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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 No. ER14-2553-000

ORDER CONDITIONALLY ACCEPTING TARIFF REVISIONS, SUBJECT TO
COMPLIANCE FILING

(Issued October 28, 2014)

Paragraph Numbers

I. Background	2.
II. SPP’s Proposal	4.
III. Notice of Filing and Responsive Pleadings	6.
IV. Discussion	8.
A. Procedural Matters	8.
B. Substantive Matters	10.
1. Guideline (1)	10.
a. SPP’s Proposal	12.
b. Commission Determination	13.
2. Guideline (2)	14.
a. SPP’s Proposal	16.
b. Commission Determination	17.
3. Guideline (3)	18.
a. SPP’s Proposal	19.
b. Protest	20.
c. Answers	23.
d. Commission Determination	33.
4. Guideline (4)	35.
a. SPP’s Proposal	37.
b. Commission Determination	38.

5. Guideline (5).....39.
 a. SPP’s Proposal.....42.
 b. Protest.....43.
 c. Answers46.
 d. Commission Determination50.
 6. Guideline (6).....52.
 a. SPP’s Proposal.....53.
 b. Commission Determination54.
 7. Guideline (7).....55.
 a. SPP’s Proposal.....57.
 b. Commission Determination58.
 8. Transmission Planning and Expansion.....59.
 a. Protest.....60.
 b. Answer61.
 c. Commission Determination.....62.
 9. Miscellaneous63.
 a. Protest.....63.
 b. Answers.....65.
 c. Commission Determination.....75.

1. On July 31, 2014, Southwest Power Pool, Inc. (SPP) submitted revisions to Attachment AE of its Open Access Transmission Tariff (Tariff), under section 205 of the Federal Power Act (FPA).¹ SPP’s filing was made in compliance with the Commission’s requirement in Order No. 681 to provide Long-Term Congestion Rights (LTCRs).² SPP requests that the proposed revisions become effective February 1, 2015. In this order, the Commission conditionally accepts SPP’s LTCR proposal, subject to a compliance filing.

¹ 16 U.S.C. § 824d (2012).

² *Long-Term Firm Transmission Rights in Organized Electricity Markets*, Order No. 681, FERC Stats. & Regs. ¶ 31,226, *reh’g denied*, Order No. 681-A, 117 FERC ¶ 61,201 (2006).

I. Background

2. Consistent with the Energy Policy Act of 2005 (EPAcT 2005),³ Order No. 681 required independent transmission organizations that oversee organized electricity markets to make available long-term firm transmission rights that satisfy seven guidelines.⁴ Transmission organizations subject to Order No. 681 were given 180 days from the date of the Final Rule to make compliance filings regarding long-term firm transmission rights. In Order No. 681, the Commission noted that SPP was not subject to Order No. 681 because, at the time, SPP's market design did not fit within the definition of "organized electricity market."⁵

3. On February 29, 2012, as amended on May 15, 2012, SPP submitted proposed Tariff revisions to implement the transition from SPP's Real-Time Energy Imbalance Service Market to the Integrated Marketplace, which the Commission conditionally accepted on October 18, 2012.⁶ The Commission determined that the Integrated Marketplace constitutes an "organized electricity market" and ordered SPP to establish long-term firm transmission rights in an Order No. 681 compliance filing due within 180 days after the commencement of the Integrated Marketplace.⁷ The Integrated Marketplace launched on March 1, 2014, and on July 31, 2014, SPP filed the instant Order No. 681 compliance filing.⁸

³ Pub. L. No. 109-58, § 1233, 119 Stat. 594, 958 (2005). Section 217(b)(4) of EPAcT 2005 directed the Commission to use its authority to facilitate transmission planning and expansion to meet the reasonable needs of load-serving entities (LSEs) with respect to meeting their service obligations and, relevant to this filing, securing long-term firm transmission rights for long-term supply arrangements made, or planned, to meet such obligations. *Id.*

⁴ Order No. 681, FERC Stats. & Regs. ¶ 31,226 at PP 108-428; Order No. 681-A, 117 FERC ¶ 61,201 at PP 12-15.

⁵ Order No. 681, FERC Stats. & Regs. ¶ 31,226 at P 32.

⁶ *Southwest Power Pool, Inc.*, 141 FERC ¶ 61,048, at P 245 (2012), *order on reh'g and clarification*, 142 FERC ¶ 61,205 (2013).

⁷ *Id.*

⁸ Southwest Power Pool, Inc. submits tariff filing per 35.13(a)(2)(iii): Revisions to Implement Long Term Congestion Rights - FERC Order 681 to be effective February 1, 2015, Docket No. ER14-2553-000 (filed July 31, 2014).

II. SPP's Proposal

4. SPP asserts that its proposal provides “a long-term product that works with SPP’s particular market attributes while still meeting the Commission’s guidelines.”⁹ Under SPP’s proposal, the evaluation and award of LTCRs would be tied to firm transmission service reservations and would be multi-year instruments that, once awarded, would be guaranteed in subsequent years as long as the associated long-term firm transmission service reservation with SPP remains in effect. According to SPP’s proposal, the sources and sinks of transmission service reservations will also establish the sources and sinks of the LTCRs. SPP proposes to award LTCRs in 0.1 MW increments that would be automatically converted to Transmission Congestion Rights (TCR) prior to the annual Auction Revenue Rights (ARR) allocation for the allocation year. SPP further proposes to allow holders of previously awarded LTCRs to surrender them in subsequent years in 0.1 MW increments at the holder’s request. Furthermore, SPP will provide for the transfer of the firm transmission service that underlies the LTCRs and will transfer any corresponding LTCRs as necessary to account for wholesale load shifts. According to SPP, these and other design features will help the LTCR product “mesh with the features and nuances of SPP’s existing and Commission-approved TCR Market design.”¹⁰

5. For the annual LTCR allocation, SPP will make 50 percent of its projected maximum transmission system capability available for allocation. Prior to allocation, SPP proposes to verify an Eligible Entity’s existing transmission service entitlements.¹¹ SPP then proposes to evaluate candidate LTCRs in a two-stage process. In the first stage, SPP would determine a feasible set of available LTCRs from which an LSE will be allowed to select its desired set of LTCRs. In the second stage, SPP would similarly evaluate remaining candidate LTCRs and determine a set of available LTCRs for non-LSEs. After determining the available LTCRs for both LSEs and non-LSEs, LSEs and non-LSEs will be able to select which LTCRs they wish to be awarded from the respective sets of available LTCRs.

III. Notice of Filing and Responsive Pleadings

6. Notice of SPP’s filing was published in the *Federal Register*, 79 Fed. Reg. 46,253 (2014), with interventions and protests due on or before August 21, 2014.

⁹ Transmittal at 10.

¹⁰ *Id.* at 8.

¹¹ SPP defines an Eligible Entity as a transmission customer or market participant having firm SPP transmission service or firm non-SPP transmission service (referred to as a grandfathered agreement or GFA) into, out of, within or through the SPP region.

7. The following entities filed timely motions to intervene: Sunflower Electric Power Corporation and Mid-Kansas Electric Company, LLC; Kansas City Power & Light Company and KCP&L Greater Missouri Operations Company; Southern Company Services, Inc.; Municipal Energy Agency of Nebraska; Boston Energy Trading and Marketing LLC (Boston Energy); City of Independence, Missouri, Kansas Power Pool, Missouri Joint Municipal Electric Utility Commission, Missouri River Energy Services, and West Texas Municipal Power Agency (collectively, TDU Intervenors); and Flat Ridge 2 Wind Energy LLC. On August 28, 2014, Arkansas Electric Cooperative Corporation filed a motion to intervene out-of-time. On August 21, 2014, Boston Energy and TDU Intervenors filed protests. On September 8, 2014, SPP filed an answer to the protests. On September 23, 2014, Boston Energy and TDU Intervenors filed answers to SPP's answer.

