources with market power will be applied to demand response resources utilizing behind-the-meter generation that have local market power. Third, any demand response resource that does not consistently respond to dispatch, especially in the presence of market power may be deemed to be physically withholding. Dr. Mooney asserts that it is important to include demand response resources in these provisions as they may be owned or operated by entities with local market power. She states that for demand

²⁴⁴ November 2013 Compliance Filing, Exh. No. SPP-13 at 21-22.

²⁴⁵ Section 4.6.4 of Attachment AG provides that physical withholding and unavailability of facilities with respect to a resource may include: (1) declaring that a resource has been derated, forced out of service or otherwise been made unavailable for technical reasons that are untrue or that cannot be verified; (2) refusing to provide offers or schedules for a resource when it would otherwise have been in the economic interest to do so without market power; (3) operating a resource in real-time to produce an output level that is less than the dispatch instruction; or (4) declaring that the capability of a resource to provide energy or operating reserves is reduced for reasons that are not true or verifiable. Section 4.6.4 also addresses physical withholding and unavailability of facilities with respect to transmission facilities.

response resources using behind-the-meter generation, these standards would apply consistent with other generating resources.²⁴⁶

214. Dr. Mooney testifies that if, through its monitoring for physical withholding under section 4.6.4, the Market Monitor investigates a market participant representing a demand response resource, it will evaluate historical load patterns and contact the market participant to better understand the situation. She states that the Market Monitor will take into consideration any findings regarding the use of capacity, but that a market participant's own use of the capacity does not preclude a referral to the Commission for physical withholding. According to Dr. Mooney, a demand response resource could affect prices to the benefit of its other resources through such behavior.²⁴⁷

215. With respect to the application of the monitoring of uneconomic production to demand response resources, Dr. Mooney states that proposed section 4.6.1 of Attachment AG is to exclude demand response resources from the uneconomic production monitoring process used for other resources. According to Dr. Mooney, because the Market Monitor has determined that a demand response resource, especially a load reducing demand response resource cannot readily add excessive uneconomic energy to the grid, monitoring for such behavior need not follow the same standards. She states that, should circumstances arise suggesting possible uneconomic behavior involving a demand response resource, the foregoing exclusions does not preclude the Market Monitor from initiating an investigation.²⁴⁸

c. Protests

216. TDU Intervenors contend that SPP has not demonstrated that the Market Monitor can consistently verify mitigated offers for demand response resources. They argue that SPP has not explained how it will provide for consistent inclusion of forgone profits in demand response resource's mitigated offer curves. They maintain that this general parameter requires a significant amount of judgment, and SPP has not demonstrated that

²⁴⁶ *Id.* at 22-23.

²⁴⁷ *Id.* at 23.

²⁴⁸ *Id.* at 23-24.

the Market Monitor has the authority or expertise to ensure similarly situated demand response resources will have similar mitigated offer curves. According to TDU Intervenors, because “forgone profits” could be very large for some demand response resources, it is even more important that the Market Monitor have a consistent way of assessing these opportunity costs. TDU Intervenors maintain that demand response resources that reduce load are likely to have market power only during shortage conditions – a time when it is most important that mitigated offer curves are calculated correctly. Accordingly, they argue that the Commission should direct SPP to provide greater explanation of how it will ensure consistency of calculations of forgone profits for demand response resources.²⁴⁹

d. Commission Determination

217. We will conditionally accept SPP’s explanation of the mitigation and monitoring that it proposes for demand response resources. We find that it is appropriate for the Market Monitor to review, on a case-by-case basis, the costs, including opportunity costs, to be in the mitigated offer of a load reducing demand response resource. However, we find that SPP has not sufficiently explained how it will determine forgone profits for inclusion in mitigated offers of demand response resources such that any such costs are consistently developed in a manner that accurately reflects any such costs. Accordingly, we will require SPP to explain its approach in its compliance filing due within 30 days of the date of this order.

218. We also find that SPP has not provided in section 4.6.1 of Attachment AF that demand response resources would be excluded from the uneconomic production monitoring process used for other resources, as Dr. Mooney testifies. It appears that the language limiting the application of monitoring for uneconomic production in question was inadvertently placed in section 4.6.3 of Attachment AF, which addresses metric and threshold specifications associated with price divergences between the day-ahead and real-time markets. Accordingly, we will require SPP to submit, in the compliance filing due within 30 days of the date of this order, Tariff revisions to remove the sentence “The provisions of this Section 4.6.1 shall not apply to “Demand Response

²⁴⁹ TDU Intervenors Comments at 14-15.

