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Before the
FEDERAL ENERGY REGULATORY COMMISSION
985th Open Commission Meeting

Thursday, October 18, 2012
Hearing room 2C
888 First Street, N.E.
Washington, D.C.20426

The Commission met, pursuant to notice, at 9:03
a.m., when were present:

COMMISSIONERS:

JON WELLINGHOFF, Chairman
PHILIP MOELLER, Commissioner
JOHN NORRIS, Commissioner
CHERYL A. LaFLEUR, Commissioner
TONY CLARK, Commissioner

FERC STAFF:

KIMBERLY D. BOSE, Secretary
MICHAEL BARDEE, Director, OER
DAVID MORENOFF, Acting General Counsel
JIM PEDERSON, Chief of Staff
JEFF WRIGHT, Director, OEP
ANN COCHRANE, OEMR
JOSEPH McCLELLAND, OEIS
TED FRANKS, OER

1 FERC STAFF (Continued):

2 JAMIE SIMLER, Director, OEPI

3 NORMAN BAY, Director, OE

4

5 PRESENTERS:

6 MATTHEW VLISSIDES, OGC Accompanied by:

7 JULIE GREENISEN, OGC

8 HARRY TOM, OER

9 DAVIS HUFF, OER

10 STEPHEN POINTER, OEMR, Accompanied by:

11 JULIE GRAF, OEMR

12 LAUREL HYDE, OEMR

13 CRISTIE DeVOSS, OEMR

14 SARAH CRAWFORD, OGC

15 ELIZABETH TOPPING, OEPI

16 RAKESH BATRA, OER

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25 COURT REPORTER: Jane W. Beach, Ace-Federal Reporters, Inc.

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1 P R O C E E D I N G S

2 (9:03 a.m.)

3 CHAIRMAN WELLINGHOFF: Good morning. This is the
4 time and place that has been noticed for the open meeting of
5 the Federal Energy Regulatory Commission to consider
6 matters that have been duly posted in accordance with the
7 Government in the Sunshine Act. Please join us for the
8 Pledge of Allegiance.

9 (Pledge of Allegiance recited.)

10 CHAIRMAN WELLINGHOFF: Well welcome, everybody.
11 We usually don't get this kind of crowd, but thank you all
12 for coming. We appreciate it.

13 It has been--since the September 20th Open
14 Meeting, we have actually issued 16--16? I wish 16--60
15 notational orders, which is down from 133 we did the month
16 before.

17 Before we turn to the Consent Agenda, I have an
18 opening statement about some matters of personnel in the
19 Commission here, and then if any of my colleagues have any
20 statements, but I would like to make an administrative
21 announcement.

22 I am pleased to announce that Mike Bardee is the
23 new Director of the Office of Reliability. The role of
24 General Counsel is one of the most important of advisors to
25 the Commission. However, a well functioning Office of
26

1 Reliability is also vitally important.

2 A couple of recent events again underscore how
3 critical a reliable and secure the Bulk=Power System is to
4 consumers, the energy industry, and the national economy.
5 One event occurred on the afternoon of September 8th, 2011,
6 in the Pacific Southwest. An 11-minute system disturbance
7 occurred leading to cascading outages and leaving
8 approximately 2.7 million customers without power.

9 The outages affected parts of Arizona, Southern
10 California, and Baja, California/Mexico. The other event
11 occurred on October 29th and 30th, 2011, which was an
12 unprecedented fall snowstorm that caused power outages
13 throughout the Northeast. More than 3.2 million homes and
14 businesses lost power, and thousands were without power for
15 more than a week--some for as long as 11 days.

16 Estimates of storm costs were between
17 approximately \$1 billion and \$3 billion. The mission of the
18 Office of Electric Reliability is to help protect and
19 improve the reliability of the Nation's Bulk-Power System
20 through effective regulatory oversight of the development
21 and enforcement of mandatory standards.

22 It is essential for the continued success of the
23 Office of Electric Reliability to have leadership that can
24 meet the challenge of very complicated issues in the every
25 more complex operations of the changing electric grid.