IV. Discussion

A. Procedural Matters

8. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2014), the timely, unopposed motions to intervene serve to make the entities that filed them parties to this proceeding. Pursuant to Rule 214(d) of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214(d) (2014), the Commission will grant Arkansas Electric Cooperative Corporation'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) (2014), prohibits an answer to a protest or an answer unless otherwise ordered by the decisional authority. We will accept SPP's, Boston Energy's, and TDU Intervenors' answers because they provide information that assisted the Commission in its decision-making process.

B. Substantive Matters

1. Guideline (1)

10. The long-term firm transmission right should be a point-to-point right that specifies a source (injection node or nodes) and sink (withdrawal node or nodes), and a quantity (MW).¹²

¹² 18 C.F.R. § 42.1(d)(1) (2014).

11. Guideline (1) is intended to support the ability of LSEs to obtain point-to-point long-term transmission rights that will hedge particular long-term power supply arrangements. In Order No. 681, the Commission concluded that the primary objective of Guideline (1), consistent with FPA section 217(b)(4), is to allow an LSE to obtain a long-term firm transmission right for purposes of hedging congestion charges associated with delivery of power from a long-term power supply arrangement to its load. The Commission expected that Guideline (1) would be largely consistent with existing designs already in place in the organized electricity markets operated by transmission organizations.¹³

a. SPP's Proposal

12. SPP proposes that each LTCR will be point-to-point and will specify a source, a sink, and a quantity in increments of 0.1 MW.¹⁴

b. Commission Determination

13. We find that SPP's proposal complies with Guideline (1). SPP's proposal includes, for each LTCR, the identification of a source, a sink, and a MW quantity.

2. Guideline (2)

14. The long-term firm transmission right must provide a hedge against locational marginal pricing congestion charges or other direct assignment of congestion costs for the period covered and quantity specified. Once allocated, the financial coverage provided by a financial long-term transmission right should not be modified during its term (the "full funding" requirement) except in the case of extraordinary circumstances or through voluntary agreement of both the holder of the right and the transmission organization.¹⁵

15. Guideline (2) responds to the requirement in FPA section 217(b)(4) that LSEs with service obligations be able to obtain firm transmission rights or equivalent financial or tradable rights on a long-term basis. As stated in Order No. 681, the Commission interpreted "firmness" in the context of long-term firm transmission rights to refer primarily to two properties of such rights: (1) stability in the quantity of rights that an LSE is allocated over time; and (2) price certainty for the LSE that seeks to hedge

¹³ Order No. 681, FERC Stats. & Regs. ¶ 31,226 at P 116.

¹⁴ SPP Tariff Attachment AE sections 7.1.2(2), 7.2.1, and 7.2.4(3).

¹⁵ 18 C.F.R. § 42.1(d)(2) (2014).

congestion charges associated with a particular generation resource or transmission path by requiring that the rights are fully funded.¹⁶

a. SPP's Proposal

16. SPP proposes that, once allocated, an LTCR will be guaranteed, using an iterative methodology in the market protocols, throughout subsequent years unless it is surrendered or the underlying transmission service ceases.¹⁷ If previously awarded LSE or non-LSE LTCRs are no longer feasible, SPP will make the minimum adjustments necessary to the ratings of the applicable transmission facilities in the model in order to allow the model to produce a feasible solution.¹⁸

b. Commission Determination

17. We find that SPP's proposal complies with Guideline (2). SPP's proposal provides LTCRs that provide a hedge for the period covered and the quantity specified. Additionally, SPP has an established TCR uplift mechanism that will ensure that the financial coverage provided by an LTCR is not altered during its term.¹⁹ Moreover, as discussed below, SPP will plan its system to provide for the continued feasibility of the LTCRs.

3. Guideline (3)

18. Long-term transmission rights made feasible by transmission upgrades or expansions must be available upon request to any party that pays for such upgrades or expansions in accordance with the transmission organization's prevailing cost allocation methods for upgrades or expansions.²⁰ The purpose of guideline (3) is to award transmission rights to entities that fund transmission upgrades and expansions through direct cost assignment and not to award rights related to upgrades that are rolled into transmission rates.²¹

¹⁶ Order No. 681, FERC Stats. & Regs. ¶ 31,226 at P 170.

¹⁷ SPP Tariff Attachment AE sections 7.2.4(1), 7.1.1 and 7.2.1.

¹⁸ SPP Tariff Attachment AE sections 7.2.2 and 7.2.3.

¹⁹ SPP Tariff Attachment AE section 8.5.12; *see Southwest Power Pool, Inc.*, 141 FERC ¶ 61,048 at P 237.

²⁰ 18 C.F.R. § 42.1(d)(3) (2014).

²¹ Order No. 681, FERC Stats. & Regs. ¶ 31,226 at P 211.

a. SPP's Proposal

19. SPP asserts that existing compensation mechanisms under its Tariff are already consistent with Guideline (3). SPP states that under SPP's upgrade crediting process, entities that fund upgrades that are not included in the transmission service rates are eligible for revenue credits for the subsequent use of the upgrade.²² SPP contends that this process, which provides parties funding transmission upgrades with a right to payment, can be viewed as a form of long-term transmission right. SPP argues that the existing design is a just and reasonable mechanism consistent with Guideline (3). SPP states that it perceives a risk of conflict if a new revenue right is introduced in addition to the existing upgrade credits. According to SPP, its existing ARR/TCR design is unique among the respective regional transmission organization markets in that it is based entirely upon current and new transmission service reservations, both point-to-point and network service. SPP contends that, if new LTCRs were to become available based on sponsored upgrades to the transmission system, these additional rights could potentially create a problem of prioritization over existing revenue credits and even a problem of over-subscription.²³

b. Protest

20. Boston Energy objects to SPP's proposal to award long-term financial transmission credits because it excludes independent investors funding market participant funded upgrades from the universe of parties eligible to receive LTCRs. Boston Energy states that SPP limits awards to Eligible Entities.²⁴ Boston Energy notes that non-traditional investors put capital at risk for "market participant funded upgrades" that reduce congestion and lower costs for ratepayers and, in exchange, every major organized electric market in the country (except for SPP) provides the investor an LTCR equal to the new capacity created on the system by the elective upgrade.²⁵ Boston Energy argues

²² SPP is relying on currently effective Tariff language in Attachment Z2 and has proposed no new Tariff language in the instant filing. SPP's Attachment Z2 transmission revenue crediting process was adopted to provide a form of financial transmission rights for participant-funded upgrades in lieu of congestion revenue rights that were granted for participant-funded upgrades in transmission organizations with Day 2 markets. This allowed SPP to adopt participant funding in advance of commencing Day 2 markets.

²³ Transmittal at 11-12.

²⁴ *See supra* n.11 (definition of Eligible Entity).

²⁵ Boston Energy Protest at 4-5 (citing PJM Tariff §§ 231.1-231.5A; MISO Business Practices Manual on Participant Funded Projects § 4.3.4; MISO Tariff Attachment FF § III.A.2; NYISO Transmission Expansion and Interconnection Manual (*continued* ...))

that SPP's proposal is unduly discriminatory and violates the principles set forth by the Commission in Order No. 681.

