

148 FERC ¶ 61,145
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Cheryl A. LaFleur, Chairman;
Philip D. Moeller, Tony Clark,
and Norman C. Bay.

Southwest Power Pool, Inc.

Docket Nos. ER14-1653-000
ER14-1653-001

ORDER CONDITIONALLY ACCEPTING TARIFF REVISIONS

(Issued August 29, 2014)

1. In this order we conditionally accept for filing Southwest Power Pool, Inc.'s (SPP) proposed revisions to its Open Access Transmission Tariff (Tariff) to make ministerial revisions to its Tariff and to refine aspects of the Integrated Marketplace, subject to a compliance filing due within 30 days of the date of this order. We grant SPP's request for waiver of the 60-day prior notice requirement, and accept the Tariff revisions to be effective March 1, 2014 and May 1, 2014, as discussed below.

I. Filing

2. On April 3, 2014, SPP submitted, pursuant to section 205 of the Federal Power Act (FPA),¹ revisions to its Tariff (April 3 Filing). SPP terms its submittal a "clean-up filing" to align the Tariff with previous Commission orders and to modify the Tariff as authorized by the SPP Board of Directors. SPP requests an effective date of March 1, 2014, the commencement date of the Integrated Marketplace, for certain revisions. SPP requests an effective date of May 1, 2014 for its credit policy Tariff revisions to Attachment X, Article 5A.

SPP proposes to revise Attachment AE (Integrated Marketplace) and Attachment AO (Agreement Establishing A Pseudo-Tie Electrical Interconnection Point) of the Tariff to permit: (1) load external to the SPP balancing authority to be served by the SPP balancing authority and (2) resources and load internal to SPP to function as part of an external balancing authority.² SPP's current Tariff only permits resources external to the SPP balancing authority to participate in the Integrated Marketplace if pseudo-tied, and

¹ 16 U.S.C. § 824d (2012).

² Transmittal at 12-16.

SPP states that it intends to treat all pseudo-tie arrangements consistent with the existing treatment of external resources pseudo-tied into SPP.

II. Notice of Filings and Responsive Pleadings

3. Notice of SPP's filing was published in the *Federal Register*, 79 Fed. Reg. 20,193 (2014), with interventions and protests due on or before April 24, 2014. Alabama Power Company, Georgia Power Company, Gulf Power Company, and Mississippi Power Company, by and through their agent Southern Company Services, Inc. (collectively, Southern) submitted a motion to intervene and protest. On May 9, 2014, SPP filed an answer to Southern's protest. On May 22, 2014, Southern filed an answer to SPP's answer.

4. On May 30, 2014, Commission staff issued a deficiency letter requesting further information regarding SPP's filing. On July 2, 2014, SPP submitted its response to the deficiency letter. Also on July 2, 2014, SPP submitted a motion requesting that the Commission accept out-of-time its response to the deficiency letter. SPP states that it submitted its deficiency response one day out-of-time due to technical difficulties with the Commission's e-Filing website. SPP states that good cause exists to grant its motion and allow it to submit its response because doing so will allow SPP to answer the questions in the deficiency letter.³

5. Notice of SPP's response to the deficiency letter was published in the *Federal Register*, 79 Fed. Reg. 40,747 (2014), with interventions or protests due on or before July 23, 2014. On July 23, 2014, Southern submitted a protest in response to SPP's response to the deficiency letter.

III. Discussion

A. Procedural Matters

6. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2014), the timely, unopposed motion to intervene serves to make Southern a party to this proceeding. Rule 213(a)(2) of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.213(a)(2) (2014), prohibits an answer to a protest unless otherwise ordered by the decisional authority. We will accept the answers of SPP and Southern because they have provided information that assisted us in our decision-making process. We will also accept SPP's out-of-time response to the deficiency letter.

³ SPP July 2 Motion at 1-2.

B. Substantive Matters**1. Rules for Pseudo-Tie Assets****a. Filing**

7. SPP states that it originally proposed to include “pseudo-tie”⁴ arrangements in order to permit resources external to the SPP balancing authorities to participate in the Energy Imbalance Service Market. SPP states that in the Integrated Marketplace, under the current Attachment AE, SPP treats external pseudo-tie resources and internal resources equally for purposes of commitment, dispatch, and clearing of operating reserves.⁵ SPP adds that Attachment AO of the Tariff is the *pro forma* agreement that contains the terms and conditions for a pseudo-tie resource arrangement between SPP, a market participant, and an external balancing authority.

8. SPP proposes to revise section 2.2(14) of Attachment AE to provide that market participants with assets interconnected to the SPP transmission system that will not participate in the energy and operating reserve markets must pseudo-tie the resource or load out of the SPP balancing authority, in accordance with Attachment AO. SPP states that such assets shall continue to be registered in the market for purposes of accounting for congestion and loss charges between the pricing node and settlement location, as provided under Attachment AE.⁶

9. SPP also proposes to revise section 2.2(14)(a) of Attachment AE to include language providing that a negative impact of the pseudo-tie on reliability of the SPP balancing authority or the external balancing authority may require the market participant to immediately reduce the output of the pseudo-tie resource upon notification by the affected balancing authority. Revised section 2.2(14)(a) also clarifies that the market participant shall not generate energy in excess of the available pseudo-tie nor will it be

⁴ SPP’s Tariff defines pseudo-tie as:

A non-physical electrical interconnection point between Balancing Authorities, whereby all or a portion of an External Resource is electronically moved from a Balancing Authority external to the SPP Balancing Authority. Energy delivered from an External Resource to the SPP Balancing Authority is treated as a Balancing Authority interchange from the source Balancing Authority to SPP Balancing Authority. SPP Tariff, Article I, Section 1, Definitions E.

