

152 FERC ¶ 61,231
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.

Alcoa Power Generating Inc.
Alcoa Power Marketing LLC

Docket Nos. ER15-2279-000
ER15-2280-000

ORDER GRANTING MARKET-BASED RATE AUTHORITY FOR SALES OF
OPERATING RESERVES

(Issued September 25, 2015)

1. In this order, we grant Alcoa Power Generating Inc. (Alcoa Generating) and Alcoa Power Marketing LLC (Alcoa Marketing) (collectively, the Alcoa Companies) authority to make sales of Operating Reserve-Spinning and Operating Reserve-Supplemental at market-based rates to public utility transmission providers within the Western Interconnection, effective September 28, 2015. We also accept proposed market-based rate tariff revisions, effective September 28, 2015.

I. Background

2. On July 27, 2015, pursuant to section 205 of the Federal Power Act (FPA),¹ Part 35 of the Commission's regulations,² and the requirements of Order No. 784,³ the Alcoa Companies filed an application requesting authorization for each company to make sales of Operating Reserve-Spinning and Operating Reserve-Supplemental at market-based rates to public utility transmission providers within the Western Electricity

¹ 16 U.S.C. § 824d (2012).

² 18 C.F.R. pt. 35 (2015).

³ *Third-Party Provision of Ancillary Services; Accounting and Financial Reporting for New Electric Storage Technologies*, Order No. 784, FERC Stats. & Regs. ¶ 31,349, at PP 13, 54-55, 57-58 (2013), *order on clarification*, Order No. 784-A, 146 FERC ¶ 61,114 (2014).

Coordinating Council (WECC) region of the Western Interconnection. Each of the Alcoa Companies filed proposed revisions to its market-based rate tariff to expressly authorize it to make such sales as well as additional revisions to conform its tariff language relating to third-party provision of ancillary services with the standard language provided by the Commission in Order No. 784 and to reflect the correct name of the Midcontinent Independent System Operator, Inc.⁴ The Alcoa Companies request that the Commission accept the proposed revisions effective September 28, 2015.

3. The Alcoa Companies state that Alcoa Marketing is a wholly-owned subsidiary of Alcoa Generating, which is a wholly-owned subsidiary of Alcoa Inc. (Alcoa). Alcoa is a holding company under the Public Utility Holding Company Act of 2005.⁵ The Alcoa Companies note that Alcoa is the nation's largest producer of aluminum, fabricated aluminum, and alumina, and owns and/or operates aluminum smelters and fabricating facilities in the continental United States.

4. The Alcoa Companies state that Alcoa Generating owns and operates limited generation facilities and limited and discrete transmission facilities in various specific locations throughout the United States that are used in conjunction with Alcoa Generating's primary focus of providing electric power to aluminum smelters owned in whole or in part by Alcoa. The Alcoa Companies state that Alcoa Generating owns transmission facilities that are part of the interstate transmission grid, and has an Open Access Transmission Tariff (OATT). In addition, the Alcoa Companies state that Alcoa Generating has received authorization to sell power at market-based rates and has a market-based rate tariff on file with the Commission.⁶

⁴ See *Alcoa Power Generating Inc.*, Docket Nos. ER10-3069-005 and ER10-3070-005, at 2, n.3 (Feb. 4, 2014) (delegated letter order) (February 2015 Order) ("The next time the Alcoa Companies make a market-based rate filing with the Commission they must revise the ancillary services section of their respective market-based rate tariffs to reflect MISO's correct name, 'Midcontinent Independent System Operator, Inc.' See *Midcontinent Independent System Operator, Inc.*, 144 FERC ¶ 61,129 (2013). See also, *ORNI 47 LLC*, 145 FERC ¶ 61,127 (2013).").

⁵ 42 U.S.C. § 16451 *et seq.* (2012).

⁶ *Alcoa Inc.*, 88 FERC ¶ 61,045 (1999) (granting market-based rate authority to Alcoa Generating's predecessor, Tapoco, Inc.). The Alcoa Companies note that on January 28, 2000, Alcoa Generating filed a notice of succession reflecting the name change of Tapoco, Inc. to Alcoa Power Generating Inc., effective January 1, 2000, following a corporate reorganization. See *Alcoa Power Generating Inc.*, Docket No. ER00-1372-000 (March 20, 2000) (delegated letter order).

5. The Alcoa Companies state that Alcoa Marketing acts as a power marketer, purchasing electricity (including energy and ancillary services) and reselling it at wholesale pursuant to its own market-based rate authority.⁷

6. The Alcoa Companies state that the Commission has concluded that the Alcoa Companies lack market power in generation and transmission and meet all of the qualifications for blanket authorization for sales at market-based rates as Category 2 sellers in the Southeast and Central regions, and as Category 1 sellers in all other regions, including the Northwest region.⁸

II. Notice of Filing

7. Notice of the Alcoa Companies' filing was published in the *Federal Register*, 80 Fed. Reg. 45,973-74 (2015), with interventions and protests due on or before August 17, 2015. None was filed.