21. Boston Energy specifically alleges that SPP's proposal does not meet Guideline (3) of Order No. 681, which requires SPP to make LTCRs, or an equivalent transmission right, available to "all parties" willing to improve the SPP transmission system. Boston Energy states that SPP recognizes that LTCRs are not assigned for upgrades unless (i) they are made by an Eligible Entity, and (ii) there is a corresponding transmission service reservation with renewal rights. Boston Energy concludes that SPP's proposal effectively ties the award of LTCRs to investment solely related to the procurement of firm physical transmission reservations and to market participants taking bundled service. In addition, Boston Energy asserts that SPP forecloses competition by awarding revenue credits in the form of a credit against a transmission service bill—a framework that only has value to integrated utilities. Boston Energy contends this is anticompetitive, and establishes an unnecessary barrier to entry.

22. Boston Energy also criticizes SPP's claim that it is compliant with Guideline (3) and is merely formalizing its existing crediting policies, as established in Attachment Z2 to its Tariff. Boston Energy states that the problem with SPP's justification is that Attachment Z2 addresses only transmission upgrades associated with new requests for transmission service made by physical entities flowing power across the SPP system, whose main goal is to ensure the transmission system is able to get power to customers. In contrast, Boston Energy states that it and similar entities seek to relieve congestion by opening up capacity through investment, and in return for this investment, to receive LTCRs, not revenue credits, for the capacity created. Further, Boston Energy states that the fact that the Commission previously approved the Attachment Z2 construct does not mean that it constitutes a valid basis for assigning LTCRs under Order No. 681.

c. Answers

23. SPP asserts that Boston Energy seeks the ability to obtain the benefits of LTCRs by financing upgrades outside of SPP's prevailing transmission planning methodology. SPP contends that this would amount to preferential treatment of a non-LSE financial-only market participant over other SPP market participants who fund facility upgrades through transmission service reservations that generate credits. According to SPP, providing LTCRs to entities that finance upgrades diminishes the rights of LSEs who fund upgrades through service reservations. SPP avers that this is the very antithesis of the preference for LSEs contained in section 217(b)(4) of the FPA.²⁶

§ 2; CAISO Tariff §§ 36.11.1, 24.4.6.1).

²⁶ SPP Answer at 10.

24. SPP argues that, rather than being excluded from LTCRs, Boston Energy can obtain LTCRs in the same manner as LSEs and all other market participants – i.e., by requesting point-to-point transmission service and selecting a source and sink on a path it believes would be increased in capacity because of its financing or investment. Under SPP’s prevailing methodology, Boston Energy would then receive revenue credits based on the financing it provided. SPP further notes that Boston Energy could then be awarded LTCRs like any other firm point-to-point transmission customer. SPP states that the Commission noted that “while Order No. 681 ‘requires transmission organizations to offer long-term firm transmission rights with characteristics that will support long-term power supply arrangements, in most cases, offering such rights should not require major changes in allocations or allocation procedures.’”²⁷

25. SPP disputes Boston Energy’s concerns that financing entities do not receive equitable treatment under SPP’s proposal. SPP explains that all transmission service depends upon SPP’s transmission service reservation process, including its queuing rules. According to SPP, no market participant goes to the head of the transmission service reservation line based on financing an investment; parties already in the queue have priority.²⁸

26. SPP argues that Boston Energy’s criticism of SPP’s crediting process²⁹ for transmission system upgrades amounts to a collateral attack on all or some portion of previous Commission orders in which the Commission has approved SPP’s crediting design for upgrades.³⁰ SPP urges the Commission to reject such attacks as barred by long-standing Commission precedent.³¹

²⁷ *Id.* (quoting Order No. 681-A, 117 FERC ¶ 61,201 at P 14).

²⁸ *Id.* at 11.

²⁹ SPP contends that Boston Energy focuses on the fact that SPP’s LTCR, TCR, and prevailing transmission upgrade allocation procedures do not exactly match those of other transmission organizations—despite the fact that Order No. 681 contains no requirement for such a match. According to SPP, Boston Energy’s argument is predicated on how all other RTOs/ISOs have implemented incremental long-term rights. SPP states that, unlike the others, the SPP design is based on requiring long-term transmission system reservations in order to be able to obtain LTCRs and ARRs, and the Commission accepted SPP’s existing ARR allocation/TCR auction procedures based on this same transmission system reservation requirement.

³⁰ *Id.* at 11-12 (citing *Southwest Power Pool, Inc.*, 145 FERC ¶ 61,198 (2013); *Southwest Power Pool, Inc.*, Letter Order, Docket No. ER13-1914-002 (Feb. 12, 2014); *Southwest Power Pool, Inc.*, 123 FERC ¶ 61,208 (2008); *Southwest Power Pool, Inc.*, (continued ...)

27. Boston Energy argues that those who pay for upgrades to the transmission system should receive LTRCs up to the level of transmission capacity created without a further requirement to procure transmission service.³² Therefore, Boston Energy states that an investor should get LTRCs up to the level of the capacity created if three conditions are met: (1) the investor pays to create transmission capacity; (2) that investment is at its sole expense and risk, i.e., not paid by any consumers;³³ and (3) the resultant capacity is available for anyone on the system to use.

28. Boston Energy notes that such treatment would be available to all, not solely Boston Energy, and, as transmission is upgraded, all would benefit. Boston Energy states that the types of projects envisioned are those that would address discrete issues on the transmission system, relieve congestion, and create incremental capacity. Moreover, Boston Energy posits, such projects would allow market participants to hedge congestion arising from the differing assumptions made in the studies done at the time transmission service is procured as compared with congestion generated by the real-time dispatch.³⁴

29. Contrary to SPP's assertions, Boston Energy states that it does not seek to go around the transmission queue process. Boston Energy states that it does not seek transmission service, only LTRC rights equal to the transmission capacity created through upgrades for which it paid. Further, Boston Energy asserts that the LTRCs granted will not impinge on existing transmission rights,³⁵ and the entity funding the upgrade would only be eligible for LTRCs up to the level of capacity that was verified to have been created. Boston Energy argues that SPP is the one preferring certain entities by favoring LSEs, and other entities, with long-term power supply arrangements. Boston Energy says that SPP is discriminating against non-traditional transmission investors, and

111 FERC ¶ 61,118, at P 72 (2005)).

³¹ *Id.* at 12.

³² Boston Energy Answer at 3-4 (citing *PJM Interconnection, L.L.C.*, 119 FERC ¶ 61,144 (2007)).

³³ *Id.* (citing *Midwest Indep. Transmission Sys. Operator, Inc.*, 148 FERC ¶ 61,204, at P 31 (2014)).

³⁴ *Id.* at 4-5.

³⁵ *Id.* at 5 (citing *New York Indep. Sys. Operator, Inc.*, 126 FERC ¶ 61,029 (2009)).

not treating such investors on a comparable basis by making LTCRs rights available only to entities that reserve transmission service.³⁶

30. Boston Energy agrees with SPP's statement that granting Boston Energy's protest would result in a different form of compensation and type of revenue source, for projects where an investor pays to create transmission capacity at its sole expense and risk, and the resultant capacity is available for anyone on the system to use. Boston Energy argues that such different compensation is warranted.