⁵ Transmittal at 12-13.

⁶ *Id.* at 14.

compensated by the Integrated Marketplace for excess generation upon notification to reduce the resource's output.⁷

10. SPP also proposes to revise section 4.3(7) of Attachment AE to include a provision that bid submittal associated with a load pseudo-tied out of the SPP balancing authority is not permitted. Section 4.3.1(3) of Attachment AE also has been revised to provide that a market participant is not permitted to submit a demand bid for a load asset pseudo-tied out of the SPP balancing authority.⁸

11. SPP proposes to revise section 8.6.16(1) and (1)(b) of Attachment AE to clarify that a market participant's real-time over-collected losses distribution charge or payment does not include a net energy withdrawal for the charges associated with real-time pseudo-tie losses at the settlement location of the sink of the pseudo-tie path for use of the SPP transmission system. SPP explains that the loss rebate factor formula, as calculated hourly, will include the sum of charges for real-time pseudo-tie losses at the settlement location of the pseudo-tie's sink as a factor.⁹

12. SPP also proposes to revise section 8.6.16(2)(a) of Attachment AE to clarify the loss rebate factor calculated for determining the hourly real-time over-collected losses amount. The real-time over-collected losses amount calculation includes the sum of the losses for all resources or loads that are pseudo-tied out of the SPP balancing authority.¹⁰ SPP also proposes to revise section 8.6.23 of Attachment AE to add a new formula that determines a real-time pseudo-tie congestion amount to be charged or credited to a market participant for its pseudo-tied resource or load for each dispatch interval of the operating day.¹¹ In addition, SPP revises section 8.6.24 of Attachment AE to add a new formula that determines the real-time pseudo-tie losses amount to be charged or credited to a market participant for its pseudo-tied resource or load for each dispatch interval of the operating day.¹²

13. SPP modifies Attachment AO, which contains the *pro forma* agreement to establish a pseudo-tie arrangement. SPP states that the proposed revisions to Attachment

⁷ *Id.*

⁸ *Id.*

⁹ *Id.* at 14-15.

¹⁰ *Id.* at 15.

¹¹ *Id.*

¹² *Id.*

AO reform the agreement for use in all pseudo-tie arrangements that SPP may enter into consistent with the revisions to Attachment AE. SPP states that all other terms of the existing Attachment AO that would be appropriate as a general term are retained and not changed by the proposed modifications.¹³

b. April 24 Protest

14. Southern asserts that SPP's proposed Tariff revisions unreasonably restrict and undermine the flexible use of point-to-point transmission service by pseudo-tied resources and will undermine the integration of variable energy resources into the marketplace.¹⁴ Southern argues that SPP's proposal is not just and reasonable because the form of transmission service that customers with pseudo-tied resources must purchase and use is an inherently inferior class of transmission service than is posted and available to non-pseudo-tie customers under the SPP Tariff. Southern alleges that SPP adopted a non-public, unpublished business practice that firm point-to-point transmission service associated with a pseudo-tied resource (which must be maintained at the maximum capacity of such resource) may only be used and scheduled for the output of the pseudo-tied resource on a specific path between the source and an external interface.¹⁵ Southern alleges that under SPP's policy, redirects or alternative use of any portion of the transmission service reservation is prohibited, even though point-to-point transmission service offered under the SPP Tariff does not contain such restrictions.¹⁶ Southern argues that SPP's Tariff does not otherwise impose such limitations on the scheduling and use of available firm point-to-point service. Southern adds that it is not aware of other transmission providers imposing such restrictions.¹⁷

¹³ *Id.*

¹⁴ Southern April 24 Protest at 5-6.

¹⁵ *Id.* at 6-7.

¹⁶ *Id.* at 7 (citing SPP Tariff, Section 22.1). Section 22.1 of SPP's Tariff states:

The Transmission Customer taking Firm Point-To-Point Transmission Service may request the provision of transmission service on a non-firm basis over Receipt and Delivery Points other than those specified in the Service Agreement... in amounts not to exceed its firm capacity reservation, without incurring an additional ... charge ... or executing a new Service Agreement ... or submitting a new Application....

¹⁷ Southern April 24 Protest at 7.

15. Southern asserts that it should be permitted to self-supply losses. Southern argues that by using the multiplier “Real-Time Pseudo-Tie Quantity” for both sink and source charges, the proposed formulas in sections 8.6.23 and 8.6.24 of Attachment AE eliminate the flexibility to self-supply losses. Southern argues that this will require all pseudo-tied resources to buy, on a daily basis, a quantity of energy from the SPP daily market above what the customer actually delivered from its resource to the border. Southern states that the ability to self-supply losses mitigates the market risk the transmission customer faces. Southern also argues that the self-supply of losses will relieve congestion on the constrained node because the customer will not be required to take an artificially high quantity of energy at the node.¹⁸