Resources,” and we direct SPP to insert this sentence into section 4.6.1 of Attachment AF such that it is the last sentence of that section.

9. Monitoring and Mitigation of Virtual Bids and Offers

a. September 2013 Order

219. In the September 2013 Order, the Commission accepted SPP’s compliance filing that modified the term similar, with “electrically.”²⁵⁰ However, the Commission determined that SPP’s proposed definition of “electrically similar” as “any settlement location that fails the divergence test” under section 4.6.3 of Attachment AG to be unresponsive to the Commission’s requirement that SPP define the term “electrically similar” for the purposes of section 4 of Attachment AF. Instead, the Commission explained that this “definition” would, at best, appear to refer to any and all points at which there is a sufficient divergence for mitigation under the section to be mitigated along with other points that have such a sufficient divergence. Accordingly, the Commission required SPP to further explain this provision, and to propose modification to section 4 of Attachment AF that would implement its intention in its compliance filing.²⁵¹

²⁵⁰ In the October 2012 Order, the Commission found that it was not clear what SPP meant by its proposal to mitigate virtual offers and bids by a market participant at similar settlement locations, when it determines that there is excessive divergence between day-ahead and real-time balancing market locational marginal prices caused by that market participant under section 4.6.3 of Attachment AG. The proposal had provided that the mitigation measures will restrict the market participants that caused the divergence from submitting any virtual energy bids or virtual energy offers at the settlement location or similar settlement locations where the market participant’s virtual energy bids or virtual energy offers caused the excessive divergence. The Commission also required SPP to insert the term “electrically” before “similar” in the phrase “similar Settlement Locations” in section 4.0 of Attachment AF, and to define the term “electrically similar” therein. October 2012 Order, 141 FERC ¶ 61,048 at P 458.

²⁵¹ September 2013 Order, 144 FERC ¶ 61,224 at P 383.

b. November 2013 Compliance Filing

220. SPP proposes to modify section 4 of Attachment AF to define an electrically similar settlement location. SPP defines it to be any settlement location with a shift factor to a congested flowgate of the same sign and of a magnitude equal to or exceeding that of a settlement location where the Market Monitor has determined that the market participant's virtual energy bids or virtual energy offers caused excessive divergence, as described under section 4.6.3 of Attachment AG. Dr. Mooney states that, in practice, this may prohibit a market participant from virtual energy trading at settlement locations vulnerable to the same price impacts as those that experienced day-ahead/real-time price divergence, even if the prices at the "electrically similar" locations did not exceed the divergence threshold. According to Dr. Mooney, the import of these changes is to better explain when and where SPP may mitigate for excessive divergence and to clarify that such mitigation may occur at multiple settlement locations, provided that they are "electrically similar."²⁵²

c. Commission Determination

221. We find that SPP's proposed definition of electrically similar locations that would be subject to disqualification for virtual trades would unnecessarily limit virtual bids and offers without sufficient justification. SPP's proposal would prevent a market participant found to cause an unacceptable divergence in one location from making a virtual bid or offer in a second location, even if the market participant is not causing unacceptable divergence at the second location, and even if the two locations do not even affect the same flowgate. SPP has not justified such a limitation. We note that SPP's proposal could prevent virtual bids and offers that do no harm or that even work to minimize the divergence between day-ahead and Real-Time prices at those additional locations. Accordingly, we find that SPP has not justified using a screen of a similar shift factor for another congested location for a market participant, via SPP's proposed definition of electrically similar, to prevent offers from a market participant in those additional locations. Rather, SPP should evaluate and react to unacceptable price divergence where it actually occurs.

²⁵² November 2013 Compliance Filing, Exh. No. SPP-13 at 24.

222. For reasons discussed above, we will require SPP to submit, in the compliance filing due within 30 days of the date of this order, Tariff revisions to remove the following language:

and at any electrically similar Settlement Location. An electrically similar Settlement Location, for purposes of this section, is any Settlement Location with a shift factor to a congested flowgate of the same sign and of a magnitude equal to or exceeding that of a Settlement Location where the Market Monitor has determined that the Market Participant's Virtual Energy Bids or Virtual Energy Offers caused excessive Divergence described under Section 4.6.3 of Attachment AG.

