

152 FERC ¶ 61,124
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

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

Southwest Power Pool, Inc.

Docket Nos. ER15-1293-000
ER15-1293-001

ORDER CONDITIONALLY ACCEPTING TARIFF REVISIONS

(Issued August 14, 2015)

1. On March 16, 2015, Southwest Power Pool, Inc. (SPP) filed proposed revisions to its Open Access Transmission Tariff (Tariff), pursuant to section 205 of the Federal Power Act¹ and Part 35 of the Commission's regulations.² The proposed revisions clarify whether and how SPP can commit resources through the Multi-Day Reliability Assessment³ during periods when the SPP consolidated balancing authority implements Conservative Operations, pursuant to the SPP Emergency Operating Plan. In this order, we conditionally accept SPP's revisions, to be effective May 15, 2015, subject to a compliance filing.

I. Background

A. Multi-Day Reliability Assessment

2. SPP uses the Multi-Day Reliability Assessment to supplement resource commitments made during the day-ahead market and reliability unit commitment

¹ 16 U.S.C. § 824d (2012).

² 18 C.F.R. pt. 35 (2014).

³ The Tariff defines the Multi-Day Reliability Assessment as “[t]he process to assess Resource adequacy for the Operating Day, commit Resources with long Start-Up Times that cannot be considered as part of the Day-Ahead Market or Day-Ahead Reliability Unit Commitment, and communicate commitment of such Resources as necessary.” See Tariff at Attachment AE § 1.1 M.

processes. The Multi-Day Reliability Assessment enables SPP to commit resources with very long lead times for anticipated operating-day capacity needs. SPP can also use the Multi-Day Reliability Assessment to commit resources to address transmission system reliability problems.⁴

B. Conservative Operations

3. According to SPP, the SPP balancing authority can implement Conservative Operations when extraordinary measures are necessary to maintain reliable operations.⁵ SPP states that “[t]he need to operate the SPP [balancing authority area] more conservatively can be triggered by any number of weather, environmental, operational, terrorist, or computer events” SPP lists examples of specific conditions that can trigger implementation of Conservative Operations, as well as actions that the SPP balancing authority can take in coordination with the SPP reliability coordinator during Conservative Operations.⁶

II. SPP’s Proposal

4. On March 16, 2015, SPP filed proposed Tariff revisions to clarify whether and how resources may be committed in the Multi-Day Reliability Assessment during Conservative Operations. The proposed revisions modify section 4.5 of Attachment AE in the Tariff.

5. SPP proposes adding a new subsection 4.5.2(5) to section 4.5.2 of Attachment AE, clarifying that SPP may commit resources in the Multi-Day Reliability Assessment as part of Conservative Operations, as defined in the Emergency Operating Plan. The proposed subsection also provides that SPP will make such resource commitments in a non-discriminatory manner, subject to review by the SPP Market Monitoring Unit (Market Monitor).⁷

6. SPP also proposes adding language to section 4.5.3 of Attachment AE, specifying that SPP will not de-commit resources committed “out of” the Multi-Day Reliability

⁴ *See id.* § 4.5.2(4).

⁵ Transmittal Letter at 4.

⁶ Deficiency Response, Exhibit A-1 (containing an excerpt from section 4.4 of the SPP Balancing Authority’s Emergency Operating Plan (version 4.4)).

⁷ *See Proposed Tariff at Attachment AE § 4.5.2(5).*

Assessment during Conservative Operations, except as necessary to address emergency conditions.⁸

7. SPP states that it developed its proposed Tariff revisions as a result of a review of applicable language after stakeholders expressed concerns about whether and how resources may be committed in the Multi-Day Reliability Assessment during Conservative Operations.⁹ SPP argues that the proposed revisions are just and reasonable because they clarify the status of resources in two important processes (the Multi-Day Reliability Assessment and Conservative Operations).¹⁰

8. On May 14, 2015, Commission Staff issued a letter informing SPP that its filing was deficient and requesting additional information. On June 15, 2015, SPP filed a response (Deficiency Response), as further described below.

III. Notices of Filing and Responsive Pleadings

9. Notice of SPP's March 16 filing was published in the *Federal Register*, 80 Fed. Reg. 15,207 (2015), with interventions and protests due on or before April 6, 2015.

10. Sunflower Electric Power Corporation and Mid-Kansas Electric Company, LLC filed a timely motion to intervene. The Market Monitor filed a timely motion to intervene and protest. On April 21, 2015, SPP filed an answer to the Market Monitor's protest. On April 22, 2015, American Electric Power Service Corporation filed a motion to intervene out of time.

11. Notice of SPP's June 15 Deficiency Response filing was published in the *Federal Register*, 80 Fed. Reg. 35,645 (2015), with interventions and protests due on or before July 6, 2015. None was filed.

IV. Procedural Matters

12. 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 American Electric Power Service Corporation's late-filed motion

⁸ *See id.* § 4.5.3.

⁹ Transmittal Letter at 3-4.

¹⁰ *Id.* at 6.

to intervene given its interest in the proceeding, the early stage of the proceeding, and the absence of undue prejudice or delay.

