

153 FERC ¶ 61,339  
UNITED STATES OF AMERICA  
FEDERAL ENERGY REGULATORY COMMISSION

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

Southwest Power Pool, Inc.

Docket Nos. ER16-158-000  
ER16-162-000

ORDER ACCEPTING TARIFF REVISIONS  
AND GRANTING WAIVER REQUEST

(Issued December 23, 2015)

1. On October 28, 2015, pursuant to section 205 of the Federal Power Act<sup>1</sup> and Part 35 of the Commission's regulations,<sup>2</sup> Southwest Power Pool, Inc. (SPP) submitted revisions to its Open Access Transmission Tariff (Tariff) to align its Tariff with the functionality of the market clearing engine in the Integrated Marketplace (Filing),<sup>3</sup> with respect to pricing in the context of ramp constraints.<sup>4</sup> Contemporaneously, SPP submitted a petition for waiver (Petition) of certain provisions in its Tariff under Rule 207 of the Commission's Rules of Practice and Procedure.<sup>5</sup> As discussed below,

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<sup>1</sup> 16 U.S.C. § 824d (2012).

<sup>2</sup> 18 C.F.R. § 35.13 (2015).

<sup>3</sup> As part of its Integrated Marketplace, SPP implemented day-ahead and real-time energy markets, an operating reserve market, and a Transmission Congestion Rights auction. The Integrated Marketplace commenced on March 1, 2014.

<sup>4</sup> Southwest Power Pool, Inc., FERC FPA Electric Tariff, Open Access Transmission Tariff, Sixth Revised Volume No. 1, [Att. AE \(MPL\) 8.3.3, Attachment AE \(MPL\) Section 8.3.3, 1.0.0, Att. AE \(MPL\) 8.3.4, Attachment AE \(MPL\) Section 8.3.4, 3.0.0.](#)

<sup>5</sup> 18 C.F.R. § 385.207 (2015).

we accept SPP's proposed Tariff revisions, to become effective December 27, 2015, and grant the requested waiver.

## **I. Filing**

2. In Docket No. ER16-158-000, SPP submitted the Filing to align the Tariff with the design and function of the market clearing engine in the Integrated Marketplace, with respect to pricing in the context of ramp constraints. SPP states that, in May 2015, it found a discrepancy between how its market clearing engine software determined pricing in the context of ramp constraints and how the Tariff described this process. SPP states that, after reviewing the issue and consulting stakeholders,<sup>6</sup> it determined that the market clearing engine was functioning as intended but that the Tariff was inaccurate.<sup>7</sup>

3. SPP states that, currently, the Tariff provides that exceeding a ramp constraint requires locational marginal prices to be set equal to the highest resource offer for energy cleared in the day-ahead market or that was dispatched in the real-time market, in the case of ramping up, or the lowest resource offer, in the case of ramping down.<sup>8</sup> However, SPP explains that, when a ramp constraint is exceeded under its current market clearing engine functionality, the constraint is relaxed so that the market clearing engine's security-constrained economic dispatch algorithm can solve, with locational marginal prices determined using the relaxed security-constrained economic dispatch solution.<sup>9</sup>

4. SPP proposes revisions to section 8.3.3 (Impact of Violation Relaxation Limits on Locational Marginal Prices) and section 8.3.4.1 (Impact of Violation Relaxation Limits on Market Clearing Prices) of Attachment AE in its Tariff to align the Tariff with its market clearing engine functionality. SPP proposes removing sections 8.3.3(3) and 8.3.3(4) from the Tariff, which SPP explains contain inaccurate provisions regarding pricing when ramp constraints have been exceeded. SPP proposes revisions to section 8.3.3(2) so that the Tariff specifies that, when a constraint has been exceeded and cannot be resolved, the applicable constraint is relaxed so that the security-constrained economic dispatch algorithm can solve, with violation relaxation limits

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<sup>6</sup> In particular, SPP states that it received confirmation from the Market Working Group — the SPP stakeholder group responsible for development and maintenance of Integrated Marketplace-related provisions in the Tariff — that the market clearing engine was functioning as intended. SPP Filing at 4-5, SPP Petition at 3.

<sup>7</sup> SPP Filing at 1, 4.