26

1 Mike has served me and the other Commissioners
2 well as General Counsel. Mike's integrity, vast experience
3 with the industry, and his ability to craft creative
4 solutions will serve us again in this new role. Mike will
5 be of great help to us there as the Director of the Office
6 of Electric Reliability. I appreciate it very much, Mike.
7 Thank you.

8 (Applause.)

9 CHAIRMAN WELLINGHOFF: I would also like to thank
10 Ted Franks for serving in the Office as Acting Director.
11 Thank you, Ted.

12 (Applause.)

13 CHAIRMAN WELLINGHOFF: And finally, last but not
14 least, I am naming David Morenoff as Acting General Counsel.
15 David--I first hired David six years ago, and I know that he
16 will do a very good job in this transition position. Thank
17 you, David.

18 (Applause.)

19 CHAIRMAN WELLINGHOFF: So fellow Commissioners,
20 does anyone else have any statements or anything else they
21 need to make before we go on to the Consent Agenda?

22 (No response.)

23 CHAIRMAN WELLINGHOFF: Okay, great. Madam
24 Secretary, the Consent Agenda, please.

25 SECRETARY BOSE: Good morning, Mr. Chairman, and
26

1 good morning, Commissioners.

2 Since the issuance of the Sunshine Act notice on
3 October 11th, 2012, Items E-13, E-14, and C-2 have been
4 struck from this morning's agenda. Your Consent Agenda is
5 as follows:

6 Electric Items: E-1, E-5, E-7, E-8 and E-11.

7 Miscellaneous Items: M-1.

8 Gas Items: G-2, G-3, and G-4.

9 Hydro Items: H-1, H-2, and H-3.

10 Certificate Items: C-1.

11 As required by law, Commissioner Clark is not
12 participating in Consent Item E-1. As to E-1, Commissioner
13 LaFleur is dissenting in part with a separate statement. We
14 will now take a vote on this morning's Consent Agenda Items
15 beginning with Commissioner Clark.

16 COMMISSIONER CLARK: Noting that I'm not
17 participating in E-1 by law, I vote aye.

18 SECRETARY BOSE: Commissioner LaFleur.

19 COMMISSIONER LaFLEUR: Noting my partial dissent
20 in E-1, I vote aye.

21 SECRETARY BOSE: Commissioner Norris.

22 COMMISSIONER NORRIS: Aye.

23 SECRETARY BOSE: Commissioner Moeller.

24 COMMISSIONER MOELLER: Aye.

25 SECRETARY BOSE: And Chairman Wellinghoff.

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1 CHAIRMAN WELLINGHOFF: I vote aye.

2 Madam Secretary, if we could move then to the
3 Discussion Items on the agenda.

4 SECRETARY BOSE: The first presentation item for
5 this morning is Items E-2 and E-3 together. Item E-2
6 concerned a Draft Notice of Proposed Rulemaking on
7 Reliability Standards for Geomagnetic Disturbances, and Item
8 E-3 is concerning a Draft Notice of Proposed Rulemaking on
9 Transmission Vegetation Management, Reliability Standard
10 FAC-003-2.

11 There will be a presentation by Matthew Vlissides
12 from the Office of the General Counsel. He is accompanied
13 by Julie Greenisen also from the Office of the General
14 Counsel; Harry Tom and David Huff from the Office of
15 Electric Reliability.

16 MR. VLISSIDES: Good morning, Mr. Chairman and
17 Commissioners.

18 Today we will provide a summary of E-2, a Draft
19 Notice of Proposed Rulemaking on Reliability⁶ Standards for
20 Geomagnetic Disturbances, and E-3, a Draft Notice of
21 Proposed Rulemaking on Transmission Vegetation Management
22 Reliability Standard FAC-003-2.