c. Answers

16. In response to Southern’s assertion that SPP is providing Southern with an inferior form of point-to-point transmission service, SPP argues that the pseudo-tie out arrangement requires SPP to hold in its entirety all firm transmission service reserved by a pseudo-tie customer that is designated for an external balancing authority. Because of this full time utilization by the pseudo-tie, SPP claims that the reservation is not available for redirection.¹⁹ SPP argues that its requirements are not the result of a non-public or unpublished business practice, as Southern alleges; rather, they are necessary based on the full time use of the transmission service through a pseudo-tie, unavailability of the resource for SPP operations, and the related impacts on transmission availability to serve SPP load.²⁰ SPP states that the ability to redirect assumes the ability to identify a secondary point of receipt and point of delivery, and the pseudo-tie arrangement does not provide a secondary point of receipt or point of delivery that can be determined. As a result, SPP explains, there is nothing that can be redirected because the point-to-point transmission service is designated in its full amount for the pseudo-tie. SPP claims that it recommended, as an alternative, that Southern register its resource in the Integrated Marketplace, which would allow dynamic scheduling of power deliveries from the resource to leave the SPP footprint at the interface point.²¹

17. SPP argues that the Commission should reject Southern’s argument that it be permitted to self-supply losses because this argument is an impermissible attack on prior Commission orders approving SPP’s settlement of congestion and loss charges for point-

¹⁸ *Id.* at 8-9.

¹⁹ SPP May 9 Answer at 8-9.

²⁰ *Id.* at 10-11.

²¹ *Id.* at 11-12 and n.23.

to-point transmission service through the Integrated Marketplace.²² SPP states that the removal of the option to self-supply losses is consistent with the market design approved by the Commission. SPP further asserts that it is just and reasonable to calculate congestion and losses for all transmission customers in a consistent and nondiscriminatory manner within the SPP Integrated Marketplace.²³

18. According to Southern, SPP advances justifications in its answer that are not supported by the record evidence. Specifically, Southern argues that SPP's proposal appears contrary to industry experience on the best approach to integrating SPP-sourced wind energy that is necessary for reliability. Southern asserts that there is nothing inherent in a pseudo-tie arrangement that prevents a transmission provider from affording pseudo-tie customers flexibility comparable to all other firm point-to-point transmission service customers. Southern claims, for example, that MISO confirmed it would permit redirects of unused transmission reservations associated with the same pseudo-tie resources that SPP is prohibiting redirects of transmission reservations from in the SPP footprint.²⁴

19. Southern also contends that SPP's answer acknowledges that pseudo-tie out customers are being treated differently from other classes of firm point-to-point customers.²⁵ Southern notes that rather than justify this disparity, SPP discusses an unapproved and unpublished business practice regarding pseudo-ties. Southern reiterates that SPP is not permitted to impose unwritten business practices upon its customers.²⁶ Southern asserts that it is not asking the Commission to approve a superior position for itself over other entities; rather, it is asking the Commission to deny SPP's attempt to impose upon pseudo-tie out customers a materially inferior product than SPP offers to all other point-to-point customers.²⁷

20. Southern argues that, with respect to the issue of whether pseudo-tied out flows should be required to financially settle losses rather than self-supply, nothing in the SPP filing explains or justifies why self-supply would force SPP to pass the costs of congestion and losses of the pseudo-tie out onto other market participants. According to

²² *Id.* at 12.

²³ *Id.* 13-15.

²⁴ Southern May 22 Answer at 9.

²⁵ *Id.* at 11 (citing SPP May 9 Answer at 7).

²⁶ *Id.* at 12, n.28.

²⁷ *Id.* at 15-16.

Southern, allowing self-supply of losses will not only reduce congestion charges but would also physically reduce congestion along the path by not artificially increasing the amount of energy required to be purchased at the sink node.²⁸ Further, Southern argues that its protest is not a collateral attack on prior Commission orders because these orders did not contemplate application of the forced purchase of losses at the final point of delivery to pseudo-tie out customers.²⁹

d. Deficiency Letter

21. In the May 30, 2014 deficiency letter, Commission staff requested further information regarding SPP's filing. Staff directed SPP to explain what it meant that a secondary point of receipt and point of delivery cannot be "identified" or "determined." Staff also asked SPP to explain why it proposes to prohibit redirects of point-to-point transmission service for pseudo-tied out resources. In addition, staff asked SPP to explain: (1) why a pseudo-tie out arrangement requires SPP to hold in its entirety all firm transmission service reserved whether or not the resource is using the full capacity of the reservation; (2) why SPP cannot permit a redirect when a pseudo-tied out resource (such as a wind generator) is forecasted to operate at a quarter of its output or is inoperable due to mechanical failure; and (3) if SPP permitted Southern to redirect when a pseudo-tie out resource is forecasted to operate at less than its full output, what the operational impacts and associated costs, if any, would be on SPP and its market participants. In addition, staff asked SPP to: (1) describe the controls and information to which SPP has access for a pseudo-tie out and for a dynamic scheduling arrangement under normal and emergency operations; (2) provide citations to the language in SPP's currently effective Tariff or proposed Tariff revisions that prohibit redirects associated with pseudo-tied out resources; (3) explain in detail why SPP is unable to redirect a pseudo-tied out resource; and (4) explain why SPP is unable to allow Southern to schedule a different amount of power at the pseudo-tied out resource's point of receipt than the amount withdrawn at the interchange point of delivery.

e. SPP's Response

22. SPP explains that the terms "secondary point of delivery" and "secondary point of receipt" do not apply to a pseudo-tie arrangement. SPP states that a pseudo-tie is a static arrangement created by mutual agreement among many affected parties and cannot be modified without agreement and coordination among all parties. SPP states that a pseudo-tie arrangement has an inherent technical and operational limitation because SPP does not monitor in real-time the actual usage of the transmission service through the pseudo-tie. According to SPP, because the transmission service associated with the

²⁸ *Id.* at 16-17.