31. Boston Energy also disputes SPP's assertion that the Attachment Z2 crediting process is compliant with Order No. 681. Boston Energy argues that it would be contrary to the Commission's intent to not provide access to LTCRs to those that invest in upgrading the transmission system, but do not seek transmission service.³⁷ Boston Energy contends that the Attachment Z2 crediting process does not grant financial hedging protection against congestion. Boston Energy asserts that it creates the possibility of revenue generation for an entity based entirely on the sale of transmission service that could not have been granted "but for" the upgrade that was paid for by the entity (that is potentially due credits under Attachment Z2), which is a much different way to recover return on investment than granting LTCRs. Boston Energy states that, while this may be suited to the physical transmission rights that existed in the old SPP construct, it does not create the same protection against congestion nor right to revenue that an LTCR does in the new market. Boston Energy notes that LTCRs did not exist when Attachment Z2 credits were created in SPP. Boston Energy states that it is not arguing that the Commission should ban the use of Attachment Z2 credits for those entities that currently are vested with the right to receive them or wish to use the Attachment Z2 mechanism. However, Boston Energy argues that barring entities that do not require transmission service from access to LTCRs should be rejected.³⁸

32. Further, Boston Energy states that its understanding of SPP's proposal is that there is no requirement to flow firm power to get LTCRs, and SPP only requires a firm transmission reservation. Boston Energy argues that entities should not be required to reserve transmission service when there is no intent to use the service to schedule firm power. Boston Energy contends that SPP's proposal appears to require an entity to

³⁶ *Id.* at 5-6.

³⁷ *Id.* at 7 (citing *ISO New England Inc. et al.*, 122 FERC ¶ 61,173, at P 57 (2008)).

³⁸ *Id.* at 7-8.

misrepresent its intent – reserving transmission capacity when there is no intent to flow power.³⁹

d. Commission Determination

33. We find that SPP’s proposal does not comply with Guideline (3) of Order No. 681. SPP’s reliance on its Attachment Z2 transmission revenue crediting process is insufficient to comply with Guideline (3). Specifically, SPP’s proposal does not grant LTCRs to “any party”⁴⁰ that funds upgrades.⁴¹ Instead, it awards transmission service revenue credits, which are only available to transmission service customers and are not based on the value of congestion revenue. SPP’s proposal does not allow other entities that do not take transmission service but fund transmission upgrades, such as Boston Energy, to receive LTCRs and benefit from their investment in those upgrades. This unjustly limits the provision of LTCRs. SPP’s contention in its answer that Boston Energy should reserve point-to-point transmission service in order to be eligible for LTCRs is not consistent with Order No. 681, which plainly states that “any party” that funds upgrades must be eligible for LTCRs. Requiring Boston Energy to incur costs to reserve transmission service that it does not need or want in order to receive the benefits of its investment via LTCRs is not a reasonable alternative to securing LTCRs directly as a result of funding the transmission upgrades that make these incremental LTCRs feasible.

34. Accordingly, we direct SPP to make a compliance filing within 30 days of the date of issuance of this order to include a process for offering LTCRs for transmission upgrades to “any party.” However, it is unclear how the provision of LTCRs for participant-funded upgrades and the Attachment Z2 process would interact if SPP desires to retain Attachment Z2 as an option in addition to offering LTCRs for participant-funded upgrades. If SPP intends to offer transmission revenue credits under Attachment Z2 as an option in addition to offering LTCRs for participant-funded upgrades, SPP must address in its compliance filing how the provision of Attachment Z2 revenue credits will

³⁹ *Id.* at 10.

⁴⁰ *See* Order No. 681, FERC Stats. & Regs. ¶ 31,226 at P 210 (“Long-term firm transmission rights made feasible by transmission upgrades or expansions must be available upon request to *any party* that pays for such upgrades or expansions....”) (emphasis added).

⁴¹ Under SPP’s proposal, the credits are provided up to the cost of the facility and would not serve as an incentive for entities to build merchant transmission projects. An LTCR could provide an incentive if the value of the LTCR is greater than the cost of the investment.

work alongside the provision of LTCRs for participant-funded upgrades in a way that is just and reasonable and consistent with Order No. 681.

4. Guideline (4)

35. Long-term firm transmission rights must be made available with term lengths (and/or rights to renewal) that are sufficient to meet the needs of LSEs to hedge long-term power supply arrangements made or planned to satisfy a service obligation. The length of the term of renewals may be different from the original term. Transmission organizations may propose rules specifying the length of terms and use of renewal rights to provide long-term coverage, but must be able to offer firm coverage for at least a 10-year period.⁴²

36. In Order No. 681, the Commission stated that it will allow regional flexibility in defining the terms of long-term firm transmission rights that are offered and will permit substantial latitude to determine how to achieve long-term coverage through combinations of transmission rights of specific terms and renewal rights along with transmission planning and expansion procedures that support long-term rights. However, transmission organizations must make available transmission rights and renewal rights that provide coverage for a period of at least 10 years so that transmission rights offered meet the reasonable needs of LSEs to obtain transmission service for long-term power supply arrangements used to meet service obligations, while allowing transmission organizations and their stakeholders flexibility in designing rights that suit regional needs.⁴³

a. SPP's Proposal

37. SPP proposes to tie the award and duration of LTCRs to the underlying firm transmission service.⁴⁴ Under the proposal, LTCRs are renewed annually and integrated into the annual ARR and TCR process. All previously awarded LTCRs are automatically renewed each year as long as the underlying transmission service continues to be in effect for the entire allocation year covered by the LTCR and the LTCR has not been previously surrendered. Therefore, LTCRs can continue to be renewed for at least 10 years.⁴⁵

⁴² 18 C.F.R. § 42.1(d)(4) (2014).

⁴³ Order No. 681, FERC Stats. & Regs. ¶ 31,226 at P 258.

⁴⁴ Transmittal at 12.

⁴⁵ SPP Tariff Attachment AE sections 7.2.2, 7.2.3, and 7.2.4(1).

b. Commission Determination

38. We find that the term length of the LTCRs in SPP's proposal complies with Guideline (4) of Order No. 681. While Order No. 681 provided transmission organizations with flexibility in defining the terms of the long-term transmission rights, it required transmission organizations to provide firm coverage for a minimum of a 10-year period. SPP's proposal satisfies this requirement.

5. Guideline (5)

39. LSEs must have priority over non-LSEs in the allocation of long-term firm transmission rights that are supported by existing transmission capacity. The transmission organization may propose reasonable limits on the amount of existing transmission capacity used to support long-term firm transmission rights.⁴⁶

40. Guideline (5) protects long-term firm transmission rights used to satisfy native load service obligations. In Order No. 681, the Commission found that both LSEs with long-term power supply arrangements and LSEs with short-term power supply arrangements should receive the same preference for long-term firm transmission rights, unless an alternative rule is agreed to by stakeholders. This preference is not shared with non-LSEs. The Commission also stated that non-LSEs eligible for allocation of transmission rights should be given access to any long-term firm transmission rights available following the allocation to LSEs.⁴⁷

41. In Order No. 681, the Commission provided that the transmission organization and its stakeholders should be given flexibility to determine the level at which an LSE may nominate long-term firm transmission rights as long as that level does not fall below the "reasonable needs" of the LSE.⁴⁸ The Commission provided latitude for transmission organizations to propose reasonable limits on the amount of transmission capacity made available for long-term firm transmission rights, noting that this level can be expressed as a straightforward measure of load, such as minimum daily peak load or 50 percent of maximum daily peak load. The Commission also provided the transmission organization and its stakeholders with flexibility to propose an approach for incorporating load growth in the allocation process.

⁴⁶ 18 C.F.R. § 42.1(d)(5) (2014).

⁴⁷ Order No. 681, FERC Stats. & Regs. ¶ 31,226 at P 320.