G. Miscellaneous Compliance Issues

223. We will require one minor revision in section 2.2(9) of Attachment AE. At the beginning of the first sentence of this section, SPP should move the phrase “or wholesale” between “retail” and “customer.” SPP should include this revision in its compliance filing due 30 days after the issuance of this order.

1. Readiness and Reversion Plans

a. September 2013 Order

224. In the September 2013 Order, the Commission conditionally accepted SPP's Readiness and Reversion Plans Filing, subject to additional filings.²⁵³ However, the Commission found that SPP's Readiness and Reversion Plans Filing failed to address the Market Monitor implementation plan and a timeline required by the October 2012

²⁵³ In the October 2012 Order, the Commission conditionally accepted SPP's proposed Integrated Marketplace filing subject to, among other things, SPP submitting its proposed Readiness and Reversion Plans Filing by March 2013. This requirement was consistent with SPP's representations in the February 2012 Filing that it would make the Readiness and Reversion Plans Filing by March 2013. October 2012 Order, 141 FERC ¶ 61,048 at P 499.

Order.²⁵⁴ Therefore, the Commission required SPP to provide its Market Monitor implementation plan to ensure that the Market Monitor has access to sufficient market data, resources, and personnel to carry out its functions in the Integrated Market. The Commission also required SPP to include in the compliance filing a timeline that ensures that appropriate operations, staff, and resources are in place for the Market Monitor by the Integrated Marketplace's proposed effective date.²⁵⁵

225. Additionally, the Commission noted that when MISO submitted a similar Readiness and Reversion Plans Filing ahead of the launch of its energy markets, the Commission required MISO to explain how the transition of functional responsibilities will not affect reliability.²⁵⁶ In order to help facilitate launch of the Integrated Marketplace, the Commission found that a similar requirement would benefit SPP and its stakeholders and directed SPP to explain in a compliance filing how the transition of functional responsibilities will not adversely affect reliability.

226. The Commission also conditionally accepted SPP's proposed Reversion Plan subject to a compliance filing. The Commission noted that SPP's Reversion Plan is similar to the Reversion Plan filed by MISO when it launched its energy markets. While SPP included the same timeframes as required of MISO, the Commission found that SPP's Reversion Plan did not state that should SPP revert back to the Energy Imbalance Service Market, the window for invoking the plan will start anew upon the restart of the Integrated Marketplace.²⁵⁷ Accordingly, SPP was directed to revise its Reversion Plan to

²⁵⁴ The Commission required SPP to include in the readiness plan the Market Monitor's implementation plan to explain the timeline to ensure appropriate operations, staff, and resources are in place for the Market Monitor by the Integrated Marketplace's effective date. *Id.* P 462.

²⁵⁵ September 2013 Order, 144 FERC ¶ 61,224 at P 400.

²⁵⁶ *Id.* P 402.

²⁵⁷ The Commission required in MISO that the window would start again upon the restart of the MISO Day 2 operations. *Id.*

clarify that the window for invoking its plan will start again upon the restart of the Integrated Marketplace.²⁵⁸

b. November 2013 Compliance Filing

227. SPP submitted Exhibit No. 16 to provide an implementation plan and timeline to ensure the Market Monitor has appropriate operations, staff and resources in place by the Integrated Marketplace's proposed effective date. SPP also submitted Exhibit No. 17 to explain how the transition of functional responsibilities associated with the Integrated Marketplace will not adversely affect reliability. Additionally, SPP submitted Exhibit Nos. 18 and 19 containing redlined and clean versions, respectively, of the SPP Reversion Plan to clarify that the window for invoking its plan will start again upon the start of the Integrated Marketplace.

228. With regard to Exhibit No. 16, SPP submitted the implementation plan for the Market Monitor which describes the activities associated with ensuring the Market Monitor is ready for the new market.²⁵⁹ The Market Monitor's readiness categories include people readiness, data readiness, process readiness and exhibit readiness. SPP provides a timeline for its Market Monitor's implementation plan and explains that it has met all of its milestones in preparation for the launch of the Integrated Marketplace.²⁶⁰

229. SPP explains that it has expanded its market monitoring staff to include 14 members, and that the staff has completed a variety of training classes in preparation for the new market. Among other things, the staff member must understand the applicable market design and research how other market monitors look at the relevant data. In addition, SPP states that the Market Monitoring staff has participated in activities simulating market operations, SPP's structured market trials to test whether appropriate tests were being carried out, and will monitor market power screens and analyze the

²⁵⁸ *Id.* P 403.