²⁹ *Id.* at 15-17.

pseudo-tie is committed to the pseudo-tie itself, the transmission service cannot be re-directed to alternative secondary points without potential over-subscription of the capacity.³⁰

23. SPP also confirms that a dynamic schedule arrangement provides a secondary point of receipt or point of delivery that can be determined. SPP states that Southern can facilitate a dynamic schedule arrangement through SPP's e-tagging process. SPP states that because the transmission service used to support the dynamic schedule is visible to its operators, SPP is able to support secondary points of delivery and points of receipt to the reservation without risking over-subscription of the capacity.³¹

24. SPP states that its market design is not operationally structured to allow Southern to flip its pseudo-tie out resource and resource capacity in and out of SPP's market.³² According to SPP, its treatment of Southern would be the same for any similarly-situated company that opts to pseudo-tie a resource out of SPP's balancing authority and market. SPP also notes that pseudo-tie out assets do not participate in SPP's Integrated Marketplace and are thus not subject to market obligations.³³

25. SPP states that on August 28, 2013, it presented to Southern two available options for exporting power from Southern's wind resources to Southern's load by way of SPP's transmission system: (1) register the wind generators as a market resource and be subject to market settlement charges but have the flexibility of dynamic scheduling; or (2) register the wind generators outside the market as a pseudo-tie out resource and avoid market charges³⁴ but have the limited ability to redirect only as part of SPP's bi-monthly model changes. SPP states that Southern chose to proceed with the pseudo-tie out option. SPP asserts that Southern wants all of the advantages of both options and none of the limitations or obligations of either option.³⁵

³⁰ SPP July 2 Deficiency Response at 1.

³¹ *Id.* at 2.

³² *Id.* at 3.

³³ *Id.*

³⁴ Specifically, SPP would assess charges for congestion and losses but would not allocate charges for make whole payment, operating reserve, and revenue neutrality uplift.

³⁵ SPP July 2 Deficiency Response at 4.

26. SPP also explains that it must consider the transmission service supporting the pseudo-tie out (and in) to be fully utilized during the term of the reservation. Otherwise, SPP states it would be required to change the pseudo-tie arrangement and market resources capacity every time Southern desires to re-direct its resource into the SPP balancing authority. SPP argues that Southern's request is unduly discriminatory because it requires special treatment in the market compared to what other market participants are obligated to perform under the SPP Tariff. SPP states that its dynamic scheduling option is a reasonable method to allow Southern the flexibility it desires and would subject Southern to the same terms and conditions of the Tariff as any other market participant.³⁶

27. SPP explains that it does not have a mechanism to track the actual transmission service use of the pseudo-tie out resource in real time, and any monitoring or verification would be by necessity after the fact. According to SPP, this is how MISO allows redirect of transmission service supporting pseudo-ties. SPP states that MISO performs after the fact calculations to determine if the entity with the pseudo-tie has appropriately used its transmission service.³⁷ SPP states that MISO does not allow the real-time redirect of transmission service to facilitate the participation of the resource in the MISO market.³⁸

28. Further, SPP explains that permitting a redirect of a pseudo-tie requires coordination amongst all parties to make changes in reliability modeling, commercial modeling for market participation, and data transfers between balancing authorities. SPP states that if it permitted the redirection of service supporting the pseudo-tie out asset outside the established registration windows, there is nothing to prevent the transmission customer from transacting business in excess of their firm transmission rights.³⁹

29. With respect to what controls and information SPP has access to for both a pseudo-tie out arrangement and a dynamic scheduling arrangement, SPP states that for a pseudo tie arrangement, the Interchange Distribution Calculator⁴⁰ calculates the impact of

³⁶ *Id.* at 5-6.

³⁷ *Id.* at 7.

³⁸ *Id.*

³⁹ *Id.* at 9.

⁴⁰ The Interchange Distribution Calculator is a mechanism used by the reliability coordinators in the Eastern Interconnection to calculate the distribution of interchange transactions over specific flowgates. It includes a database of all interchange transactions and a matrix of the distribution factors for the Eastern Interconnection. *Transmission Loading Relief Reliability Standard and Curtailment Priorities*, 139 FERC ¶ 61,218, at n.8 (2012).

the pseudo-tie on a given constraint and renders a relief obligation based on this calculation, which may or may not be the actual output of the resource.⁴¹ For a dynamic schedule, SPP states that it has visibility into the e-tag, including the transmission service supporting the e-tag, which does not exist for the pseudo-tie.