⁴⁸ *Id.* P 323.

a. SPP's Proposal

42. SPP states that its proposal provides LSEs with priority in the allocation of rights based on existing capacity by using a two-step allocation process.⁴⁹ Under SPP's proposal, after the verification of Eligible Entities' transmission service entitlements, SPP performs a simultaneous feasibility test to determine the amount of available LTCRs that may be selected and awarded to Eligible Entities. SPP proposes that, under the simultaneous feasibility test, all candidate LTCRs associated with LSEs are modeled as a generation injection at the source and a corresponding load withdrawal at the sink. In addition, all previously awarded LTCRs associated with non-LSEs that have not been surrendered are modeled as fixed injections and withdrawals.⁵⁰ SPP then proposes to run a second simultaneous feasibility test modeling all candidate LTCRs associated with non-LSEs with available LTCRs associated with LSEs modeled as fixed injections and withdrawals based on the outputs of the first simultaneous feasibility test.⁵¹ SPP proposes that LSEs will select from the set of available LTCRs determined to be feasible from the first simultaneous feasibility test, while non-LSEs select from the available LTCRs shown to be feasible from the second simultaneous feasibility test.⁵² SPP proposes that the set of available LTCRs will be limited to 50 percent of the projected maximum transmission system capability.

b. Protest

43. TDU Intervenors allege that SPP's proposal does not adequately safeguard LSEs' ability to deliver their baseload resources. TDU Intervenors contend that under SPP's LTRC allocation process, it is virtually impossible for all LSEs to obtain a sufficient quantity of LTRCs to cover their baseload resources as required by Guideline (5). TDU Intervenors assert that SPP's simultaneous feasibility test of candidate LTRCs will reduce the quantity of all potential LTRCs because the test assumes that only 50 percent of the total transmission system capacity is available and does not consider counterflow. TDU Intervenors further assert that candidate LTRCs on congested paths will be even more severely reduced. TDU Intervenors contend that SPP's proposal does not grant adequate preference to LSEs. TDU Intervenors argue that because SPP allocates LTRCs to LSEs in a single round, if an LSE elects not to accept certain candidate LTRCs, then the process will not benefit other LSEs who might desire that LTRC on the same path. TDU

⁴⁹ Transmittal at 12.

⁵⁰ SPP Tariff Attachment AE section 7.2.2.

⁵¹ SPP Tariff Attachment AE section 7.2.3.

⁵² SPP Tariff Attachment AE section 7.2.4.

Intervenors note that this appears to benefit non-LSEs whose LTCRs will be allocated in the next stage of the process.⁵³

44. According to TDU Intervenors, LSEs that need LTCRs the most (i.e., those with baseload resources that rely on long-term firm transmission reservations affecting congested paths) will have little, if any, opportunity to achieve the long-term coverage intended by Congress and Order No. 681. TDU Intervenors assert that the Commission must require SPP to make two changes to its process to conform to the rule. First, TDU Intervenors state that the inputs to the simultaneous feasibility test for LSE LTCRs must be limited to candidate LTCRs tied to transmission capacity needed to support delivery of an LSE's baseload resources. TDU Intervenors note that the Midcontinent Independent System Operator, Inc.'s (MISO) long-term firm transmission right process could provide a model. According to TDU Intervenors, in MISO's process, resources must have a capacity factor of at least 50 percent over the past three years, or some equivalent, to be nominated for long-term rights allocations. TDU Intervenors contend that implementing such a process in SPP would reduce the total MW of candidate LTCRs that must be found to be simultaneously feasible, and, as a result, available LTCRs would provide more protection for LSE's baseload needs.

45. Second, TDU Intervenors request that another phase be added to the awarding of available LTCRs to LSEs. TDU Intervenors state that, in this additional phase, available LTCRs that were not selected by and awarded to LSEs in the first phase would be offered to other LSEs. According to TDU Intervenors, LTCRs that remain available after the first phase should be made available to LSEs with candidate LTCRs on the same path to support their own baseload resources but whose own available LTCRs for that path were not sufficient to provide a full hedge. TDU Intervenors assert that without this additional phase, LSEs will be deprived of the preference to which they are entitled under Guideline (5).⁵⁴

c. Answers

46. SPP argues that TDU Intervenors inappropriately seek a superior position for themselves over other LSEs. SPP notes that Order No. 681 “does not necessarily guarantee that [an LSE] will be able to obtain long-term firm transmission rights to hedge its entire resource portfolio or be able to obtain all the long-term firm transmission rights it requests.”⁵⁵ SPP criticizes TDU Intervenors' construction of “reasonable needs” to

⁵³ TDU Intervenors Protest at 6-7.

⁵⁴ *Id.* at 7-9.

⁵⁵ SPP Answer at 4 (quoting Order No. 681-A, 117 FERC ¶ 61,201 at P 14).

refer to every single LTCR an entity wants to have, and it argues that SPP's proposal provides a more complete way for LSEs to protect their baseload by offering LSEs both LTCR and TCR opportunities.⁵⁶

47. SPP contends that, under TDU Intervenors' requested approach, one LSE could nominate, receive, and exhaust another LSE's transmission service reservation path. This would block other LSEs from receiving as many, or any, future LTCRs, annual TCRs, or monthly TCRs as they should receive. On the other hand, SPP states that conducting a simultaneous feasibility test of all the transmission service reservations and then permitting LSEs to nominate up to their simultaneously feasible amounts for inclusion in an LTCR would protect and benefit all LSEs. SPP believes that its proposal is appropriately structured to balance the differing interests of various types of LSEs, as well as support the long-term feasibility of LTCRs.⁵⁷

48. TDU Intervenors reiterate their allegation that SPP's proposed process produces a set of available LTCRs that for any given baseload resource is significantly less than the long-term transmission rights associated with that resource. TDU Intervenors allege that SPP's proposal does not take into account LSEs' priorities as to which resources they most wish to protect from congestion risk on a long-term basis. TDU Intervenors thus contend that SPP's proposal does not meet Order No. 681's expectation that "each [LSE] is able to request and obtain, at its option, a quantity of long-term firm transmission rights sufficient to hedge its long-term power supply arrangements at a base load level."⁵⁸ TDU Intervenors again request that the Commission require SPP to (1) limit the inputs in the first simultaneous feasibility test to candidate LTCRs that are tied to long-term reservations that support delivery of LSEs' baseload resources and (2) expand the LTCR allocation process by including an additional phase where LSEs can select available LTCRs that were not selected by other LSEs yet lie along a path to support an LSE's own baseload resources. TDU Intervenors assert that this second phase would allow LSEs to provide a more sufficient long-term hedge against congestion.⁵⁹ TDU Intervenors assert that SPP did not address this aspect of TDU Intervenors' prior protest. Rather, SPP has mischaracterized their arguments as "asking the Commission to approve a superior position for themselves over other LSEs."⁶⁰ TDU Intervenors dispute SPP's

⁵⁶ *Id.*

⁵⁷ *Id.* at 5-7.

⁵⁸ TDU Intervenors Answer at 3.

⁵⁹ *Id.* at 3-4.

