

147 FERC ¶ 61,010
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

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

MATL LLP

Docket No. ER14-1246-000

ORDER ON TARIFF REVISIONS

(Issued April 3, 2014)

1. In this order, we accept MATL LLP's (MATL) proposed revisions to its open access transmission tariff (OATT) to implement a capacity auction process for short-term transmission service, effective April 5, 2014.

I. Background

2. MATL is a merchant transmission owner that owns a 214-mile, 230-kV alternating current transmission line extending from Lethbridge, Alberta, Canada to Great Falls, Montana (Line). The Line has a rated capacity of 300 MW in both the northbound and southbound directions. MATL has been granted negotiated rate authority by this Commission.¹

3. In April 2013, when the Line was nearly completed, MATL filed revisions to its OATT to, among other things, change the process by which it would offer short-term firm and non-firm transmission capacity for sale. Specifically, MATL proposed to temporarily post the rates for these products on its Open Access Same-Time Information System (OASIS) rather than allowing potential customers to bid through an auction process, which is similar to MATL's auction process for long-term transmission capacity. MATL stated that, once it was ready to implement an auction process, it would file to revise Schedule 7, Firm Point-to-Point Transmission Service, of its OATT.

¹ *Montana Alberta Tie, Ltd.*, 116 FERC ¶ 61,071, at PP 26-49 (2006); *MATL LLP and Montana Alberta Tie, Ltd.*, 139 FERC ¶ 61,208, at PP 13-24 (2012) (Declaratory Order).

4. On June 28, 2013, the Commission conditionally accepted MATL's proposal, subject to MATL submitting a compliance filing to, among other things, revise Schedule 7 to implement a capacity auction process for short-term transmission service.²

5. The Line entered commercial operation in September 2013. MATL states that it has awarded all 300 MW of its northbound capacity to two customers under long-term contracts, but that it currently has no long-term southbound customers.

6. On February 3, 2014, MATL submitted the instant filing. MATL proposes to revise Schedule 7 to implement a capacity auction process for the sale of short-term firm transmission service. MATL proposes to conduct auctions on a weekly and daily basis, beginning on August 1, 2014. During each weekly capacity auction, MATL proposes to offer three short-term firm transmission products: (1) Balance of Calendar Year; (2) Prompt Quarter (the next full calendar quarter); and (3) Monthly. During the daily capacity auctions, MATL proposes to offer three firm transmission products: (1) Daily (the 24-hour calendar day); (2) Heavy Load Hours (between 6am and 10pm); and (3) Light Load Hours (between 10pm and 6am). MATL states that an independent third party will administer all of the short-term capacity auctions and that MATL will have no role in determining which bidders receive capacity awards.³

7. MATL explains that, before the start of each auction, it will establish a confidential minimum bid price requirement that will not change during the auction. Once the auction closes, the independent third party will award capacity based on the longest-term service for which bids are cleared, and then will adjust the available transmission capacity downward following each award to determine the amount of capacity available for the next longest term of service.⁴ MATL proposes to award bids in descending price order and to establish a uniform clearing price based on the price of the last 1 MW of capacity awarded in the auction. MATL states that, under its process, the independent administrator will first conduct the weekly auctions and then will conduct daily auctions to sell off any capacity remaining after the weekly auctions. MATL adds that any capacity offered in the daily auctions that is not awarded will then be made available as non-firm service, with rates posted on its OASIS.

8. MATL states that, following each auction, it will post the amount of capacity awarded, the clearing prices, and the identity of the winning bidders of each auction on its OASIS within one hour of the auction's close. In addition, MATL states that,

² *MATL LLP*, 143 FERC ¶ 61,296, at P 36 (2013) (June 28 Order).

³ Filing at 3.

⁴ *Id.* at 4.

six months after each auction, it will post on its OASIS the confidential minimum bid price requirement and information regarding the bids that did not clear.⁵ Finally, MATL states that, on or about February 28 and August 30 each year, it will submit an informational filing with the Commission that includes the data posted on its OASIS, including (under seal) the identity of the bidders.

9. MATL also proposes other revisions to Schedule 7 that it states are in the nature of conforming, clarifying, or clean-up changes. In addition, MATL requests waiver of the requirement to provide rate or revenue comparisons that would otherwise be required under section 35.13 of the Commission's regulations⁶ because the instant filing does not change its overall revenue requirement or impact the rates of its long-term firm customers. MATL requests that its proposed revisions become effective 60 days after filing, which is April 5, 2014.⁷

II. Notice and Responsive Pleadings

10. Notice of MATL's filing was published in the *Federal Register*, 79 Fed. Reg. 7656 (2014), with interventions and protests due on or before February 24, 2014. A timely motion to intervene was filed by PPL EnergyPlus, LLC and PPL Montana, LLC (jointly, PPL). A timely motion to intervene and comments was filed by Powerex Corp. (Powerex). On March 11, 2014, MATL filed an answer to Powerex's comments.

11. Powerex argues that MATL should post the confidential minimum bid price and bid details immediately after each auction, rather than six months after, as MATL proposes. Powerex asserts that posting this information immediately after the awarding of bids is essential to ensure transparency in MATL's auction process and to enable unsuccessful bidders to determine if they were treated fairly before the awarded transmission service commences. Powerex contends that there is no reason why MATL cannot post this information immediately following the awarding of capacity, similar to the OASIS posting requirements for simultaneous submission windows used for awarding short-term transmission capacity.⁸ Powerex argues that, as proposed, MATL's

⁵ This information will include the price offered and amount in MWs requested for each bid, but does not identify the bidders. *Id.* at 8.