30. With respect to the deficiency letter's request that SPP provide citations to the language in section 22.1 or elsewhere in SPP's currently effective Tariff or in its proposed Tariff revisions that prohibit redirects associated with pseudo-tied out resources, SPP explains that, to date, it has provided pseudo-tie only by arrangement and mutual agreement of all affected parties, and that in every instance the agreement of all parties has been that the pseudo-tie is and will always be a static arrangement.⁴² SPP clarifies two distinct issues that it states that the Commission should consider separately: (1) is Southern's desire to redirect its transmission service arrangement when its pseudo-tie out resources is not operating at maximum capacity; and (2) the market transaction limitations that must be imposed upon a pseudo-tie out resource due to market design and administration.⁴³ In this regard, SPP argues that the market's functionality and real-time market operations are not designed to allow a pseudo-tied out resource to be concurrently used as a market resource and a resource in an external balancing authority, which SPP states is consistent with the practices of MISO.⁴⁴ SPP contends that MISO requires that the pseudo-tie resources respond to MISO's dispatch instructions with actual generation movement and MISO does not allow shifting of percentages between markets and owners.⁴⁵

31. SPP also clarifies that the requirements imposed upon pseudo-tie out resources that disallow the flip between pseudo-tie and market participation is not the result of a non-public practice; rather, the terms are contained in section 6.1.10.3 of SPP's Market Protocols. SPP also states that an informal proposal was recently brought to the North American Energy Standards Board (NAESB) requesting review of the pseudo-tie/redirect transmission service issue. SPP argues that the Commission should consider that a utility-wide focus may be the best venue to resolve these issues. SPP also recommends that Southern work through SPP's Business Practices Working Group stakeholder

⁴¹ SPP July 2 Deficiency Response at 10.

⁴² *Id.* at 11. In this regard, SPP notes that "[i]n SPP's opinion this historical treatment of pseudo-tie assets is standard utility practice throughout the industry." *Id.* n.9.

⁴³ *Id.* at 12.

⁴⁴ *Id.*

⁴⁵ *Id.* at 13.

process to propose changes to the operational restrictions governing pseudo-tie arrangements.⁴⁶

32. In response to why SPP is unable to schedule a different MW amount at the point of receipt than the amount withdrawn at the interchange point of delivery, SPP states that the only purpose for doing so is to self-supply losses. SPP argues that section 15.7 and Attachment M of its Tariff provides that congestion and marginal losses on the SPP system are to be calculated and settled under the terms of the Integrated Marketplace.⁴⁷

f. July 23 Protest

33. Southern argues that SPP's deficiency response is generally non-responsive because SPP focuses on the issue of redirect of pseudo-tied *resources* to alternative delivery points or into the SPP Integrated Marketplace, which is not the issue raised by Southern.⁴⁸ Southern contends that SPP conflates two issues: (1) whether a firm point-to-point transmission customer with a pseudo-tied resource may receive, at no additional cost and without executing a new service agreement, firm or non-firm, as available, transmission capacity equal to the portion of their firm transmission path when that portion cannot or will not be utilized, as provided in SPP's Tariff (transmission redirect); and (2) whether and to what extent pseudo-tied resources can be redirected into the SPP Integrated Marketplace or to some other alternative/secondary point of delivery (resource redirect). Southern emphasizes that its concerns relate only to Issue 1 (transmission redirect), while most of SPP's deficiency response addresses Issue 2 (resource redirect). Southern clarifies that it does not seek or claim a right to substitute one pseudo-tied resource for another pseudo-tied resource.⁴⁹

34. Southern asserts that there is nothing inherent in a pseudo-tie arrangement that would make unreserved use more likely or more of a problem. Whether it is permitted to redirect transmission or not, Southern states that it is always subject to the SPP Tariff's unreserved use provisions. Southern asserts that SPP does not justify why it cannot expect that transmission customers (whether the customer uses dynamic scheduling or a pseudo-tie arrangement) will abide by its unreserved use policies. Southern adds that SPP does nothing to distinguish its situation from MISO's while admitting that MISO

⁴⁶ *Id.* at 14.

⁴⁷ *Id.* at 16.

⁴⁸ Southern July 23 Protest to Deficiency Response at 1 (emphasis in original).

⁴⁹ *Id.* at 2-4.

allows transmission redirects with any over-use of a transmission reservation subject to unreserved use penalties.⁵⁰

35. In response to SPP's statement that the Interchange Distribution Calculator does not incorporate e-tag information for pseudo-tie generation, Southern notes that this attribute of the Interchange Distribution Calculator is not affected by whether redirects are permitted. Under Issue 1, Southern states that redirects would be e-tagged and scheduled and could be reflected in the Interchange Distribution Calculator.⁵¹

36. In response to SPP's comments on the NAESB pseudo-tie proposal, Southern states that NAESB has not adopted any proposal to restrict redirects of transmission reservations when not needed to implement delivery of a specific pseudo-tie arrangement. Southern notes that SPP sold, and Southern is paying for, long-term, firm point-to-point transmission service and, under sections 13.7(a), 22.1, and 22.3 of SPP's Tariff, the service is required to be eligible for redirect on an as-available basis. Southern asserts that this is true under existing NAESB and NERC standards as well.⁵²

37. With regard to self-supply of losses, Southern argues that SPP does not explain why it is unable to allow Southern to self-supply losses under a pseudo-tie arrangement. Southern argues that by forcing its pseudo-tied out resource to purchase loss energy at locational marginal prices, SPP is saddling it with the burdens of the Integrated Marketplace while simultaneously excluding it from the market.⁵³

g. Commission Determination

38. We find SPP's proposed Tariff revisions to Attachments AE and AO relating to pseudo-tie arrangements to be just and reasonable and accept them here.

39. With respect to the redirection of point-to-point transmission service associated with pseudo-tie arrangements, we find nothing in SPP's Tariff, including its modifications proposed herein, limit the ability to redirect point-to-point transmission service associated with a pseudo-tie arrangement, nor has SPP identified such provisions, and we will decline to entertain such uncodified limitations based on the record in this proceeding. Our finding here is without prejudice to SPP submitting proposed revisions

⁵⁰ *Id.* at 8-9.