13. 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 SPP's answer to the Market Monitor's protest because it provides information that assisted us in our decision-making process.

V. Substantive Matters

A. Market Monitor's Protest

14. In its protest, the Market Monitor states that, during a review of SPP's Emergency Operating Plan by the SPP Gas-Electric Coordination Task Force, some stakeholders expressed concern over potential unrecovered fuel costs that could arise if they received resource commitments several days in advance of winter weather events and SPP later cancelled those resource commitments. According to the Market Monitor, SPP explained to its stakeholders that, by standard operating practice, SPP does not cancel resource commitments made in the Multi-Day Reliability Assessment or day-ahead market, unless such commitments pose a risk to reliability. According to the Market Monitor, SPP proposed to codify this practice in the Tariff to alleviate stakeholder concerns.¹¹

15. The Market Monitor asserts that SPP's proposed Tariff revisions provide that SPP will not continue to evaluate the need for Multi-Day Reliability Assessment resource commitments or their economic impacts prior to or in the day-ahead market, even if the anticipated emergency conditions fail to materialize. The Market Monitor contends that these resource commitments may impose uneconomic production on the market, affecting market prices, uplift, congestion, transmission congestion rights payments, or market-to-market settlements.¹²

16. Further, the Market Monitor argues that the day-ahead market should assess market impacts when SPP no longer needs a Multi-Day Reliability Assessment resource commitment to address reliability conditions. The Market Monitor notes that, although emergency conditions are rare and there is a small likelihood of significant changes to resource commitments in such conditions, the decisions made in emergency situations can have large market impacts.¹³ The Market Monitor states that the proposed Tariff

¹¹ Market Monitor Protest at 2.

¹² *Id.* at 3.

¹³ *Id.*

revisions would limit SPP's ability to adapt to changing conditions during an emergency, and that avoidable adverse consequences should not be imposed on the market to alleviate individual generators' cost exposure. Finally, the Market Monitor argues that, if SPP, its members, and the Commission believe that it is necessary to have an uplift payment mechanism to allow cost recovery for unused fuel to preserve reliability during emergencies, then SPP should pursue that issue directly.¹⁴

B. SPP's Answer

17. SPP asserts that the Market Monitor misunderstands the proposal, which SPP claims simply confirms and clarifies that an existing process will not be abandoned during Conservative Operations.¹⁵ SPP explains that the Tariff has always required that Multi-Day Reliability Assessment resource commitments will be inputs to the day-ahead market and day-ahead reliability unit commitment processes. Moreover, SPP further notes that resources committed in the day-ahead market have always been subject to an "emergency condition" limitation on de-commitment, as specified in sections 5.2.3 and 6.1.3 of Attachment AE.¹⁶ SPP argues that the Market Monitor's protest amounts to a collateral attack on the Commission order approving the Integrated Marketplace.¹⁷ SPP further states that the Market Monitor is attempting to apply purely competition-based concepts to a reliability issue. Finally, SPP contends that the Market Monitor could have raised objections during the stakeholder process but failed to do so, and SPP did not learn of the Market Monitor's objections prior to its protest.¹⁸

C. Deficiency Letter

18. On May 14, 2015, Commission Staff issued a deficiency letter requesting additional information from SPP. The deficiency letter contained four questions requesting information on the following: (1) the definition of Conservative Operations as contained in the current version of SPP's Emergency Operating Plan, and an explanation as to why SPP did not propose to define Conservative Operations in the Tariff; (2) whether and how the proposed changes would expand the set of resources that SPP considers for commitment in the Multi-Day Reliability Assessment during Conservative

¹⁴ *Id.* at 3-4.

¹⁵ SPP Answer at 2.

¹⁶ *Id.* at 3 n.7.

¹⁷ *Id.* at 3-4.

¹⁸ *Id.* at 4-5.

Operations relative to normal operations, and whether and how the proposed Tariff revisions could be used to facilitate fuel procurement for resources other than long lead-time resources; (3) scenarios to describe whether and how the currently effective Tariff allows SPP to de-commit resources that are committed by the Multi-Day Reliability Assessment during Conservative Operations and normal operations, and how the Tariff treats make-whole payment eligibility for such de-committed resources; and (4) whether SPP's changes to section 4.5.3 of Attachment AE, which state that SPP will not de-commit a resource "committed out of" the Multi-Day Reliability Assessment except in an emergency, apply to resources committed *as part of* the Multi-Day Reliability Assessment, or resources committed in processes *other than* ("out of") the Multi-Day Reliability Assessment.

D. SPP's Deficiency Response

19. In its Deficiency Response, SPP provides the definition of Conservative Operations contained in its current Emergency Operating Plan.¹⁹ SPP asserts that it does not define Conservative Operations in the Tariff, because the Emergency Operating Plan must remain flexible and relatively easy to change in response to changing conditions. SPP also states that it has not experienced Conservative Operations since forming the SPP balancing authority.²⁰

20. SPP claims that its proposed revisions would not expand the set of resources considered by the Multi-Day Reliability Assessment during Conservative Operations. SPP states that proposed subsection 4.5.2(5) of Attachment AE only clarifies that SPP's ability to commit resources through the Multi-Day Reliability Assessment "will continue to exist if SPP enters Conservative Operations under the [Emergency Operating Plan]."²¹ SPP also contends that the currently effective Tariff allows SPP to commit resources through the Multi-Day Reliability Assessment to address transmission system problems (i.e., the set of potential commitments is currently not strictly limited to long lead-time resources if there are other transmission system reliability problems).