III. Discussion

8. As discussed below, we grant the Alcoa Companies' request for authorization to make market-based rate sales of Operating Reserve-Spinning and Operating Reserve-Supplemental to public utility transmission providers within the WECC to satisfy their own OATT requirements to offer ancillary services to their customers.

A. Order No. 784 Demonstration

9. Under the Commission's *Avista* policy, the Commission restricted the sale of certain ancillary services at market-based rates where those sales were made to a public utility that is purchasing ancillary services to satisfy its own OATT requirements.⁹ To overcome this restriction, a seller was required to provide a market power study demonstrating a lack of market power. However, in Order No. 784, the Commission

⁷ *Alcoa Power Marketing, Inc.*, Docket No. ER02-2074-000 (July 31, 2002) (delegated letter order). The Alcoa Companies explain that Alcoa Marketing is the successor entity of Alcoa Power Marketing, Inc. See *Alcoa Power Marketing LLC*, Notice of Succession, Docket No. ER07-496-000 (filed Feb. 1, 2007) and *Alcoa Power Marketing LLC*, Docket No. ER07-496-000 (Mar. 26, 2007) (delegated letter order).

⁸ See February 2015 Order.

⁹ See *Avista Corp.*, 87 FERC ¶ 61,223 (*Avista*), order on reh'g, 89 FERC ¶ 61,136 (1999).

modified the *Avista* policy and stated that it would permit sellers passing existing market power screens to sell Operating Reserve-Spinning and Operating Reserve-Supplemental at market-based rates to a public utility transmission provider in the same balancing authority area or to a public utility transmission provider in a different balancing authority area if the seller makes a filing demonstrating that those areas have implemented intra-hour scheduling for transmission service that supports the delivery of operating reserve resources from one balancing authority area to another.¹⁰

10. In Order No. 784-A, the Commission stated that its intent is to allow potential sellers to use the existing market power screens applicable to sales of energy and capacity to also demonstrate a lack of market power for sales of operating reserves, preferably without significant modification to those screens. Those screens incorporate a default geographic market that reflects imports from first-tier balancing authority areas up to the study area's simultaneous transmission import limit under an assumption that first-tier resources face no significant barriers to competing with resources in the home balancing authority area. For this to be true with respect to operating reserves, transmission scheduling practices must support the ability of a first-tier resource to respond to dispatch needs in a neighboring balancing authority area in the time frame required by the operating reserve service at issue.¹¹

11. In Order No. 784, the Commission provided guidance on the types of region-specific practices that would support the delivery of operating reserves by stating that, while 15-minute scheduling might be sufficient for Operating Reserve-Supplemental, it may not be sufficient for Operating Reserve-Spinning, which requires designated resources to be available almost immediately.¹² The Commission also observed that certain regions, including the WECC, may have already developed within-hour capacity tagging and scheduling practices intended to support the use of operating reserves across multiple balancing authority areas. In Order No. 784-A, the Commission further clarified that for Operating Reserve-Spinning, an applicant would need to show how the scheduling practices in the applicable region permit an "immediate" change in output in response to a contingency in the home balancing authority area. The Commission further stated that, for Operating Reserve-Supplemental, the applicant would need to show how the scheduling practices in the applicable region permit a unit in one balancing authority

¹⁰ Order No. 784, FERC Stats. & Regs. ¶ 31,349 at PP 13, 54, 57.

¹¹ Order No. 784-A, 146 FERC ¶ 61,114 at P 14.

¹² Order No. 784, FERC Stats. & Regs. ¶ 31,349 at P 58.

area to respond within a “short period of time” to contingencies in the home balancing authority area.¹³

12. In *WSPP, Inc.*, the Commission found that WSPP made the requisite demonstration under Order No. 784 that “the scheduling practices in the WECC support the delivery of operating reserves from one balancing authority area to another in the Western Interconnection.”¹⁴ Thus, the Commission explained that “no adjustment to the default geographic market that incorporates imports from first-tier balancing authority areas would be necessary to apply the existing market power screens to sales of operating reserves in the Western Interconnection.”¹⁵