⁶⁰ *Id.* at 4 (citing SPP Answer at 4).

mischaracterization and instead assert that they are seeking to ensure that all LSEs have the option to protect their baseload resources on a long-term basis. TDU Intervenor contend that their arguments are tightly tethered to the expectations stated by the Commission in Order No. 681.⁶¹

49. TDU Intervenor allege that SPP's allocation process ensures that only a fraction of the 50 percent of the transmission system's capability will be used for LTCRs. TDU Intervenor assert that the balance of transmission system capability will be used for shorter-term ARRs and TCRs.⁶² TDU Intervenor stress that they are not asking the Commission to require SPP to reform its proposal to allow for a nomination period as the first step in the process. TDU Intervenor request that SPP limit the available candidate LTCRs to those that would support LSEs baseload resources, and they assert that these are congestion hedges that the Commission has ruled must be made available by any long-term rights proposal. TDU Intervenor again request that the Commission require SPP to allow LSEs whose initial allocation of baseload LTCRs fell short of full coverage be given the opportunity to select LTCRs on the same path that were declined by other LSEs before those LTCRs are made available to non-LSEs or other market participants. TDU Intervenor contend that making these modest changes would make it more likely that "each [LSE] is able to request and obtain, at its option, a quantity of long-term firm transmission rights sufficient to hedge its long-term power supply arrangements at a base load level."⁶³

d. Commission Determination

50. We find that SPP has not fully complied with Guideline (5). Specifically, SPP's proposal to allow LSEs to select available LTCRs from a set of candidate LTCRs made up of all possible LSE LTCRs, rather than selecting from only those nominated by the LSEs, does not provide LSEs with a sufficient financial hedge against congestion costs. Under SPP's proposal, SPP would perform a simultaneous feasibility test based on 50 percent of the system capability and then allow LSEs to select LTCRs from the set of candidate LTCRs shown to be simultaneously feasible out of all available TCRs. SPP's proposal does not allow market participants to nominate their desired LTCRs; rather, SPP only allows market participants to select from a pool of available LTCRs that have been predetermined to be feasible.

⁶¹ *Id.* at 4-5.

⁶² *Id.* at 5.

⁶³ *Id.* at 7-8 (quoting Order No. 681-A, 117 FERC ¶ 61,201 at P 88).

51. The inability of LSEs to nominate LTCRs in SPP prior to the evaluation of their feasibility unreasonably limits LSEs' options to obtain adequate financial hedges against transmission congestion. This is because SPP tests the feasibility of all LTCRs, including undesired LTCRs. If all such LTCRs, including undesired LTCRs, are not feasible or the undesired LTCRs reduce the number of available LTCRs, then LSEs may not be able to reasonably hedge against congestion. Accordingly, we direct SPP to submit, in a compliance filing due within 30 days of the date of issuance of this order, revisions to its proposal to allow LSEs to nominate candidate LTCRs prior to the performance of a simultaneous feasibility test to determine the availability of the nominated LTCRs. We will not require SPP to incorporate TDU Intervenors' two revisions into SPP's proposal to comply with Guideline (5) because we find that, by incorporating a nomination process before the simultaneous feasibility test, SPP will address TDU Intervenors' concerns and render their proposed revisions unnecessary.

6. Guideline (6)

52. A long-term transmission right held by an LSE to support a service obligation should be re-assignable to another entity that acquires that service obligation.⁶⁴ The Commission stated that Guideline (6) is intended to comply with section 217(b)(3)(A) of the FPA which requires that transmission rights be transferable to successors ensuring that they follow migrating load.⁶⁵ Noting that rules governing the reassignment of firm transmission rights that follow migrating load already exist, the Commission provided transmission organizations and stakeholders flexibility to determine the specific rules. The Commission stated that this reassignment issue relates to transmission rights that are allocated preferentially to an LSE in accordance with Guideline (5) and not to rights acquired by an LSE via auction or direct assignment of funding an upgrade.⁶⁶ Guideline (6) also allows for the trading of transmission rights.

a. SPP's Proposal

53. SPP states that it will provide for the transfer of the firm transmission service that underlies the relevant candidate LTCRs and will transfer any corresponding awarded LTCRs, as applicable, to account for wholesale load shifts between transmission customers.⁶⁷

⁶⁴ 18 C.F.R. § 42.1(d)(6) (2014).

⁶⁵ Order No. 681, FERC Stats. & Regs. ¶ 31,226 at P 358.

⁶⁶ *Id.* P 357.

⁶⁷ SPP Tariff Attachment AE section 7.1.3(1).

b. Commission Determination

54. We find that SPP's proposal complies with the requirements of Guideline (6) by providing for the transfer of LTCRs to follow migrating load and permitting reassignment of LTCRs to another entity that acquires the associated service obligation.

7. Guideline (7)

55. Under Guideline (7), the initial allocation of the long-term firm transmission rights shall not require recipients to participate in an auction.⁶⁸

56. Guideline (7) does not preclude a transmission organization from using an auction to allocate long-term firm transmission rights; rather, it only precludes requiring an LSE to submit a winning bid in an auction in order to acquire long-term firm transmission rights.⁶⁹ In Order No. 681, the Commission described a number of different methods for allocating long-term firm transmission rights, including the ARR allocation procedure used by PJM Interconnection, L.L.C., where each LSE may, at its option, convert its ARRs directly into annual firm transmission rights with identical sources and sinks.⁷⁰ In this way, LSEs that are obligated to pay the embedded costs of the transmission system should be able to receive an equitable share of long-term firm transmission rights without having to submit a competitive bid for those rights.

a. SPP's Proposal

57. Under SPP's proposed design, available LTCRs are allocated to Eligible Entities prior to any auction activities, and Eligible Entities that are LSEs receive priority in the determination of LTCRs available for allocation.⁷¹ LTCRs will be allocated prior to the allocation of annual ARRs, and Eligible Entities that are LSEs are not required to participate in any subsequent auctions to maintain LTCRs or to obtain additional LTCRs.⁷²

⁶⁸ 18 C.F.R. § 42.1(d)(7) (2014).

⁶⁹ Order No. 681, FERC Stats. & Regs. ¶ 31,226 at P 385.

⁷⁰ *Id.* P 388.

⁷¹ *See* SPP Tariff Attachment AE sections 7.2.2 and 7.2.3.

⁷² Transmittal at 13.

b. Commission Determination

58. We find that SPP's proposal complies with Guideline (7) of Order No. 681. Under the proposal, LTCRs will be allocated prior to allocation of annual ARRs, and LSEs are not required to participate in an auction and therefore not required to submit a winning bid in order to receive long-term rights.

8. Transmission Planning and Expansion

59. In Order No. 681, the Commission required each transmission organization to implement a planning process that will accommodate the long-term transmission rights that are awarded by ensuring that they remain feasible over their entire term. The Commission also indicated that appropriate planning for long-term firm transmission rights is essential to ensure that any charges to market participants to meet the full-funding requirement of Guideline (2) do not become unjust, unreasonable, or unduly discriminatory.⁷³ The Commission also required each transmission organization to make its planning and expansion practices and procedures publicly available.

a. Protest

60. TDU Intervenors contend that SPP's proposal fails to require SPP to plan the transmission system to ensure the continued feasibility of LTCRs. According to TDU Intervenors, SPP stated that it will adjust line ratings to the extent necessary to allow the model to produce a feasible solution, if the previously awarded LTCRs are no longer feasible. TDU Intervenors argue that the Commission should require SPP, as it required MISO, to state explicitly that it will plan for the continued financial feasibility of awarded LTCRs.⁷⁴

b. Answer

61. SPP states that the congestion hedging process has its foundation in SPP's transmission planning process, and it incorporates the planning process's focus on continued feasibility in the context of new transmission service requests. SPP asserts that this integration means that SPP will also be planning for and ensuring the continued feasibility of granted LTCRs as long as the underlying SPP-recognized transmission service is in place.⁷⁵

⁷³ Order No. 681, FERC Stats. & Regs. ¶ 31,226 at P 453.