⁵¹ *Id.* at 11.

⁵² *Id.* at 12-13.

⁵³ *Id.* at 14.

to its Tariff to limit the ability to redirect point-to-point transmission service associated with pseudo-tie arrangements, along with appropriate support for such a proposal.

40. With respect to Southern's request that the Commission reject SPP's proposed Tariff revisions that, Southern claims, remove the ability of a transmission customer to self-supply its losses, we agree with SPP that the Commission previously accepted Tariff provisions removing the option to self-supply losses. Specifically, as part of the Integrated Marketplace, SPP removed the ability of customers to self-supply losses and instead proposed to settle losses in the market on a marginal basis as part of locational marginal pricing. The Commission accepted SPP's proposed use of marginal losses to calculate and settle losses and directed SPP to submit a compliance filing only to address concerns related to distribution of over-collected losses.⁵⁴ Therefore, we find that it would be inconsistent with SPP's Commission-accepted Tariff to permit the self-supply of losses, and we deny Southern's request on this issue.

2. Other Proposed Revisions

a. Filing

41. SPP proposes several revisions as a general clean-up to conform its Tariff with revisions accepted by the Commission prior to the implementation of the Integrated Marketplace on March 1, 2014. SPP argues that these modifications are just and reasonable because they revise the Tariff to be consistent with prior Commission orders.⁵⁵

42. In addition, SPP proposes clarifying aspects of market settlement, explaining that settlement of the day-ahead market, real-time balancing market, and transmission congestion rights (TCR) market is pursuant to section 8 of Attachment AE. SPP states that these revisions to Attachment AE that are relevant to settlement and invoicing of certain market transactions do not change the substantive rights and obligations of SPP or the market participants and provide increased transparency as to how SPP administers certain market transactions.⁵⁶ SPP also proposes revising sections 5 and 6 of Attachment

⁵⁴ *Southwest Power Pool, Inc.*, 141 FERC ¶ 61,048, at P 210 (2012).

⁵⁵ Transmittal at 3-4 (citing *Southwest Power Pool, Inc.*, 142 FERC ¶ 61,070 (2013); *Southwest Power Pool, Inc.*, Docket No. ER13-824-000 (Mar. 26, 2013) (delegated letter order); *Southwest Power Pool, Inc.*, Docket No. ER13-528-000 (Jan. 30, 2013) (delegated letter order); *Southwest Power Pool, Inc.*, Docket No. ER13-820-000 (Mar. 22, 2013) (delegated letter order); *Southwest Power Pool, Inc.*, Docket No. ER14-125-000 (Dec. 17, 2013) (delegated letter order); *Southwest Power Pool, Inc.*, Docket No. ER14-596-000 (Jan. 14, 2014) (delegated letter order)).

⁵⁶ *Id.* at 6.

AE to add references to include “Regulation-Up” and “Regulation-Down” to sections 5.1.2, 5.2.2, and 6.1.2 of Attachment AE to correct the inadvertent exclusion of these terms from previous Integrated Marketplace filings.⁵⁷

43. SPP proposes revisions to sections 6.4.1 and 6.4.1.1 of Attachment AE to clarify the rules governing the calculation of uninstructed resource deviation and exemptions from uninstructed resource deviation exposure. SPP proposes changes to clarify that uninstructed resource deviations will be calculated at the common bus for each asset owner.⁵⁸ SPP states that it is also revising section 6.4.1.1 to provide additional supplemental information relevant to resources deployed for Contingency Reserve⁵⁹ purposes and to clarify under what circumstances uninstructed resource deviations will not result in a penalty.⁶⁰

44. SPP proposes modifications to section 8.6.5(3) of Attachment AE to more accurately describe the factors for determining the real-time balancing market make whole payment.⁶¹ SPP also proposes to modify section 8.6.6 to state that an asset owner is eligible for an out-of-merit payment when its resource passes a primary contingency reserve deployment test pursuant to section 2.10.1 of Attachment AE.⁶² SPP states that this additional factor does not change the asset owner’s right to payment for a manual dispatch instruction. SPP proposes changes to section 8.7.1 to correct an inadvertent error in the calculation of the TCR auction transaction charge/payment to each asset owner, as well as to correct the placement of the terms “source” and “sink.”⁶³

45. With respect to section 10.3 of Attachment AE, which provides the mechanism for a market participant to dispute any initial, final, or resettlement statement, SPP proposes

⁵⁷ *Id.* at 8.

⁵⁸ *Id.* at 9 (citing Attachment AE, Section 6.4.1).

⁵⁹ Contingency Reserve is the operating capacity that can be produced and applied to reduce Area Control Error to meet the North American Electric Reliability Corporation (NERC) Disturbance Control Standard following the operating reserve contingency. Contingency Reserve is the sum of Spinning Reserve and Ready Reserve (SPP Criteria, Section 6.2.4.2).

⁶⁰ *Id.* (citing Attachment AE, Sections 6.4.1.1(1) and 6.4.1.1(4)).

⁶¹ *Id.* at 10.

⁶² *Id.* at 11.