13. *WSPP* provides a framework for the WECC members located in the Western Interconnection who wish to sell Operating Reserve-Spinning and Operating Reserve-Supplemental at market-based rates under the WECC Service Schedule D, noting that such sellers must obtain prior approval from the Commission for such sales. The Commission provided that, consistent with Order No. 784, such sellers may do so:

by demonstrating that transmission scheduling practices support the ability of a first-tier resource to respond to dispatch needs in a neighboring balancing authority area in the time frame required by the operating reserve service at issue. In making the requisite showing, jurisdictional market-based rate sellers can point to the Commission’s acceptance [in the *WSPP* Order] of *WSPP*’s demonstration with regard to the [North American Energy Standards Board (NAESB)] capacity e-Tag standard as relevant Commission precedent, and demonstrate why such precedent applies to them.¹⁶

14. The Alcoa Companies state that Alcoa Marketing anticipates making sales of Operating Reserve-Spinning and Operating Reserve-Supplemental services that will be sourced from demand response resources over which Alcoa Marketing has contractual rights in balancing authority areas located within the WECC region and will sink in other balancing authority areas within the WECC. The Alcoa Companies note that

¹³ Order No. 784-A, 146 FERC ¶ 61,114 at P 15.

¹⁴ *WSPP Inc.*, 151 FERC ¶ 61,016, at P 21 (2015) (*WSPP*).

¹⁵ *Id.* P 22.

¹⁶ *Id.* P 23 (footnote omitted).

Alcoa Marketing's parent company, Alcoa Generating, could provide the same Operating Reserve-Spinning and Operating Reserve-Supplemental services in the WECC region as Alcoa Marketing. Accordingly, the Alcoa Companies' filings request identical market-based rate tariff changes for Alcoa Generating and Alcoa Marketing.

15. The Alcoa Companies state that they will rely on the WECC's Capacity Tag Functionality Standards (INT-009-WECC-CRT-2) to ensure that Alcoa Marketing is able to deliver energy in accordance with the timing requirements applicable to Operating Reserve-Spinning and Operating Reserve-Supplemental services. Alcoa Marketing will schedule the contracted capacity on Firm Transmission Service from Alcoa's demand response resources in the source balancing authority area to the sink balancing authority area. In addition, the energy will be available intra-hour to be delivered from resources in the source balancing authority area at any time during the operating hour. The Alcoa Companies explain that Alcoa's demand response resources will be adjusted automatically by signal received from the source balancing authority area, and the scheduling tag will be adjusted to reflect the expected operating reserve. The Alcoa Companies note that the capacity carried must meet the applicable requirements of the WECC Standard BAL-002-WECC-2 for operating reserves.

16. The Alcoa Companies state that the WECC Capacity Tag Functionality INT-009-WECC-CRT-2 and the Alcoa Companies' capacity e-Tagging practices facilitate the supply of Operating Reserve-Spinning and Operating Reserve-Supplemental services in accordance with the timing requirements associated with these operating reserve products. The Alcoa Companies note that these scheduling protocols facilitate the competitive supply of operating reserves by Alcoa Marketing and other parties in the WECC. The Alcoa Companies explain that the WECC's Capacity Tag Functionality INT-009-WECC-CRT-2 is the regional criterion defining the functionality to use capacity e-Tags to schedule on-demand spinning and supplemental operating reserve resources across balancing authority areas on Firm Transmission Service. The Alcoa Companies state that these scheduling protocols for capacity e-Tags are specifically designed for energy delivery to be initiated at any time during the operating hour in order to facilitate the supply of operating reserve products.

17. The Alcoa Companies state that they will rely on these same scheduling protocols for the purpose of effectuating the contemplated sales. Specifically, utilizing these protocols for capacity e-Tags: (1) Alcoa Marketing, Alcoa Generating, or a designated agent will reserve and schedule Firm Transmission Service for the path from source balancing authority area to sink balancing authority area for the full amount of Operating Reserve-Spinning and Operating Reserve-Supplemental services; (2) Alcoa Marketing, Alcoa Generating, or a designated agent will create a capacity e-Tag in accordance with

INT-009-WECC-CRT-2 for each hour of delivery, which will contain a transmission profile representing the maximum energy that could be delivered;¹⁷ and (3) the Generating Product field of the e-Tag will indicate whether the capacity type is Spinning (C-SP) or Non-Spinning (C-NS) reserve.¹⁸

18. The Alcoa Companies explain that the purchaser may then request energy to be delivered by Alcoa Marketing or Alcoa Generating at any time during the operating hour. In the event that delivery is requested, Alcoa Marketing, Alcoa Generating, or a designated agent will be responsible for updating the energy profile to reflect the total dispatch request on the e-Tag as required by INT-009-WECC-CRT-2.