<sup>8</sup> See SPP Tariff §§ 8.3.3(3) and 8.3.3(4).

<sup>9</sup> SPP Filing at 4.

applied by the security-constrained economic dispatch algorithm acting as a cap on the shadow price of the applicable constraint; locational marginal prices are then determined by the relaxed security-constrained economic dispatch solution. SPP also proposes revisions to sections 8.3.3(1) and 8.3.3(2) to include spinning reserves on the list of constraints, which SPP explains is for the sake of completeness.<sup>10</sup> SPP proposes revisions to section 8.3.4.1 to mirror language in section 8.3.3, but in the context of violation relaxation limit impacts on the calculation of market clearing prices for operating reserves. Additionally, SPP proposes removing existing language in section 8.3.4.1, which SPP explains focuses solely on spinning reserve constraints. SPP asserts that its proposed Tariff revisions are just and reasonable because they correctly align the Tariff with how its market clearing engine functions with respect to pricing in the context of ramp constraints. SPP requests that its proposed Tariff revisions become effective December 27, 2015.<sup>11</sup>

## II. Petition

5. Concurrently with its Filing, SPP submitted the Petition in Docket No. ER16-162-000 requesting a limited, one-time waiver of sections 8.3.3(3) and 8.3.3(4) of Attachment AE of its Tariff. SPP explains that waiver would permit settlements determined by the market clearing engine software during ramp constraint conditions to stand, even though the software's calculation of locational marginal prices and market clearing prices differ from the process currently described in the Tariff.<sup>12</sup>

6. SPP states that, after evaluating the impact on market participants as a result of the discrepancy between the market clearing engine and the Tariff, it identified 28 five-minute intervals affected between March 1, 2014 and August 31, 2015.<sup>13</sup> SPP states that the discrepancy resulted in real-time overpayments totaling \$86,451.18 and real-time underpayments totaling \$71,514.87. SPP states that it desires, along with its stakeholders, to keep the past settlements in place, which requires waiver of existing sections 8.3.3(3) and 8.3.3(4) of Attachment AE in the Tariff.<sup>14</sup>

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<sup>10</sup> *Id.* at 5, n.20.

<sup>11</sup> *Id.* at 5.

<sup>12</sup> SPP Petition at 1.

<sup>13</sup> During these 28 intervals, the ramp constraint was in the “up” direction. SPP states that it found no impacted five-minute intervals in the “down” direction. *Id.* at 3, n.5.

<sup>14</sup> *Id.* at 3-4.

7. SPP notes that the Commission has granted waivers where: (1) the underlying error was made in good faith, (2) the waiver was of limited scope, (3) a concrete problem needed to be remedied, and (4) the waiver did not have undesirable consequences, such as harming third parties.<sup>15</sup> SPP asserts that its waiver request satisfies these standards and should therefore be granted. With regard to the first criterion, SPP contends that the underlying error—the discrepancy between the market clearing engine and the Tariff—was inadvertent and made in good faith. SPP also notes that the functionality of the market clearing engine is consistent with the intentions of SPP and its stakeholders. With regard to the second criterion, SPP states that its one-time waiver request of sections 8.3.3(3) and 8.3.3(4) of Attachment AE is of limited scope and for a finite period spanning March 1, 2014 (the commencement date of the Integrated Marketplace) to December 27, 2015 (the requested effective date of the Tariff revisions in Docket No. ER16-158-000). SPP explains that waiver is necessary to allow prior market settlements determined by the market clearing engine to remain in place and that, without such waiver, it would need to re-settle to the extent permitted by the Tariff. SPP also notes its contemporaneous Filing in Docket No. ER16-158-000 to correct the discrepancy between the Tariff and the market clearing engine, which SPP contends would eliminate the need for future waiver requests.<sup>16</sup>