²⁵⁹ November 2013 Compliance Filing, Exhibit No. SPP-16.

²⁶⁰ *Id.* at 3.

output, all in preparation for performing its market monitoring functions in the Integrated Marketplace.²⁶¹

230. In terms of data readiness, SPP states that the Market Monitor will access data from a comprehensive data warehouse. According to SPP, gaining access to this data is a key component to the Market Monitor's readiness. The data warehouse, and the Market Monitor's access to data, is housed under the SPP Business Intelligence project. Moreover, SPP explains that to achieve data readiness, the Market Monitor identified all of the metrics necessary to monitor the Integrated Marketplace. SPP states that this extensive list was compiled by the Market Monitor and required expertise in SPP's market design as well as the design of other markets in the United States. SPP adds that each metric was documented with a definition and description and finally computer code was written to pull the appropriate data from the source database.²⁶² The data were then organized by modeling the data and populating the data warehouse. Finally, the Market Monitor created graphic exhibits that it will use to monitor the market and publish reports.

231. In addition, SPP reports that the Market Monitor is working on new processes that will guide monitoring activities. These processes focus on manual activities that will be carried out by the Market Monitor. The Market Monitor also updated the Business Recovery Plan, which will be available for the Market Monitor to use in emergencies.²⁶³

232. With respect to Exhibit No. 17, SPP explains that it has instituted new processes and organizational structures to ensure that SPP's oversight of the bulk electric system is not compromised during the transition.²⁶⁴ SPP states that it has reorganized its

²⁶¹ *Id.*

²⁶² *Id.* at 4.

²⁶³ *Id.* at 5.

²⁶⁴ SPP, as the reliability coordinator, has the responsibility and decision-making authority to act and to direct actions to ensure the reliability within its area. To satisfy this responsibility, SPP has established tools, software, and procedures and has the required processes and agreements in place to share operating information and around-the-clock coordination of normal and emergency operating conditions as required by the

Operations department and installed shift supervisors who will provide around-the-clock oversight of all reliability aspects, including reliability coordination and balancing authority functions. According to SPP, this new structure will ensure better coordination between these two functional areas and better equip the organization to cover and report on real-time events. Additionally, SPP states that six operators will be designated as balancing coordinators, and they will support the Integrated Marketplace. Moreover, they are involved in structured market trials and system testing. SPP states that operators have been engaged to develop the processes and procedures necessary to support the balancing authority function.

233. SPP also explains that it will conduct parallel operations over a three-month period to fully test its market systems and processes with particular attention to those systems and processes affecting SPP's balancing authority function. SPP adds that during this test, the balancing authority function will be fully supported with the limited exception of physical response to automatic generation control. According to SPP, during the test it will not have full control over the automatic generation control because it will be controlled by the existing balancing authorities so that it may be controlled by the NERC's registered entity during the transition. Notwithstanding this limitation, a minimum of 15 deployment tests will be scheduled to thoroughly exercise and verify the balancing authority function to ensure it is completed validated for market start.

234. SPP also states that its reliability systems (i.e., the Inter-Control Center Protocol and Energy Management System) have been designed to be fully redundant, with dual power feeds, network paths and storage. Finally, SPP states that it participated in a balancing area readiness evaluation exercise earlier this year facilitated by member staff from the current balancing authorities. According to SPP, this enabled SPP staff to identify and remedy gaps prior to the formal balancing authority certification process required by NERC. SPP states that they expect a favorable recommendation from NERC regarding SPP's proposal to serve as the balancing authority for the SPP region. Finally, with respect to Exhibit Nos. 18 and 19, SPP included in the reversion plan the statement that that the window for invoking its plan will start again upon the restart of the Integrated Marketplace.

NERC standards. SPP states that its oversight as the reliability coordinator will not change with the Integrated Marketplace. *Id.*

c. Commission Determination

235. We find that SPP has complied with the requirements of the September 2013 Order to submit the Readiness and Reversion Plans filing requirements in the September 2013 Order. With respect to the Market Monitor implementation plan, we find that SPP has complied with the Commission's directive that SPP submit an implementation plan and timeline. SPP has provided a detailed plan with four readiness components to ensure that the Market Monitor will be able to execute its functions in the Integrated Marketplace as of the date of the market launch. SPP's plan also demonstrates that it has researched other markets in the United States to gain the expertise necessary at market start for successful monitoring of the Integrated Marketplace. Based on this record, we find SPP's Readiness and Reversion Plans Filing and the implementation plan for the Market Monitor are reasonable.