21. With respect to Commission Staff's question requesting information on whether and how SPP can adjust Multi-Day Reliability Assessment resource commitments as conditions change and information on make-whole payment eligibility in various scenarios, SPP prefaced its response by pointing out that "hypothetical scenarios by definition often involve issues of undeveloped facts" and, accordingly, "these responses

¹⁹ See Deficiency Response, Exhibit A-1.

²⁰ *Id.*, Attachment A at 1-2.

²¹ *Id.* at 2-3.

are subject to the potential need for adjustment to real world conditions.”²² SPP explains that, when a resource is committed in the Multi-Day Reliability Assessment and conditions subsequently change rendering the commitment no longer necessary, de-commitment of the resource would only occur if necessary to address an emergency condition, under both normal operations and Conservative Operations.²³ SPP also asserts that, when a resource is committed in the Multi-Day Reliability Assessment and is later de-committed to address an emergency condition, the basis for make-whole payment eligibility would likely be the status of the resource’s start-up window, ability to stop start-up procedures, and commitment start time relative to the time when the de-commitment occurred, under both normal operations and Conservative Operations.²⁴

22. In response to Commission Staff’s question regarding potential ambiguity in the phrase “committed out of,” SPP states that it intends the phrase “committed out of” to refer to resource commitments resulting from the Multi-Day Reliability Assessment, rather than resource commitments made in processes outside of the Multi-Day Reliability Assessment.²⁵

VI. Commission Determination

23. We conditionally accept SPP’s proposed Tariff revisions to clarify whether and how resources may be committed in the Multi-Day Reliability Assessment during Conservative Operations. SPP represents its proposal as simply confirming and clarifying that SPP will not abandon an existing reliability process during Conservative Operations. We find that this is just and reasonable because it provides additional certainty about how SPP will operate during extreme conditions.

24. We reject the Market Monitor’s concerns that the proposal’s de-commitment provisions could lead to adverse market impacts, that the day-ahead market should assess Multi-Day Reliability Assessment resource commitments that are no longer necessary when emergency conditions do not come to fruition, and that SPP is limiting its ability to respond to changing conditions during an emergency. Relative to existing Tariff provisions that the Commission previously found to be just and reasonable,²⁶ we find that

²² *Id.* at 3.

²³ *Id.* at 3-4 (Scenario A and Scenario C).

²⁴ *Id.* (Scenario B and Scenario D).

²⁵ *Id.* at 5.

²⁶ *See Sw. Power Pool, Inc.*, 141 FERC ¶ 61,048, at PP 30-32 (2012).

SPP is not proposing fundamental changes to the way it administers de-commitment of resources in the Integrated Marketplace. Further, the existing Tariff already specifies that resources selected for commitment in the Multi-Day Reliability Assessment serve as inputs to SPP's day-ahead commitment processes. Specifically, the Tariff requires that offers for resources selected for commitment in the Multi-Day Reliability Assessment become inputs to the day-ahead market,²⁷ that commitment schedules for such resources become inputs to the day-ahead reliability unit commitment,²⁸ and that day-ahead committed resources will not be de-committed except as needed to address an emergency.²⁹ We find nothing in the record to suggest that SPP is attempting to apply these provisions during Conservative Operations in a manner that differs from normal operations. Regarding the Market Monitor's contention that SPP should have pursued an uplift mechanism for unused fuel cost recovery to alleviate member concerns, such a mechanism is not before the Commission and is, therefore, outside of the scope of this proceeding.

25. Finally, we find that SPP's proposed use of the phrase "committed out of the Multi-Day Reliability Assessment" in section 4.5.3 of Attachment AE is potentially ambiguous, as one could interpret the phrase to mean resource commitments that take place in processes *other than* the Multi-Day Reliability Assessment. While we appreciate the clarification provided in SPP's Deficiency Response, we will require SPP to submit a compliance filing that revises the phrase consistent with the clarification provided in the Deficiency Response, in order to remove any potential ambiguity from the Tariff.

The Commission orders:

(A) SPP's proposed Tariff revisions are hereby conditionally accepted, to become effective May 15, 2015, as discussed in the body of this order.

²⁷ See Tariff at Attachment AE § 5.1.1.

²⁸ See *id.* § 5.2.1

²⁹ Sections 5.2.3 and 6.1.3 of the Tariff govern SPP's communication to market participants regarding day-ahead reliability unit commitment results and intra-day reliability unit commitment results, respectively. The sections provide that day-ahead market-committed resources can only be de-committed by SPP to address excess supply or other emergency conditions. See *id.* §§ 5.2.3, 6.1.3.

(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)

Kimberly D. Bose,
Secretary.