8. With regard to the third criterion, SPP asserts that granting waiver would alleviate two concrete problems. First, SPP states that granting waiver would effectuate the intent of SPP and its stakeholders by enabling existing settlements to remain in place. Second, SPP states that granting waiver would permit continued use of the market clearing engine system until Tariff revisions correcting the discrepancy between the engine and the Tariff become effective. SPP argues that granting waiver would eliminate the need to change the market clearing engine software to perform settlements consistent with the currently effective Tariff, and then revert back to the previous software once the Commission accepts proposed Tariff revisions in Docket No. ER16-158-000. SPP asserts that such software revisions would be time-consuming and burdensome to SPP staff, as well as incur substantial costs with little benefit, given the short-term nature of the remedy. With regard to the fourth criterion, SPP asserts that granting waiver will not result in undesirable consequences, such as harm to third parties. SPP contends that permitting settlements to stand causes no harm to market participants because their current settlements reflect their expectations. SPP also notes that re-settlements would cause undesirable cost shifts, as these re-settlements would not be in line with stakeholder expectations. SPP also argues that re-settling the market would unnecessarily burden both market participants and SPP, further adding that any overpayments or

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<sup>15</sup> *Id.* at 4 (citing *ISO New England Inc.*, 117 FERC ¶ 61,171, at P 21 (2006) and *Southwest Power Pool, Inc.*, 138 FERC ¶ 61,200, at P 5 (2012)).

<sup>16</sup> *Id.* at 5-6.

underpayments are minimal compared to the millions of dollars settled since market start. Accordingly, SPP asserts that its waiver request meets the criteria for granting waiver and should be granted by the Commission.<sup>17</sup>

### **III. Notice and Responsive Pleadings**

9. Notice of SPP's Filing was published in the *Federal Register*, 80 Fed. Reg. 68,531 (2015), with interventions and protests due on or before November 18, 2015. Westar Energy, Inc. (Westar) submitted a timely motion to intervene and comments. SPP submitted an answer. Notice of SPP's Petition was published in the *Federal Register*, 80 Fed. Reg. 68,526 (2015), with interventions and protests due on or before November 18, 2015. None was filed.

10. Westar supports SPP's attempt to align its Tariff with its market clearing engine and settlement processes. Westar further supports SPP's request to avoid re-settlement of any historical locational marginal prices and market clearing prices. However, Westar contends that SPP software has inherent limitations that should be addressed to ensure full price transparency and signals.<sup>18</sup>

11. Westar asserts that SPP's market clearing engine should function comparably to other market clearing engines that engage scarcity pricing during periods of ramp deficiency and do not relax operating reserve requirements. Westar states that SPP could be foregoing needed price signals to other resources by muting locational marginal prices and market clearing prices during scarcity conditions, such as when operating reserves are relaxed in the SPP market clearing engine. Westar points to proposed language in section 8.3.3 of Attachment AE providing that, when a constraint is exceeded and cannot be resolved, the applicable constraint will be relaxed so that the security-constrained economic dispatch algorithm can solve, and the violation relaxation limit values applied by the security-constrained economic dispatch algorithm will act as a cap on the shadow price on the applicable operating constraint. Westar contends that this software limitation may not provide needed price transparency and signals because ramping constraints may last longer than a single, five-minute interval. Westar asserts that SPP should clarify that relaxing the applicable constraint will indeed reflect the violation relaxation limit value related to the constraint being relaxed. For example, Westar argues that if SPP is ramp-constrained but relaxes operating reserves, locational marginal prices and market clearing prices should reflect the shortage. Additionally, Westar asserts that SPP's scarcity pricing demand curves are very steep and may need further refinement.<sup>19</sup>

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<sup>17</sup> *Id.* at 6-7.

<sup>18</sup> Westar Comments at 1-2.

<sup>19</sup> *Id.* at 2-3.

12. Westar notes that, while SPP's filing addresses, in part, some of the issues identified in a Notice of Proposed Rulemaking in Docket No. RM15-24-000, it believes that SPP's software limitations must be acknowledged and corrected through additional refinement and clarity such that relaxing the applicable constraint will indeed reflect the violation relaxation limit value related to the constraint being relaxed.<sup>20</sup>

13. In its answer, SPP maintains that the proposed Tariff revisions in its Filing are meant to address an inadvertent conflict between its market clearing engine functionality and related Tariff language. SPP asserts that its proposal does not represent new, substantive changes to the manner in which the Integrated Marketplace has implemented this functionality since market start. SPP contends that the instant proceeding is about correcting an administrative error, not debating the merits of the substantive functionality of the market clearing engine or the policies related to SPP's market rules. SPP asserts that such debates are outside the scope of this section 205 proceeding. SPP characterizes Westar's comments as policy statements related to scarcity pricing, comments that SPP believes are more appropriate in the context of the rulemaking proceeding in Docket No. RM15-24-000. SPP urges the Commission to disregard Westar's comments, to the extent such comments raise substantive or policy issues related to SPP's market clearing engine functionality or scarcity pricing.<sup>21</sup>

#### **IV. Commission Determination**

##### **A. Procedural Issues**

14. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2015), the timely, unopposed motion to intervene serves to make Westar a party to this proceeding.

15. Rule 213(a)(2) of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.213(a)(2) (2015), prohibits an answer to a protest unless otherwise ordered by the decisional authority. We will accept SPP's answer because it has provided information that assisted us in our decision-making process.

##### **B. Substantive Issues**

16. We accept SPP's revisions to sections 8.3.3 and 8.3.4.1 in Attachment AE of its Tariff. We view SPP's proposal as an administrative necessity to align the Tariff with the current functioning of the market clearing engine software, as well as stakeholder expectations. We find that SPP's proposal is just and reasonable because it provides

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<sup>20</sup> *Id.* at 3.

<sup>21</sup> SPP Answer at 2-4.

additional transparency with respect to market settlements and pricing in the context of ramp constraints in the Integrated Marketplace. With regard to Westar's comments urging the Commission to require SPP to improve its market clearing engine by employing a form of scarcity pricing during periods of ramp deficiency, we find Westar's request beyond the scope of this proceeding. We note that the Commission is currently considering this topic and related issues in a rulemaking proceeding in Docket No. RM15-24-000.<sup>22</sup>

17. Additionally, we find good cause to grant SPP's requested waiver. The Commission has previously granted one-time waivers of tariff provisions in situations where, as relevant here: (1) the underlying error was made in good faith; (2) the waiver is of limited scope; (3) a concrete problem needed to be remedied; and (4) the waiver did not have undesirable consequences, such as harming third parties.<sup>23</sup>

18. We find that SPP's requested waiver satisfies the aforementioned conditions. SPP made the underlying error in good faith, since the market clearing engine has operated consistent with stakeholder expectations. SPP's requested waiver is of limited scope, spanning the finite period of March 1, 2014 (the commencement date of the Integrated Marketplace) to December 27, 2015 (the effective date of the Tariff revisions in Docket No. ER16-158-000). SPP's waiver also implicates only a small number of five-minute intervals during which ramp constraints existed. Further, SPP's requested waiver addresses a concrete problem that needs to be remedied. Specifically, we find that granting waiver will allow prior market settlements determined by the market clearing engine to remain in place and will avoid the need to re-settle the market, which could result in undesirable cost shifts. We also find that the requested waiver will not have adverse consequences. As explained by SPP, current settlements reflect the expectations of stakeholders, and as evidenced by the uncontested nature of the Petition, no parties have challenged prior settlements or have communicated that they will be harmed by allowing existing settlements to remain in place. Accordingly, we grant SPP's request for a limited, one-time waiver of current sections 8.3.3(3) and 8.3.3(4) in Attachment AE of its Tariff.

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<sup>22</sup> The Commission issued a Notice of Proposed Rulemaking in Docket No. RM15-24-000 on September 17, 2015. *See Settlement Intervals and Shortage Pricing in Markets Operated by Regional Transmission Organizations and Independent System Operators*, FERC Stats. & Regs. ¶ 32,710 (2015) (cross-referenced at 152 FERC ¶ 61,218).

<sup>23</sup> *See, e.g., Southeastern Power Admin.*, 143 FERC ¶ 61,210, at P 7 (2013); *PJM Interconnection, L.L.C.*, 135 FERC ¶ 61,069, at P 8 (2011).

The Commission orders:

(A) SPP's proposed Tariff revisions are hereby accepted for filing, to become effective December 27, 2015, as discussed in the body of this order.

(B) SPP's Petition is hereby granted, as discussed in the body of this order.

By the Commission.

( S E A L )

Nathaniel J. Davis, Sr.,  
Deputy Secretary.