236. We also find that SPP has complied with the Commission's directive to explain how the transition of functional responsibilities associated with the Integrated Marketplace will not adversely affect reliability on SPP's system. SPP explained that some of its functions will not change with the new market but that, for those functions that will change, SPP has addressed the new responsibilities with organizational changes and new processes. SPP states that it expects a favorable recommendation from NERC on their proposal to serve as the balancing authority. On this basis, we find SPP's explanation reasonable and expect SPP to manage the transfer of functional responsibilities in a way that will not harm reliability.

The Commission orders:

(A) The proposed revisions to SPP's Tariff to comply with the September 2013 Order are conditionally accepted to become effective March 1, 2014, as requested, as discussed in the body of this order.

(B) SPP is required to make a 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.

Appendix A

Southwest Power Pool, Inc.

FERC FPA Electric Tariff

Open Access Transmission Tariff, Sixth Revised Volume No. 1

[Attachment AE \(MPL\), Attachment AE Integrated Marketplace, 0.3.0](#)

[Attachment AE \(MPL\) 1.1 D, Attachment AE \(MPL\) Section 1.1 D, 0.3.0](#)

[Attachment AE \(MPL\) 1.1 L, Attachment AE \(MPL\) Section 1.1 L, 0.2.0](#)

[Attachment AE \(MPL\) 1.1 R, Attachment AE \(MPL\) Section 1.1 R, 0.2.0](#)

[Attachment AE \(MPL\) 1.1 S, Attachment AE \(MPL\) Section 1.1 S, 0.2.0](#)

[Attachment AE \(MPL\) 2.2, Attachment AE \(MPL\) Section 2.2, 1.2.0](#)

[Attachment AE \(MPL\) 2.8, Attachment AE \(MPL\) Section 2.8, 0.2.0](#)

[Attachment AE \(MPL\) 2.8.1, Attachment AE \(MPL\) Section 2.8.1, 0.0.0](#)

[Attachment AE \(MPL\) 2.8.2, Attachment AE \(MPL\) Section 2.8.2, 0.0.0](#)

[Attachment AE \(MPL\) 2.11.1, Attachment AE \(MPL\) Section 2.11.1, 0.2.0](#)

[Attachment AE \(MPL\) 2.14, Attachment AE \(MPL\) Section 2.14, 0.1.0](#)

[Attachment AE \(MPL\) 2.15, Attachment AE \(MPL\) Section 2.15, 0.1.0](#)

[Attachment AE \(MPL\) 3.1.2, Attachment AE \(MPL\) Section 3.1.2, 0.2.0](#)

[Attachment AE \(MPL\) 3.1.3, Attachment AE \(MPL\) Section 3.1.3, 0.2.0](#)

[Attachment AE \(MPL\) 4.1.2, Attachment AE \(MPL\) Section 4.1.2, 2.2.0](#)

[Attachment AE \(MPL\) 5.2.2, Attachment AE \(MPL\) Section 5.2.2, 1.1.0](#)

[Attachment AE \(MPL\) 6.1.2, Attachment AE \(MPL\) Section 6.1.2, 1.1.0](#)

[Attachment AE \(MPL\) 6.2.4, Attachment AE \(MPL\) Section 6.2.4, 0.3.0](#)

[Attachment AE \(MPL\) 6.4.1, Attachment AE \(MPL\) Section 6.4.1, 0.3.0](#)

[Attachment AE \(MPL\) 7, Attachment AE \(MPL\) Section 7, 0.4.0](#)

[Attachment AE \(MPL\) 7.1.1, Attachment AE \(MPL\) Section 7.1.1, 0.2.0](#)

[Attachment AE \(MPL\) 7.1.3, Attachment AE \(MPL\) Section 7.1.3, 0.2.0](#)

[Attachment AE \(MPL\) 8.2, Attachment AE \(MPL\) Section 8.2, 0.5.0](#)

[Attachment AE \(MPL\) 8.2.1, Attachment AE \(MPL\) Section 8.2.1, 0.3.0](#)

[Attachment AE \(MPL\) 8.3.4, Attachment AE \(MPL\) Section 8.3.4, 1.1.0](#)

[Attachment AE \(MPL\) 8.5.16, Attachment AE \(MPL\) Section 8.5.16, 0.1.0](#)