⁷⁴ TDU Intervenors Protest at 9-10.

⁷⁵ SPP Answer at 6.

c. Commission Determination

62. We find that SPP has failed to fulfill the requirement that its transmission planning process will accommodate the long-term transmission rights that are awarded by ensuring that they remain feasible over their entire term. Accordingly, we direct SPP, in a compliance filing due within 30 days of the date of issuance of this order, to either demonstrate that its current transmission planning process provides for the continue feasibility of LTCRs or, alternatively, to submit Tariff revisions to include such a provision in its planning process.

9. Miscellaneous

a. Protest

63. TDU Intervenors raise concerns with several provisions in SPP's proposal, arguing that the proposed provisions are inconsistent, confusing, and require additional changes. TDU Intervenors argue that the provisions are not coherently integrated with the ARR provisions, and SPP has not consistently used terminology within the sections relating solely to LTRC allocation.

64. TDU Intervenors' specific concerns are that (1) sections 7.1.2(1)(a), 7.1.2(2)(a), 7.1.2(3)(a), and 7.1.2(4)(a) are confusing and unnecessary, as the process of selection and awarding LTCRs is covered already in section 7.2.4; (2) various subsections within section 7.1.3(1) appear to allow a market participant too generous a nomination cap because they do not take into account awarded LTCRs that are already protected; (3) section 7.1.3(1) refers to "Candidate LTCRs," which is not a defined term; (4) section 7.2 erroneously refers to ARRs, when the section relates only to LTCRs, and also refers to "Available candidate LTCRs," which muddies the distinction between candidate LTCRs and available LTCRs; (5) section 7.2.1 could be read to require all Eligible Entities to submit the listed information, even if they are not surrendering previously awarded LTCRs; (6) in section 7.2.2 it is not clear why "all previously awarded LTCRs, that have not been surrendered, *which are associated with Eligible Entities that are not LSEs*, are modeled as fixed injections and withdrawals," instead, consistent with sections 7.3.3 and 7.4.3(3), it would seem that all LTCRs that were previously awarded whether to LSEs or non-LSEs should be modeled as fixed injections and withdrawals; (7) the terms "candidate," "available," "actual LTRC amounts," and "nominations" are either muddled, not explained, or irrelevant to sections 7.2.2 and 7.2.3; (8) the first paragraph of section 7.2.3 inappropriately limits the second round of LTRC allocations to non-LSEs; (9) SPP should be required to explain and justify its proposal in section 7.2.3 that "all available LTCRs associated with Eligible Entities that are LSEs as calculated under section 7.2.2 of this Attachment AE are modeled as fixed injections and withdrawals"; (10) in section 7.2.4(2), it is not clear why SPP references previously awarded and surrendered LTCRs in stating the limits on the LTCRs that a market participant may select; and (11) SPP should be required to explain what it means

for a market participant to “select LTCRs that were not previously awarded” in section 7.2.4(3).⁷⁶

b. Answers

65. SPP argues that the TDU Intervenors’ claim that sections 7.1.2(1)(a), 7.1.2(2)(a), 7.1.2(3)(a), 7.1.2(4)(a) of SPP’s proposed Tariff revisions should be deleted as redundant in light of section 7.2.4 is incorrect. SPP notes that while section 7.2.4 pertains to the selection of LTCRs, the other sections pertain to the effect of the nomination cap.⁷⁷ In their answer, TDU Intervenors still contend that sections 7.1.2(1)(a), 7.1.2(2)(a), 7.1.2(3)(a), and 7.1.2(4)(a) are not needed and should be deleted. TDU Intervenors contend it is unclear why any reference to the aggregate nomination cap is needed here when it is also addressed under section 7.1.3.⁷⁸

66. SPP refutes TDU Intervenors’ assertion that proposed section 7.1.3 could result in a nomination cap that is too generous. SPP contends that TDU Intervenors’ interpretation is incorrect because section 7.1.3 is intended to define the ARR nomination cap, which applies to both candidate LTCRs and candidate ARRs, and that the sum of those two values cannot exceed the ARR nomination cap. SPP notes that previously awarded LTCRs do not affect the nomination cap, but they do impact the amount of available LTCRs that may be selected, as described under section 7.2.4.⁷⁹ TDU Intervenors reiterate their contention that the nomination cap in section 7.1.3(1), the sum of network integration transmission service candidate ARRs and network integration transmission service candidate LTCRs for that particular month or season, is too generous and should be reduced to reflect previously awarded LTCRs. TDU Intervenors contend that if it is not reduced, a market participant’s ARR nominations may be excessive.

67. SPP acknowledges that the term “Network Integration Transmission Service Candidate LTCRs” should appear instead of “Candidate LTCRs” in section 7.1.3(1).⁸⁰ TDU Intervenors support SPP’s proposed change to the language in section 7.1.3(1) to change “Candidate LTCRs” to “Network Integration Transmission Service Candidate

⁷⁶ TDU Intervenors Protest at 10-13.

⁷⁷ SPP Answer at 7.

⁷⁸ TDU Intervenors Answer at 9-10.

⁷⁹ SPP Answer at 7.

⁸⁰ *Id.* at 8.

LTCRs,” and they assert that parallel language should be added to the other subsections of section 7.1.3 to provide for the transfer of candidate and awarded LTCRs to account for wholesale load shifts between transmission customers.⁸¹

68. SPP also acknowledges that the reference to “selected candidate ARRs” in section 7.2 is incorrect. SPP proposes to substitute the following language:

Eligible Entities may select the candidate LTCRs that they wish to receive up to their available LTCRs. The selected candidate LTCRs are awarded to each Eligible Entity during the LTCR annual allocation. Candidate LTCRs are evaluated on an annual basis in a two-step process: (i) candidate LTCRs associated with Eligible Entities that are Load Serving Entities are evaluated in accordance with section 7.2.2 and (ii) remaining candidate LTCRs associated with Eligible Entities that are not Load Serving Entities are then evaluated in accordance with section 7.2.3.^[82]

TDU Intervenors contend that SPP’s proposed edits to section 7.2 represent an improvement but still require further clarification. TDU Intervenors propose that the language should read:

Eligible Entities may select the ~~candidate~~ LTCRs that they wish to receive up to their available LTCRs. The ~~selected candidate~~ LTCRs are awarded to each Eligible Entity during the LTCR annual allocation.^[83]

69. SPP acknowledges the potential ambiguity identified with respect to section 7.2.1. SPP proposes revised language as follows:

Eligible Entities may surrender previously awarded LTCRs in 0.1 MW increments. Prior to annual LTCR allocation, Eligible Entities surrendering previously awarded LTCRs shall submit the following information:
(1) Source (valid candidate LTCR source Settlement Location),
(2) Sink (valid candidate LTCR sink Settlement Location), and

⁸¹ TDU Intervenors Answer at 10.

⁸² SPP Answer at 8.

⁸³ TDU Intervenors Answer at 10.

(3) Surrendered LTCR MW (cannot exceed previously awarded LTCR).^[84]

TDU Intervenors agree with SPP's proposed revisions to section 7.2.1.⁸⁵

70. SPP disagrees with TDU Intervenors' suggestion that certain language in section 7.2.2 regarding previously awarded LTCRs is unclear. SPP also notes that previously awarded LSE LTCRs are covered under paragraph 3 of section 7.2.2.⁸⁶ TDU Intervenors state that they appreciate SPP's clarification with respect to the treatment of previously awarded LTCRs under section 7.2.2. According to TDU Intervenors, they believe SPP intends the phrase "all candidate load serving entity LTCRs" in the third sentence of this section to include all LTCRs previously awarded to LSEs. TDU Intervenors note that if this is correct, then they have no further objection.