19. Based on the Alcoa Companies' representations, and consistent with the Commission's determinations in *WSPP*, we find that the Alcoa Companies' scheduling practices are in accordance with the WECC Capacity Tag Functionality INT-009-WECC-CRT-2. Thus, the Alcoa Companies have demonstrated why the Commission's acceptance of *WSPP*'s demonstration with regard to the NAESB capacity e-Tag standard in *WSPP* applies to the Alcoa Companies as relevant Commission precedent.¹⁹ Accordingly, no adjustment to the default geographic market that incorporates imports from first-tier balancing authority areas would be necessary to apply the existing market power screens to sales of operating reserves. As a result, the Alcoa Companies can rely on their Category 1 seller status in the Northwest region to demonstrate that they lack market power for sales of operating reserves in the WECC.²⁰

¹⁷ The energy profile of the e-Tag will initially be set at zero. July 27, 2015 Alcoa application at 7.

¹⁸ *Id.*

¹⁹ *See WSPP*, 151 FERC ¶ 61,016 at P 23.

²⁰ The Commission has explained that, "Category 1 sellers have been carefully defined to have attributes that are not likely to present market power concerns." *Market-Based Rates for Wholesale Sales of Electric Energy, Capacity and Ancillary Services by Public Utilities*, Order No. 697-A, FERC Stats. & Regs. ¶ 31,268, at P 354, *clarified*, 124 FERC ¶ 61,055, *order on reh'g*, Order No. 697-B, FERC Stats. & Regs. ¶ 31,285 (2008), *order on reh'g*, Order No. 697-C, FERC Stats. & Regs. ¶ 31,291 (2009), *order on reh'g*, Order No. 697-D, FERC Stats. & Regs. ¶ 31,305 (2010), *aff'd sub nom. Montana Consumer Counsel v. FERC*, 659 F.3d 910 (9th Cir. 2011), *cert. denied sub nom. Pub. Citizen, Inc. v. FERC*, 133 S. Ct. 26 (2012). Accordingly, once Category 1 sellers have met their initial burden of proof to demonstrate that they do not have, or have adequately mitigated market power, the Commission does not require them to file

(continued ...)

20. Therefore, we grant the Alcoa Companies' request for authorization to make market-based rate sales of Operating Reserve-Spinning and Operating Reserve-Supplemental to public utility transmission providers within the WECC region. Accordingly, we accept the Alcoa Companies' corresponding revisions to the limitations and exemptions section of their market-based rate tariffs and direct them each to submit a compliance filing revising this section of its market-based rate tariff to include a citation to this order.²¹

B. Alcoa Companies' Amended Market-Based Rate Tariffs

21. We also accept the proposed revisions of each of the Alcoa Companies to its respective market-based rate tariff to conform the tariff language relating to third-party provision of ancillary services with the standard language provided by Order No. 784²² and to reflect Midcontinent Independent System Operator Inc.'s correct name. Such revisions are consistent with Order No. 784 and the February 2015 Order.

The Commission orders:

(A) The Alcoa Companies are hereby granted authority to make sales of Operating Reserve-Spinning and Operating Reserve-Supplemental at market-based rates to public utility transmission providers in order to satisfy their obligations to provide

regularly scheduled updated market power analyses. *Id.* P 352. Similarly, where, as here, the Commission has determined that no adjustment to the default geographic market need be applied to the existing market power screens to sales of operating reserves, Category 1 sellers may rely on the Commission's initial grant of market-based rate authority to support their application for authority to make sales of operating reserves to public utility transmission providers at market-based rates, without having to present additional market power screens.

²¹ See *Niagara Mohawk Power Corporation*, 121 FERC ¶ 61,275, at P 8 (2007). See also *Market-Based Rates for Wholesale Sales of Electric Energy, Capacity and Ancillary Services by Public Utilities*, Order No. 697-A, FERC Stats. & Regs. ¶ 31,268, at P 384, *clarified*, 124 FERC ¶ 61,055, *order on reh'g*, Order No. 697-B, FERC Stats. & Regs. ¶ 31,285 (2008), *order on reh'g*, Order No. 697-C, FERC Stats. & Regs. ¶ 31,291 (2009), *order on reh'g*, Order No. 697-D, FERC Stats. & Regs. ¶ 31,305 (2010), *aff'd sub nom. Mont. Consumer Counsel v. FERC*, 659 F.3d 910 (9th Cir. 2011), *cert. denied*, 133 S. Ct. 26 (2012). This tariff revision may be filed the next time each of the Alcoa Companies makes a market-based rate filing with the Commission.

²² Order No. 784, FERC Stats. & Regs. ¶ 31,349 at PP 13, 54-55, 57-58.

ancillary services under their OATTs within the Western Interconnection, as discussed in the body of this order.

(B) The Alcoa Companies' amended market-based rate tariffs are hereby accepted for filing, effective September 28, 2015, as discussed in the body of this order.

(C) The Alcoa Companies are hereby directed to submit a compliance filing, as discussed in the body of this order.

By the Commission.

(S E A L)

Nathaniel J. Davis, Sr.,
Deputy Secretary.