[Attachment AE \(MPL\) 8.6.5, Attachment AE \(MPL\) Section 8.6.5, 0.3.0](#)

[Attachment AE \(MPL\) 8.6.6, Attachment AE \(MPL\) Section 8.6.6, 0.3.0](#)

[Attachment AE \(MPL\) 8.6.7, Attachment AE \(MPL\) Section 8.6.7, 1.1.0](#)

[Attachment AE \(MPL\) 8.6.16, Attachment AE \(MPL\) Section 8.6.16, 0.1.0](#)

[Attachment AE \(MPL\) Addendum 2, Attachment AE \(MPL\) Addendum 2, 0.1.0](#)

[Attachment AF Section 3, Attachment AF Section 3, 5.1.0](#)

[Attachment AF Section 4, Attachment AF Section 4, 1.2.0](#)

[Attachment AG Section 4, Attachment AG Section 4, 2.6.0](#)

Appendix B

Southwest Power Pool, Inc.

FERC FPA Electric Tariff

Additional Tariff Revisions for Manual Commitments

Section 5.2.2 of Attachment AE:

- (3) To the extent that a particular security constraint impacting only the Transmission System cannot be directly addressed within the SCUC algorithm and is not a Local Reliability Issue, the Transmission Provider may manually commit Resources and/or decommit Resources, including self-committed Resources to alleviate such a Transmission System security constraint in accordance with its authority as Reliability Coordinator. Such manual commitments shall be selected by the Transmission Provider in a non-discriminatory manner, which will be verified by the Market Monitor through the process described under Section 6.1.2.1 of this Attachment AE. Additionally, such manual commitments shall be selected by the Transmission Provider ~~using the process described under Section 4.5.2(3) of this Attachment AE~~ to ensure that commitment costs are minimized while adhering to Transmission System security constraints and the Resource operating parameter constraints submitted as part of the RTBM Offers. The r~~Recovery of the compensation paid by the Transmission Provider~~ for such committed Resources ~~received~~ under Section 8.6.5 of this Attachment AE shall be collected by the Transmission Provider regionally as described under Section 8.6.7(A) of this Attachment AE.
- (4) A Local Reliability Issue may arise during the Day-Ahead Reliability Unit Commitment process. Such Local Reliability Issues may require out of merit commitment, decommitment, or dispatch instructions to be issued to one or more Resources to resolve the reliability issue. In such cases, the Transmission Provider shall issue or the local transmission operator shall request the Transmission Provider to issue such instructions and any commitment by the Transmission Provider shall be based on the process set forth in Section 4.5.2(3) of this Attachment AE. ~~Such manual commitments shall be~~ selected by the Transmission Provider in a non-discriminatory manner, which will be verified by the Market Monitor through the process described under Section 6.1.2.1 of this Attachment AE. To the extent that the Transmission Provider, at the request of a local

transmission operator, issues instructions to a Resource to address a Local Reliability Issue, such Resource shall be eligible for compensation in the same manner as any other Resource. The rRecovery of the compensation paid by the Transmission Provider for such committed Resources received under Section 8.6.5 of this Attachment AE shall be collected by the Transmission Provider locally as described under Section 8.6.7(B) of this Attachment AE.

- (5) ~~In the event that the Transmission Provider issues instructions to a Resource at the request of a local transmission operator to resolve a reliability issue other than a Local Reliability Issue during the Day Ahead Reliability Unit Commitment process, any commitment by the Transmission Provider shall be based on the process set forth in Section 4.5.2(3) of this Attachment AE. Such manual commitments shall be selected by the Transmission Provider in a non-discriminatory manner, which will be verified by the Market Monitor through the process described under Section 6.1.2.1 of this Attachment AE. To the extent that the Transmission Provider, at the request of a local transmission operator, manually commits a Resource to address a reliability issue other than a Local Reliability Issue, such Resource shall be eligible for compensation in the same manner as any other Resource. Recovery of compensation for such committed Resources received under Section 8.6.5 of this Attachment AE shall be collected regionally as described under Section 8.6.7(A) of this Attachment AE.~~
- (6) The Transmission Provider, local transmission operator, and Resource owners shall develop operating guides to be applied to manual commitments made by the Transmission Provider, including such commitments made at the request of the local transmission operator ~~or by the local transmission operator~~ to relieve known and recurring Local Reliability Issues in the Day-Ahead RUC. Such Resources will be compensated in the same manner as any other Resource. The rRecovery of such compensation paid by the Transmission Provider for such committed resources received under Section 8.6.5 of this Attachment AE shall be collected by the Transmission Provider locally as described under Section 8.6.7(B) of this Attachment AE.