71. SPP acknowledges TDU Intervenors are correct in their identification of other potentially ambiguous terminology in section 7.2.2 and offers the following revised language:

If the candidate Load Serving Entity LTCRs are not feasible, the amount of available candidate LTCRs for selection and award will be reduced using a weighted least squares method. The weighted least squares method minimizes the sum of the squared deviations between the feasible LTCR amounts and the candidate LTCR amounts, weighted by the reciprocal of the candidate LTCR amounts, which results in a higher percentage LTCR reduction for those candidates having the greatest impact on the constraints. LTCR reductions associated with candidates that have an equal impact on the constraints are reduced by the same percentage.^[87]

TDU Intervenors contend that the first sentence of section 7.2.2 should be further revised to read as follows:

⁸⁴ SPP Answer at 8.

⁸⁵ TDU Intervenors Answer at 10.

⁸⁶ SPP Answer at 8.

⁸⁷ *Id.* at 8-9.

If the candidate Load Serving Entity LTCRs are not feasible, the amount of ~~available candidate~~ LTCRs available for selection and award will be ~~reduced~~ determined using a weighted least squares method.”

TDU Intervenors also contend that SPP failed to address their concerns with similar problems in section 7.2.3, and that this section requires parallel changes.⁸⁸

72. SPP asserts that TDU Intervenors’ claim that procedural language in section 7.2.3 represents non-preferential treatment of LSEs is incorrect. SPP contends that under the proposed allocation method, LSEs would not need to depend on a second, LSE-only allocation round because all LSE candidates are included prior to evaluation of available non-LSE LTCRs. SPP notes that the selection of LTCRs from “available” candidate LTCRs is done at the end of the allocation process as described under section 7.2.4 (i.e., both LSEs and non-LSEs select at the same time).⁸⁹ TDU Intervenors contend that SPP’s clarification concerning the provision of the simultaneous feasibility test and the selection of LTCRs simultaneously by LSEs and non-LSEs is inconsistent with the Commission’s requirement that LSEs be given preference in allocation of LTCRs. According to TDU Intervenors, the Commission should direct SPP to modify its process so that LSEs select their LTCRs at the conclusion of the LSE simultaneous feasibility analysis and prior to the non-LSE process. TDU Intervenors accept SPP’s clarification that under its proposal, LSEs will not have selected their LTCRs prior to the simultaneous feasibility analysis for non-LSE LTCRs, and they agree that if that structure is retained then the non-LSE simultaneous feasibility test must assume as fixed injection and withdrawals all available LSE LTCRs. However, TDU Intervenors again assert that this structure is not consistent with the LSE priority established in Order No. 681 and should be changed.⁹⁰

73. SPP states that its LTCR allocation process takes into account previously awarded LTCRs in the calculation of available LTCRs. According to SPP, the resulting available LTCRs will always be at least equal to the previously awarded LTCRs but may be greater than previously awarded LTCRs because of added system capacity and/or surrendered LTCRs. SPP notes that because previously awarded LTCRs that were not surrendered are automatically selected/awarded, this calculation is necessary to ensure that only amounts above previously awarded LTCRs are available for selection.⁹¹ TDU

⁸⁸ TDU Intervenors Answer at 10-11.

⁸⁹ SPP Answer at 9.

⁹⁰ TDU Intervenors Answer at 11.

⁹¹ SPP Answer at 9.

Intervenors note that they have no further comments regarding how previously awarded LTCRs are handled.⁹²

74. SPP asserts that section 7.2.4(3) is clear when read in the context of sections 7.2.4(1) and 7.2.4(2).⁹³ TDU Intervenors note that they have no further comments regarding the apparent lack of clarity in section 7.2.4(3).⁹⁴

c. Commission Determination

75. We accept SPP's clarifications concerning the subsections of section 7.1.2, and we will not require SPP to delete those subsections. We accept SPP's clarification about how the nomination cap is determined, and we find that SPP's formulation of the nomination cap will not result in too generous of a nomination cap. We will require SPP to make a compliance filing within 30 days of the date of issuance of this order to revise its Tariff to include the clarification that the term Network Integration Transmission Service Candidate LTCRs should appear in section 7.1.3(1) instead of Candidate LTCRs, and we will also require SPP to include parallel language, concerning the transfer of LTCRs to account for wholesale load shifts between transmission customers, in subsections 7.1.3(2), (3), and (4). We direct SPP to include the revisions it proposed in its answer to section 7.2 of the Tariff, and we will not require SPP to incorporate TDU Intervenors' proposed changes to that language because SPP's proposed change is consistent with the rest of its proposal.

76. We find that SPP's revision to section 7.2.1 adequately addresses TDU Intervenors' concern that the original section 7.2.1 language was ambiguous. The revision now clearly requires submission of information only by Eligible Entities surrendering previously awarded LTCRs, instead of all Eligible Entities. Therefore, we direct SPP, in its compliance filing, to revise its Tariff to include the revised language to section 7.2.1 set forth in SPP's answer.

77. We disagree with TDU Intervenors' claim that the phrase "which are associated with Eligible Entities that are not LSEs" excludes LSEs' previously awarded LTCRs from modeling as fixed injections and withdrawals. As SPP explains, previously awarded LTCRs are addressed in the third paragraph of section 7.2.2. In addition, the third sentence of the first paragraph provides that the Simultaneous Feasibility Test

⁹² TDU Intervenors Answer at 11.

⁹³ SPP Answer at 9.

⁹⁴ TDU Intervenors Answer at 11.

models all candidate LSE LTCRs as a generation injection at the source and a corresponding load withdrawal at the sink. Because section 7.2.2 will continue to pertain to the determination of available LTCRs after the initial allocation of such LTCRs, this modeling would by necessity include previously awarded LTCRs that have not been surrendered for both LSEs and non-LSEs.

78. Regarding TDU Intervenors' claims regarding the terms "candidate," "available," "actual LTRC amounts," and "nominations" in sections 7.2.2 and 7.2.3, we note that SPP did not propose that these terms be defined terms. We address SPP's failure to comply with the requirements of Guideline (5), and direct SPP to file a compliance filing. Therefore, we do not address TDU Intervenors' claims insofar as SPP's compliance filing will address the short-comings in the nomination process for LTCRs and propose revisions to sections 7.2.2 and 7.2.3.

79. TDU Intervenors' claim that the first paragraph of section 7.2.3 inappropriately limits the second round of LTRC allocations to non-LSEs is a reiteration of its protest that SPP's proposal does not safeguard LSEs' ability to deliver their baseload resources. Because we address this issue above, we do not repeat our findings here.

80. We disagree with TDU Intervenors' objections regarding which LTCRs will be modeled as fixed injection and withdrawals in the simultaneous feasibility tests in sections 7.2.2 and 7.2.3 and will not require further revision to SPP's Tariff regarding this issue. Finally, we will not require any revisions to SPP's Tariff in section 7.2.4 concerning how previously awarded LTCRs are handled, nor any revisions to section 7.2.4(3) because SPP's answer has satisfied TDU Intervenors' concerns.

The Commission orders:

(A) SPP's proposed revisions to Attachment AE of its Tariff are hereby conditionally accepted, to become effective on February 1, 2015, subject to compliance filing, as discussed in the body of this order.

(B) SPP is hereby 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.