⁶³ *Id.*

to clarify the minimum information required for the market participant's notice of dispute. SPP states the revisions will not change the resettlement options available to market participants.⁶⁴

46. SPP states that, in order to maintain revenue neutrality, it proposes revising section 8.8 of Attachment AE to clarify the distribution of residual amounts remaining after the calculation of revenue neutrality uplift. SPP explains that its current revenue neutrality uplift calculations round to the nearest whole cent, which can sometimes result in residual left over amounts. SPP proposes to distribute this residual amount as either an annual credit or charge to asset owners.⁶⁵ SPP likewise proposes to uplift the residual amounts after it calculates the TCR annual closeout amount and auction revenue rights (ARR) annual closeout amount, as specified in the SPP Market Protocols.⁶⁶ SPP proposes that all of the distributions will appear as a miscellaneous adjustment to the asset owners.⁶⁷

47. SPP proposes revisions to its credit provisions in Article 5A of Attachment X (concerning its TCR credit policy) to more closely conform to operational and functional design documents. SPP proposes several sign changes throughout Article 5A, deletes references to TCR duration except in Article 5A.7, and clarifies potentially ambiguous language.⁶⁸ SPP states that the proposed modifications do not substantively change any right or obligation of credit customers or the system processes used to calculate credit requirements.

b. Commission Determination

48. We find SPP's other proposed Tariff revisions to be just and reasonable and conditionally accept them subject to a compliance filing, as discussed below. We note that SPP has not removed reference to the TCR duration in Article 5A.7 of Attachment X, and this appears to be inconsistent with its removal from other parts of Article 5A. Accordingly, we direct SPP, in a compliance filing to be submitted within 30 days of the date of this order, to remove these references or explain why the references to TCR duration should not be removed from Article 5A.7.

⁶⁴ *Id.*

⁶⁵ *Id.* at 16 (citing Attachment AE, Section 8.8).

⁶⁶ *Id.* at 17 (citing Attachment AE, Sections 8.5.15 and 8.7.6).

⁶⁷ *Id.* at 16-17.

⁶⁸ *Id.* at 17-20.

C. Proposed Effective Date

1. Filing

49. SPP seeks waiver of the Commission's 60-day prior notice requirement to permit a March 1, 2014 effective date for certain of its proposed Tariff revisions and May 1, 2014 for its credit policy revisions to Attachment X, Article 5A. SPP argues that good cause exists to allow the proposed revisions to be effective on March 1, 2014 because the Tariff modifications provide important and necessary clarifications for the Integrated Marketplace by clearing up potential ambiguities and more accurately describing the current market design for credit requirements, charges and payments, and settlements of market transactions implemented on March 1, 2014. SPP argues that March 1, 2014 is an appropriate effective date for proposed substantive revisions because they refine and enhance current requirements and specifications and provide the substantive rights and obligations for entities to participate or not participate in the Integrated Marketplace through pseudo-ties. SPP states that approval of the March 1, 2014 effective date will allow SPP to continue administration of the Tariff in a transparent and not unduly discriminatory manner and will avoid disruptions to the already successful operations of the Integrated Marketplace.⁶⁹

50. In addition, SPP requests both March 1, 2014 and May 1, 2014 for the Tariff revisions proposed in Article 5A, stating that the purpose for two requested effective dates is to recognize Tariff modifications proposed in Docket No. ER14-1357-000 (wherein SPP requested an effective date of May 1, 2014).⁷⁰ SPP states that the Tariff revisions proposed in its April 3 Filing are intended to become effective March 1, 2014, and Commission approval of the March 1 effective date is appropriate because the Tariff revisions provide necessary clarifications. However, SPP states that, due to the technical requirements of SPP's e-Tariff software, it is also filing this language to be effective May 1, 2014 to ensure that these proposed changes, and those filed in Docket No. ER14-1357-000, are both contained in the Tariff on May 1, 2014.⁷¹

2. Protest

51. Southern objects to SPP's request for waiver of the prior notice requirement, arguing that SPP has not complied with the Commission's requirements under section 35.11 of the Commission's regulations for waiver and has not established good cause to

⁶⁹ Transmittal at 20-21.

⁷⁰ *Southwest Power Pool, Inc.*, Docket No. ER14-1357-000 (Apr. 11, 2014). (delegated letter order) (accepting tariff revisions for credit limits for TCRs).

⁷¹ Transmittal at 20-21.

permit new rates to be placed into effect retroactively. Southern argues that section 35.11 requires significantly more to support the grant of waiver than SPP has provided. Southern asserts that all applications for waiver of the prior notice requirement must be served on all affected purchasers under the relevant rate schedules and must show (a) how and the extent to which the filing public utility and purchaser(s) under such rate schedule or tariff, or part thereof, would be affected if the notice requirement is not waived, and (b) the effects of the waiver, if granted, upon purchasers under other rate schedules.⁷²

52. Southern contends that it does not have a record of receiving service of any copy of the April 3 Filing. According to Southern, as a purchaser of transmission service with pseudo-tied resources out of SPP, the Commission's regulations require that Southern be served with a copy of such filing. Southern also argues that the April 3 filing provides no information that describes "how and the extent to which" SPP and Southern (as purchaser under the rate schedule or tariff) would be affected if the notice requirement were not waived. Southern argues that without any showing on the necessary requirements to apply for waiver, the Commission should not consider SPP's waiver request. Southern also argues that the Commission should deny SPP's request for waiver because the required showings have not been made and the general rule against retroactive ratemaking should be respected.⁷³ In addition, Southern notes that SPP also failed to provide the information required by section 35.13 of the Commission's regulations in support of its proposed Tariff revisions.