Section 6.1.2:

- (3) To the extent that a particular reliability issue impacting only the Transmission System cannot be directly addressed within the SCUC

algorithm and is not a Local Reliability Issue, the Transmission Provider may manually commit Resources and/or decommit Resources, including self-committed Resources to alleviate such Transmission System reliability issues. Such manual commitments shall be selected by the Transmission Provider in a non-discriminatory manner, which will be verified by the Market Monitor through the process described under Section 6.1.2.1 of this Attachment AE, ~~using the process described under Section 4.5.2(3) of this Attachment AE to~~ The Transmission Provider shall ensure that commitment costs are minimized while adhering to Transmission System security constraints and the Resource operating parameter constraints submitted as part of the RTBM Offers. ~~The r~~Recovery of the compensation paid by the Transmission Provider for such committed Resources ~~received~~ under Section 8.6.5 of this Attachment AE shall be collected by the Transmission Provider regionally as described under Section 8.6.7(A) of this Attachment AE.

- (4) A Local Reliability Issue may arise during the Intra-Day Reliability Unit Commitment Process. Such Local Reliability Issue may require out of merit commitment, decommitment, or dispatch instructions to be issued by the Transmission Provider to one or more Resources to resolve the Local Reliability Issue. Time permitting, the local transmission operator shall request the Transmission Provider to issue such instructions and any commitment by the Transmission Provider shall ~~be based on the process set forth in Section 4.5.2(3) of this Attachment AE.~~ ~~Such manual commitments shall~~ be selected by the Transmission Provider in a non-discriminatory manner, which will be verified by the Market Monitor through the process described under Section 6.1.2.1 of this Attachment AE. To the extent that the Transmission Provider issues instructions to a Resource at the request of a local transmission operator to resolve a Local Reliability Issue, the Resource shall be eligible for compensation in the same manner as any other Resource. ~~The r~~Recovery of the compensation paid by the Transmission Provider for such committed Resources ~~received~~ under Section 8.6.5 of this Attachment AE shall be collected by the Transmission Provider locally as described under Section 8.6.7(B) of this Attachment AE. To the extent time does not permit, the local transmission operator may issue such instructions to the Resource if the Local Reliability Issue is a Local Emergency Condition. In such cases, the following shall take place:

- (a) If initial instructions are issued by a local transmission operator, the transmission operator shall notify the Transmission Provider of the instructions given to the Resource.
- (b) The transmission operator and Transmission Provider will coordinate to ensure subsequent instructions are provided by the Transmission Provider.
- (c) The transmission operator shall log such instructions, and shall notify the Transmission Provider of such action. The Transmission Provider shall log such instructions as manual commitment, decommitment, or OOME Dispatch instruction, as appropriate, as if it gave such instruction to the Resource.
- (d) The Resource shall be eligible to receive the compensation for such instructions in the same manner as if it had been committed by the Transmission Provider; except that if the Market Monitor determines that the Resource selected in response to such instructions was selected in a discriminatory manner and the Resource was affiliated with the local transmission operator, such Resource shall not be eligible to receive compensation under Section 8.6.5 of this Attachment AE. Such determination shall be made by the Market Monitor using the standards and procedures set forth in Section 6.1.2.1 of this Attachment AE. Recovery of any compensation shall be collected by the Transmission Provider locally as described under Section 8.6.7(B) of this Attachment AE.
- (e) The Transmission Provider, local transmission operator, and Resource owners shall develop operating guides to be applied to manual commitments made by the Transmission Provider including such commitments made at the request of the local transmission operator or manual commitments made by the local transmission operator during a Local Emergency Condition to relieve known and recurring Local Reliability Issues in the Intra-Day RUC. Such Resources will be compensated in the same manner as any other Resource. The r~~Recovery of such the~~ compensation paid by the Transmission Provider ~~received~~ under Section 8.6.5 of this Attachment AE shall be collected by the Transmission Provider locally as described under Section 8.6.7(B) of this Attachment AE.