⁶ 18 C.F.R. § 35.13 (2013).

⁷ Although MATL stated that its requested effective date is April 4, 2014, absent waiver of prior notice, which MATL did not seek, the earliest possible effective date is April 5, 2014.

⁸ Powerex Comments at 7.

plan to post the minimum bid price requirement and bid details six months after the auction fails to provide the level of transparency critical to the Commission's OATT framework.

12. In its answer, MATL argues that its proposal is sufficiently transparent and that the Commission should accept its filing without any further modifications. MATL argues that posting the minimum bid price and bid data immediately following each auction is unnecessary because the information posted one hour after each auction will provide market participants with substantial transparency. MATL explains that this information—the amount of capacity awarded, the clearing prices, and the identity of the winning bidders—will serve as a valuable tool to shape market participants' bidding strategies in subsequent auctions. MATL adds that market participants may submit multiple bids, which include a minimum amount of acceptable capacity, in each auction in order to conduct minimum bid price discovery. Moreover, MATL argues that market participants will have access to information about the auction that is fully comparable to that which the Commission has required in open seasons.⁹

13. MATL asserts that posting the minimum bid price and bid data six months following each auction is essential to ensure that market forces, rather than posted prices, determine the value for transmission service over the Line. MATL contends that the Commission has previously required regional transmission organizations to release bid and offer data only after a sufficient lag time has elapsed in order to avoid anti-competitive behavior and the possibility of collusion.¹⁰ For example, MATL states that PJM Interconnection, L.L.C. and Midcontinent Independent System Operator, Inc. release energy bid data in an anonymous fashion after delays of four and three months, respectively. Thus, MATL argues that its proposal to post the minimum bid price and bid data six months after each auction is sufficiently transparent.

14. Finally, MATL states that it has contracted with TranServ International, Inc. (TranServ) to run its weekly and daily auctions and that MATL will have no role in determining the outcome of the auctions.¹¹ MATL further states that, if Powerex, or any

⁹ MATL Answer at 6-7 (citing *Plains and Eastern Clean Line LLC and Plains and Eastern Clean Line Oklahoma LLC*, 140 FERC ¶ 61,187, at P 25 (2012)).

¹⁰ *Id.* at 8-9 (citing *Wholesale Competition in Regions with Organized Electric Markets*, Order No. 719, FERC Stats. & Regs. ¶ 31,281 (2008), *order on reh'g*, Order No. 719-A, FERC Stats. & Regs. ¶ 31,292, at PP 151, 157 (2009), *order on reh'g*, Order No. 719-B, 129 FERC ¶ 61,252 (2009)).

¹¹ In addition, MATL states that Open Access Technology International Inc. will design and implement the auction software. MATL Answer at 4.

other bidder, believes that its bid was inappropriately rejected, it can contact TranServ and a representative will review and confirm that the bids results were correct.¹² MATL also reaffirms that it has no affiliates who would participate in the auctions or take service over the Line.

III. Discussion

A. Procedural Matters

15. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2013), the timely, unopposed motions to intervene serve to make PPL and Powerex parties to this proceeding.

16. 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 unless otherwise ordered by the decisional authority. MATL's answer has assisted us in our decision-making process and we will, therefore, accept it.

B. Commission Determination

17. We will accept MATL's proposal to revise Schedule 7 of its OATT to implement a capacity auction process for the sale of short-term transmission service over the Line, including MATL's proposal to post the minimum bid price and bid data six months after each auction. We find that MATL's proposal will lead to results that are just and reasonable and not unduly discriminatory.

18. MATL has proposed a new auction process to help market its available transmission capacity and generate additional revenue. As explained in the instant filing, MATL will offer its available capacity for short-term service through an auction mechanism administered by an independent third party, TranServ. MATL will then provide TranServ with a minimum bid price that it believes is sufficiently marketable but still provides sufficient revenue. Further, MATL reaffirms that none of its affiliates will participate in the auction process or take service over the Line.¹³

19. As discussed above, MATL has the economic incentive to set its minimum bid price at a competitive rate because it has every incentive to maximize its short-term revenues in the absence of firm contractual commitments. Unsold capacity contributes nothing to MATL's revenues. TranServ, as an independent market operator, will administer all of MATL's short-term auctions and post the winning bids on MATL's

¹² *Id.* at 5, 11.

¹³ MATL Answer at n.3, 4-5.

OASIS within one hour of each auction's close. None of MATL's affiliates will participate in the auctions or take service over the Line and all winning bidders will pay the same uniform clearing price.

20. We also find that MATL's proposal provides adequate transparency. Given that MATL's auctions will occur on a frequent basis and the results will be posted on its OASIS within an hour of each auction, we believe that regular bidders will be able to develop informed decisions on how transmission capacity is valued in the marketplace. Further, TranServ's role in administering the auctions will help ensure that the auctions are conducted according to the stated procedures and that no participant is unduly discriminated against. Thus, we find that Powerex's concerns regarding transparency and potential discrimination are unfounded and that MATL's proposal, including the posting of the minimum bid price and bid data six months after each auction, is sufficiently transparent.

The Commission orders:

MATL's proposed OATT revisions are hereby accepted for filing, effective April 5, 2014, as discussed in the body of this order.

By the Commission.

(S E A L)

Nathaniel J. Davis, Sr.,
Deputy Secretary.