3. Answers

53. In response to Southern, SPP argues that service of its April 3 Filing was made in accordance with SPP's long standing process for providing notice of filings to its stakeholders. SPP states that Southern has a contact listed in the official SPP service list, and this individual was included on SPP's document service email dated April 3, 2014 for the April 3 Filing.⁷⁴ SPP states that any interested party may sign up on its website to receive formal communications and notices from SPP regarding filings submitted to the Commission.

54. SPP's answer revises some of the information provided in its April 3 Filing.⁷⁵ SPP argues that the market design and software necessary to implement the settlement of

⁷² Southern April 24 Protest at 10 (citing 18 C.F.R. § 35.11 (2013)).

⁷³ *Id.* (citing *Central Hudson Gas & Elec. Corp.*, 60 FERC ¶ 61,106, at 61,339, *reh'g denied*, 61 FERC ¶ 61,089 (1992) (*Central Hudson*)).

⁷⁴ SPP May 9 Answer at 15.

⁷⁵ *Id.* at 16.

pseudo-tie out accommodations was in development at the time of its April 3 Filing, and SPP's target for implementation of the software changes necessary to settle congestion and losses for pseudo-tie out was identified as April 17, 2014. However, SPP states that the target date for implementation of the software has been rescheduled to June 12, 2014.

55. SPP also responds that it explained that the purpose of its request for waiver to permit the March 1, 2014 effective date is to allow SPP to settle all market transactions for pseudo-tie out. Further, SPP argues that waiver of the prior notice requirement is appropriate because entities wishing to pseudo-tie resources or load out of SPP are already being accommodated. SPP states that the pseudo-tie out has been recognized by SPP operations since go-live of the Integrated Marketplace on March 1, 2014. According to SPP, these entities are taking direct advantage of the pseudo-tie out mechanism and using their resources in markets external to SPP; therefore, they are already receiving the benefits of the pseudo-tie out arrangement.⁷⁶

56. SPP contends that Southern's reliance on *Central Hudson* in arguing that SPP must make a strong showing of good cause for waiver of the prior notice requirement is irrelevant because SPP is not seeking a rate increase that is not already provided for in a contract. According to SPP, Southern is already subject to the congestion and loss charges for point-to-point transmission service through the settlement of the Integrated Marketplace Tariff, which has been approved by the Commission. SPP asserts that, as a result, SPP is not seeking a rate increase that is not already provided for in a contract; therefore, *Central Hudson* does not apply.⁷⁷

57. In addition, SPP argues that its proposed Tariff revisions provide an automated process to calculate and settle the pseudo-tie out transactions and would allow SPP to avoid the time-consuming and inefficient manual settlement of congestion and losses for pseudo-tie out transactions, which SPP has avoided to date. Upon Commission approval, SPP intends to settle these transactions back to March 1, 2014 so that entities with current pseudo-tie out arrangements, such as Southern, will be responsible for the congestion and losses on the SPP system for the point-to-point transmission service that the entity employs to pseudo-tie out resources. SPP argues that allowing these entities, in light of the current benefit, to avoid congestion and loss charges payment that other transmission customers are required to pay currently under the Tariff would not be a just and reasonable result.⁷⁸

⁷⁶ *Id.*

⁷⁷ *Id.* at 17.

⁷⁸ *Id.*

58. In its answer, Southern responds that its protest is timely because the treatment of pseudo-tie out transmission agreements was not included in prior Commission orders approving elements of the Integrated Marketplace. According to Southern, the Tariff language approved by the Commission for long-term firm point-to-point transmission service gives the customer the right to redirect an unused portion of its transmission service on a non-firm basis.⁷⁹ Southern reiterates its argument that SPP's request for waiver of the prior notice requirement should be denied. Southern asserts that SPP's arguments based on *Central Hudson* are in error because SPP admits that the prior orders approving elements of the Integrated Marketplace did not contemplate the treatment of pseudo-tie out customers, which SPP proposed for the first time in its April 3 Filing.⁸⁰

4. Commission Determination

59. Because SPP proposes modifications to its Tariff that provide necessary clarifications for the Integrated Marketplace by more accurately describing the current market design for credit requirements, charges and payments, and settlements of market transactions previously approved for implementation on March 1, 2014 and May 1, 2014, we find that SPP has provided sufficient basis to support the grant of waiver of the Commission's 60-day prior notice requirement. The Commission will grant waiver of the 60-day prior notice requirement for good cause shown.⁸¹ Accordingly, we will permit an effective date of March 1, 2014 for SPP's Tariff revisions to provide clarifications for the Integrated Marketplace and an effective date of May 1, 2014 for its revisions to Attachment X, Article 5A that reflect Tariff modifications previously accepted to take effect as of that date in Docket No. ER14-1357-000.

The Commission orders:

(A) SPP's proposed Tariff revisions are conditionally accepted to become effective March 1, 2014 and May 1, 2014, as discussed in the body of this order.

⁷⁹ Southern May 22 Answer at 17.

⁸⁰ *Id.* at 19 (citing SPP May 9 Answer at 5).

⁸¹ *Central Hudson*, 60 FERC at 61,339 (finding that the Commission will grant waiver of the 60-day prior notice requirement if good cause is shown and the agreement is filed prior to the commencement of service).

(B) SPP is directed to submit 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.