~~(5) In the event that the Transmission Provider issues instructions to a Resource at the request of a local transmission operator to resolve a reliability issue other than a Local Reliability Issue during the Intra-Day Reliability Unit Commitment process, any commitment by the Transmission Provider shall be based on the process set forth in Section 4.5.2(3) of this Attachment AE. Such manual commitments shall be selected by the Transmission Provider in a non-discriminatory manner, which will be verified by the Market Monitor through the process described under Section 6.1.2.1 of this Attachment AE. To the extent that the Transmission Provider, at the request of a local transmission operator, manually commits a Resource to address a reliability issue other than a Local Reliability Issue, such Resource shall be eligible for compensation in the same manner as any other Resource. Recovery of compensation for such committed Resources received under Section 8.6.5 of this Attachment AE shall be collected regionally as described under Section 8.6.7(A) of this Attachment AE.~~

Section 6.2.4:

(4) To the extent that the OOME was initiated directly by a local transmission operator to address a Local Emergency Condition, Market Participants shall be compensated for such OOME events in accordance with Section 8.6.6 of this Attachment AE as if they had been issued a Manual Dispatch Instruction by the Transmission Provider; except that if the Market Monitor determines that the Resource selected pursuant to Section 6.2.4(4) of this Attachment AE was selected by the local transmission operator in a discriminatory manner and the Resource was affiliated with the local transmission operator, such Resource shall not be eligible for compensation under Section 8.6.6 of this Attachment AE. Such determination shall be made using the same standards and procedures prescribed for Resource selection in the Intra-Day Reliability Unit Commitment process, as set forth in Section 6.1.2.1 of this Attachment AE. The rRecovery of any the compensation paid by the Transmission Provider shall be collected by the Transmission Provider locally as described under Section 8.6.7(B) of this Attachment AE.

~~(5) To the extent that the OOME was initiated by the Transmission Provider at the request of a local transmission operator to address a reliability issue other than a Local Emergency Condition, such Resources issued Manual Dispatch Instructions shall be selected by the Transmission Provider in a non-discriminatory manner, which will be verified by the Market Monitor~~

~~through the process described under Section 6.1.2.1 of this Attachment AE. In such event, Market Participants shall be compensated for OOME events in accordance with Section 8.6.6 of this Attachment AE. Recovery of such compensation shall be collected regionally as described under Section 8.6.7(A) of this Attachment AE.~~

- (6) To the extent that the OOME was initiated by the Transmission Provider at the request of a local transmission operator to address a Local Reliability Issue Emergency Condition, such Resources issued Manual Dispatch Instructions shall be selected by the Transmission Provider in a non-discriminatory manner, which will be verified by the Market Monitor through the process described under Section 6.1.2.1 of this Attachment AE. In such event, Market Participants shall be compensated for such OOME events in accordance with Section 8.6.6 of this Attachment AE. The rRecovery of the compensation paid by the Transmission Provider shall be collected by the Transmission Provider locally as described under Section 8.6.7(B) of this Attachment AE.
- (8) The Transmission Provider, local transmission operator, and affected Resource owners shall develop operating guides to be applied to OOMEs made by the Transmission Provider including such commitments made at the request of the local transmission operator to relieve known and recurring Local Reliability Issues or by the local transmission operator to relieve known and recurring Local Emergency Conditions. Such Resources will be compensated in the same manner as any other Resource that is issued OOME directives. The rRecovery of such the compensation paid by the Transmission Provider received under Section 8.6.6 of this Attachment AE shall be collected by the Transmission Provider locally as described under Section 8.6.7(B) of this Attachment AE.

Section 8.6.6:

An RTBM OOME payment will be made to each Asset Owner with a Resource that receives a Transmission Provider Manual Dispatch Instruction that creates a cost to the Asset Owner or that adversely impacts the Asset Owner's Day-Ahead Market position for Energy and/or Operating Reserve. Resources issued a Manual Dispatch Instruction by a local transmission operator that the Market Monitor determines were selected in a discriminatory manner by the local transmission operator, as

determined pursuant to Section 6.1.2.1 of this Attachment AE, and such Resources were affiliated with the local transmission operator are not eligible to receive a RTBM OOME payment. RTBM OOME payments made to Asset Owners that received a Manual Dispatch Instruction to address a Local Reliability Issue including a Local Emergency Condition shall be recovered locally as described under Section 8.6.7(B). RTBM OOME payments made to Asset Owners that received a Manual Dispatch Instruction to address a reliability issue other than a Local Reliability Issue ~~Emergency Condition~~ shall be recovered regionally under Section 8.8. The amount will be calculated on a Dispatch Interval basis as follows: