

155 FERC ¶ 61,131
FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, DC 20426

May 3, 2016

In Reply Refer To:
Southwest Power Pool, Inc.
Docket No. ER16-1086-000

Southwest Power Pool, Inc.
201 Worthen Drive
Little Rock, AR 72223

Attention: Joseph W. Ghormley, Esq.
Attorney for Southwest Power Pool, Inc.

Dear Mr. Ghormley:

1. On March 4, 2016, Southwest Power Pool, Inc. (SPP) submitted, under section 205 of the Federal Power Act,¹ revisions to its Open Access Transmission Tariff (Tariff) to allow a credit customer's positively-valued Transmission Congestion Rights (TCR) portfolio to offset that customer's credit requirements for TCR bids, offers, and Auction Revenue Right (ARR) self-conversions to TCRs during a current auction period. SPP requests that its proposed Tariff revisions become effective May 3, 2016. In this order, we reject SPP's proposed Tariff revisions, as discussed below.

2. SPP's Credit Policy is contained in Attachment X of its Tariff. Article 5A of Attachment X governs credit requirements for TCRs, including the amount of financial security a credit customer must provide to support the TCR positions it holds and the TCR positions for which it submits bids and offers. The amount of financial security required during TCR auctions is assessed without regard to the value of TCRs awarded in previous auctions. SPP states that it is only after the auction has cleared that the values of TCRs the credit customer is awarded from that auction are netted with TCRs awarded

¹ 16 U.S.C. § 824d (2012).

to that credit customer in previous auctions for like-kind TCR products for the purposes of calculating financial security requirements.²

3. SPP states that this “conservative approach” was approved by SPP’s stakeholders as part of the initial Integrated Marketplace design, and that based on two years of experience with the Integrated Marketplace, it has determined that the current policy of not considering an entity’s total TCR positions until after an auction has cleared may be overly conservative.³ SPP thus proposes to allow an entity’s positively-valued TCR portfolio to be netted, during the course of a TCR auction, with the values of the bids, offers, and ARR self-conversions made during the TCR auction. SPP states that the proposed revisions would eliminate the need to post excess financial security for the limited time period between the start of the TCR auction and the publication of the TCR awards. SPP states that its proposed revisions are just and reasonable because they increase efficiency in the Integrated Marketplace by reducing certain qualifying credit customers’ capital costs without increase to risk of payment default or under-collateralization.⁴

4. Notice of SPP’s filing was published in the *Federal Register*, 81 Fed. Reg. 12,891 (2016), with interventions and protests due on or before March 25, 2016. Kansas City Power & Light Company and KCP&L Greater Missouri Operations Company (collectively, KCP&L Companies) filed a timely motion to intervene. Pursuant to Rule 214 of the Commission’s Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2015), KCP&L Companies’ timely, unopposed motion to intervene serves to make it a party to this proceeding.

5. We reject SPP’s proposed revisions to its Tariff to allow a credit customer’s positively-valued TCR portfolio to offset that customer’s credit requirements for TCR bids, offers, and ARR self-conversions to TCRs during a current auction period. In Order No. 741,⁵ the Commission revised the risk and credit procedures pertaining to the organized wholesale markets under its jurisdiction. The Commission stated that

² SPP Transmittal at 4-5. SPP identifies like-kind TCR products as other monthly/seasonal and on-off peak products.

³ *Id.*

⁴ *Id.* at 5-6.

⁵ *Credit Reforms in Organized Wholesale Electric Markets*, Order No. 741, FERC Stats. & Regs. ¶ 31,317 (2010), *order on reh’g*, Order No. 741-A, FERC Stats. & Regs. ¶ 31,320 (2011), *reh’g denied*, Order No. 741-B, 135 FERC ¶ 61,242 (2011).

TCR markets “have unique risks that distinguish them from other wholesale electric markets,” and that the “potentially rapidly changing value of [TCRs] warrants adoption of risk management measures.”⁶

6. SPP proposes to allow an entity’s positively-valued TCR portfolio to be netted, during the course of a TCR auction, with the values of the bids, offers, and ARR self-conversions made during the TCR auction rather than only allowing such netting after the TCR auction has cleared. However, besides asserting that its proposal will reduce credit customers’ required financial security only for a limited time period, SPP provides no evidence to support the claim that there is no increase to risk of payment default or under-collateralization. Therefore, we find that SPP has not sufficiently demonstrated that its proposal provides adequate safeguards in its TCR market, and reject the proposal.

By direction of the Commission.

Kimberly D. Bose,
Secretary.

⁶ Order No. 741, FERC Stats. & Regs. ¶ 31,317 at P 70.