23 Item E-2 is a Draft Notice of Proposed Rulemaking
24 that directs the North American Electric Reliability
25 Corporation, or NERC, pursuant to the Commission's authority
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1 under Section 215(d)(5) of the Federal Power Act to develop
2 Reliability Standards that address the potential impacts of
3 geomagnetic disturbances on the Bulk-Power System.

4 The proposals contained in the Notice of Proposed
5 Rulemaking draw from information developed at the April 30,
6 2012 Technical Conference on geomagnetic disturbances, as
7 well as from government-sponsored and industry studies on
8 geomagnetic disturbances, including NERC's February 2012
9 Interim Report on Geomagnetic Disturbances.

10 The Draft Notice of Proposed Rulemaking proposes
11 that NERC develop and submit proposed Reliability Standards
12 on this matter for Commission approval in two stages.

13 In the first stage, NERC would develop and submit
14 for approval one or more Reliability Standards that require
15 owners and operators of the Bulk-Power System to develop and
16 implement operational procedures to mitigate the effects of
17 geomagnetic disturbances consistent with the reliable
18 operation of the Bulk-Power System.

19 In the second stage, NERC would develop and
20 submit for approval one or more Reliability Standards that
21 require owners and operators of the Bulk-Power System to
22 conduct initial and on-going assessments of the potential
23 impact of geomagnetic disturbances on Bulk-Power System
24 equipment and the Bulk-Power System as a whole.

25 Based on those assessments, the Reliability
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1 Standards would require owners and operators of the Bulk-
2 Power System to develop and implement a plan so that
3 instability, uncontrolled separation, or cascading failures
4 of the Bulk-Power System caused by damage to critical or
5 vulnerable Bulk-Power System equipment, or otherwise, will
6 not occur as a result of a geomagnetic disturbance.

7 This plan could not be limited to operational
8 procedures or enhanced training alone, but would, subject to
9 the needs identified in the assessments, contain strategies
10 for protecting against the potential impact of geomagnetic
11 disturbances based on factors such as the age, condition,
12 technical specifications, or location of specific
13 equipment.

14 Item E-3 is a Draft Notice of Proposed Rulemaking
15 that proposes to approve a revised Transmission Vegetation
16 Management Reliability Standard, FAC-003-2, submitted by
17 NERC to replace the currently effective Vegetation
18 Management Standard.

19 The Notice of Proposed Rulemaking highlights
20 improvements of the proposed standard such as expanded
21 applicability to include overhead transmission lines
22 operated below 200 kV if they are either part of an
23 Interconnection Reliability Operating Limit or a Major WECC
24 Transfer Path. The proposed standard would also require
25 annual vegetation inspections and would incorporate new
26

1 minimum vegetation clearance distances into the text of the
2 standard.

3 While the Notice of Proposed Rulemaking proposes
4 to approve the standard as submitted by NERC, including the
5 proposed minimum vegetation clearance distances, the Notice
6 of Proposed Rulemaking proposes to direct that NERC conduct
7 or commission testing to obtain empirical data that either
8 confirms the minimum vegetation clearance distances set out
9 in FAC-003-2 or gives reason to revisit those clearances.

10 Comments for both proposals are due within 60
11 days of their publication in the Federal Register.

12 This concludes our presentation. We are happy to
13 take any questions you have.

14 CHAIRMAN WELLINGHOFF: Thank you, Matthew. I
15 appreciate it. I appreciate the team's work on this.

16 As to the revisions to the Reliability Standard
17 for Transmission Vegetation Management, I do thank the team
18 for its work on this NOPR. I appreciate the continued
19 progress that's been made by NERC in developing Reliability
20 Standard FAC-003 and the related improvement to
21 reliability.

22 As I discussed at the June 2012 meeting in
23 response to the Joint NERC/FERC Staff Report of October
24 2011, Northeast Snow Storm Transmission Outages, it is key
25 that in complying with Reliability Standards at issue here
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1 successful vegetation management programs also engage
2 property owners in an adequate, timely, and forthright
3 manner and work cooperatively with those property owners.

4 I also note that we have received complaints that
5 utilities are clear-cutting rights-of-way in order to comply
6 with Reliability Standard FAC-003. The Standard only
7 requires that a minimum clearance be maintained. It does
8 not prescribe the methodology the utilities are required to
9 use.

10 Companies should not misrepresent the reason for
11 the vegetation action by overstating the requirements or
12 applicability of the standard.

13 As to the NOPR on Proposed Reliability Standards
14 for Geomagnetic Disturbances, I want to thank the team again
15 for their thoughtful and comprehensive Order. I know that
16 Commissioner LaFleur has taken a strong leadership role in
17 addressing these issues both inside and outside the
18 Commission, and I want to thank her for her efforts.

19 And I think for this reason you should have the
20 first word on that Order. So, Commissioner LaFleur.

21 COMMISSIONER LaFLEUR: Well thank you very much,
22 Chairman Wellinghoff.

23 I want to thank the team also for both of the
24 Orders that we're voting out today, as well as the past,
25 present, and future leaders of the Office of Electric
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1 Reliability that are all around our table here.

2 (Laughter.)

3 COMMISSIONER LaFLEUR: And I want to acknowledge
4 the team at NERC and in the industry that have spent years
5 on the Vegetation Management proposal, and all the NERC work
6 on GMD as well.

7 I will post a longer statement on my website, but
8 I have often said that reliability consists of two big
9 elements: the daily blocking and tackling to keep the
10 lights on, and then the emerging issues of the longer term
11 low-frequency events.

12 Obviously today we're voting out rules that kind
13 of demonstrate the extreme ends of the spectrum, the
14 ultimate day-to-day with tree-trimming, and the ultimate
15 high-impact low frequency with solar storms.

16 On tree-trimming, obviously nothing is more
17 critical to reliability than keeping trees trimmed. It's
18 like Reliability 101 contributing cause of the 2003 blackout
19 that gave rise to our jurisdiction. And I think that the
20 standard that propose to approve today was years in coming
21 and represents a major step forward in defining a specified
22 minimum vegetation clearing distance.

23 I also note it's the first, I believe, of the
24 results-based standards that NERC has put forth that we are
25 acting on. And as I understand, a results-based standard.

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1 It specifies a result--in this case, a specified minimum
2 vegetation clearing distance. And the compliance with the
3 standard will be measured by meeting that result, which
4 allows more flexibility in how it's met. And assuming the
5 standard goes forth to become final, we will be looking
6 closely at how that works in implementation as a possible
7 model.

8 On geomagnetic disturbances, obviously a very
9 different issue, it is an acute example of the high-
10 impact/low-frequency type of issue that confronts our
11 infrastructure. Over the centuries, as a society we have
12 put in place standards for fires, earthquakes, tornadoes,
13 and I think we have it well within our grasp to make the
14 grid more resilient to solar storms.

15 It sounds a little bit like science fiction, you
16 know, the sun hurting the electric grid, but it's actually
17 premised in scientific fact. But the fact that geomagnetic
18 disturbances can cause harm to the electric grid is
19 undisputed. The way in which that harm occurs is not
20 without substantial controversy, and I'll spare you both
21 sides of that. That's in my statement, and very well set
22 out in the Order.

23 What I believe is that, while continuing to
24 explore the technical issues, we can and should adopt no-
25 regrets' actions to protect and mitigate grid damage from
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1 geomagnetic disturbances. And I think both of the things
2 we're voting out today, a requirement of an operational plan
3 and a requirement of an assessment and proposal of
4 standards, equipment standards, represent no-regrets
5 actions.

6 I just want to acknowledge that this is a very
7 complicated issue, and I think the Order admits that it will
8 take years to really tackle any changes to the grid, be they
9 retrofitting of equipment, or specification of new
10 equipment, or changes in the way we operate the grid, it's
11 not something that happens quickly.

12 I have lived through a lot of other upgrades to
13 the grid to deal with other problems that became more
14 understood over the years, and they are not something fast
15 because of the size and diversity of our Bulk-Power System
16 in this country. But to me, the complexity of the problem
17 argues for getting started. It doesn't argue for putting it
18 off, and putting it off, and never starting. We have to
19 start tackling this challenge, and I think today is an
20 important step.

21 Finally, I just want to note, as we all know, and
22 it's going to come on with the other Orders on the agenda,
23 we are building a lot of electric infrastructure in this
24 country so it is a good time to make sure the next
25 generation is built as resiliently as we can. So as with
26

1 all things, we are putting this out for comment and I hope
2 we will have a very broad range of comments.

3 Thank you. Thank you, Chairman.

4 CHAIRMAN WELLINGHOFF: Thank you, Cheryl. Other
5 colleagues have comments on these Orders? Phil.

6 COMMISSIONER MOELLER: Thank you, Mr. Chairman.
7 I first want to talk about trees, and thank the team for the
8 presentation and the work. I think one of these Orders was
9 only cleared about 25 minutes ago, so obviously people were
10 working hard.

11 I love trees. I'm not a "tree hugger" but I love
12 trees. And yet, from the '96 Western blackout that you
13 remember caused by a tree in Oregon, to the 2003 blackout in
14 the Midwest, and of course the trees that fell in our
15 neighborhood last summer and throughout the Northeast in
16 October of last year, they continue to cause challenges for
17 reliable delivery of electricity. Not always under our
18 jurisdiction, but vegetation management has to be one of
19 those issues we maintain a lot of attention on because it's
20 so critical to reliability.

21 So I am glad we are moving things forward. This
22 is not going away. I think we are going to be dealing with
23 it for awhile.

24 On geomagnetic disturbances, I too wish to
25 commend Commissioner LaFleur on the leadership she has shown
26

1 as you noted, Mr. Chairman, both nationally and
2 internationally on this issue. And I to agree that planning
3 is essential; that it's something we need to look forward
4 for, and make prudent plans now to address vulnerabilities
5 in the grid going forward.

6 One of the things that is interesting is that the
7 composition of the oil apparently makes a big difference as
8 to the extent of geomagnetic disturbance impacts on the
9 grid. So areas that have high iron or mineral content in
10 their soil are more vulnerable than those that don't.

11 This is why I think we should look at it
12 carefully and make sure that we've got a proper standard,
13 but not one that is overkill.

14 And finally, I will note that in the context of
15 long-term planning, I think it is very important. That's
16 why I support the Order. But I do want to remind people
17 that as of yesterday, implementation of the mercury in air
18 toxic standard rule is less than 2-1/2 years away. And that
19 is a real-world set of issues breathing down our necks in
20 terms of reliability that we have to be planning for every
21 day.

22 Thank you, Mr. Chairman.

23 CHAIRMAN WELLINGHOFF: Thank you, Phil. John?

24 COMMISSIONER NORRIS: Thank you, Mr. Chairman.

25 Like Cheryl, I will post a more complete
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1 statement but I'll try and do a summary here since it sounds
2 like there's a reason we're at a 5-0 vote. We're all in
3 sync in how we approach this.

4 Let me first start by thanking the team for your
5 work on both these Orders, and all the staff that worked on
6 these. Also, thanks for your remarks, Mr. Chairman, on the
7 Vegetation Management. There is some very good work being
8 done out there by folks in the conservation and arbor
9 community that can help do this in a responsible way that
10 has the least environmental impact, but ultimately protects
11 the grid.

12 So I encourage folks to use best practices in
13 their vegetation management. These two Reliability Orders
14 do approach this Reliability with two distinct challenges
15 that are represented here by them in my mind.

16 One is, as you've heard before, it's fundamental
17 to keep the lights on and trimming trees is fundamental to
18 reliability. Trees will grow, and inevitably if they're not
19 maintained they will have a reliability impact. We know
20 that from experience, from nature. You know that's going to
21 happen.

22 So I think we have done a positive step forward
23 in this second version of FAC-003, also by including the
24 IROs in the Western Electric elements for Transfer Path, to
25 be included in that FAC-003 I think were important steps
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1 forward to make sure that we do look at sub-200 kV
2 facilities that can impact the reliability of the grid. so
3 I'm glad we took that--or NERC took that next step in the
4 proposal on E-3.

5 With regards to E-3 and geomagnetic disturbances,
6 that's definitely a different kind of reliability issue
7 we're dealing with. This is the poster child for low
8 impact, or excuse me, low-frequency/high-impact event, much
9 like cyber security where we have to look at the likelihood
10 of occurrence, how severe the impact could be, and options
11 to guard against that impact.

12 And so I think we've taken appropriate
13 precautions with the Order today in weighing those factors
14 to make sure we realize that there--I think the objective
15 here is to find a sweet spot where you guard against the
16 possible impact, everywhere from doing nothing to doing 100
17 percent guarantee, which is not even feasible. Where is
18 that sweet spot where we look at the costs that come with
19 reliability?

20 And this is a judgment call. And given the
21 magnitude of the potential damage, I believe we're taking
22 the right approach here in asking NERC to go back and make
23 an assessment, and go beyond just--just training and
24 operations, but make an honest assessment of what the
25 possible damage is, and what needs to be done. Obviously
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1 some equipment, or all equipment will need to be hardened in
2 some fashion, but I think we give deference to NERC to look
3 at the situation, make that assessment for us.

4 And the timing on this, as has been noted, is
5 critical because we are on the very near time horizon at the
6 place where the highest activity of solar activity is being
7 projected. So I know this is a bump up, if you will, in
8 timelines for development of NERC standards. So I encourage
9 the industry and NERC to work expeditiously to get these
10 protections in place.

11 In summary, I just have my metaphor--Cheryl is
12 always using a sports metaphor, the blocking and
13 tackling--but mine is changing the oil in your car. You
14 know, if you don't do it, it's like vegetation management,
15 it's going to break down. And GMD is like car insurance.
16 You have a responsibility not to yourself but to society to
17 take actions, and weighing what the risks are, and how much
18 protection you need, and finding that sweet spot in terms of
19 what the costs justify versus the potential impact.

20 I think we're taking the appropriate approach in
21 both of these here today. So thanks for your work.

22 CHAIRMAN WELLINGHOFF: Thank you, John. Tony?

23 COMMISSIONER CLARK: I just thank the team for
24 its work. I would take off where Commissioner Norris left
25 off, which is this notion of balancing costs and benefits

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1 which is always one of the key things that regulatory
2 commissions do, and it clearly comes to a head in a
3 proceeding such as this.

4 So noting again that there's a 60-day comment
5 period, I look forward to hearing the comments that we
6 receive and look forward to taking action after that.

7 Thank you.

8 CHAIRMAN WELLINGHOFF: Thank you, Tony. Yes, the
9 comments will be very useful in this proceeding here, and I
10 again appreciate all the work that the team has done on
11 these two Orders.

12 I think we are ready to vote, Madam Secretary.

13 SECRETARY BOSE: We will take a vote on these
14 items together. The vote begins with Commissioner Clark.

15 COMMISSIONER CLARK: Aye.

16 SECRETARY BOSE: Commissioner LaFleur.

17 COMMISSIONER LaFLEUR: I vote aye.

18 SECRETARY BOSE: Commissioner Norris.

19 COMMISSIONER NORRIS: Aye.

20 SECRETARY BOSE: Commissioner Moeller.

21 COMMISSIONER MOELLER: Aye.

22 SECRETARY BOSE: And Chairman Wellinghoff.

23 CHAIRMAN WELLINGHOFF: Aye.

24 We'll move to our next discussion item, please.

25 SECRETARY BOSE: And the next item for discussion

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1 and presentation will be Item E-4 concerning a Draft Order
2 Conditionally Accepting Tariff Revisions To Establish Energy
3 Markets. This is in Docket No. ER12-1179-000. There will
4 be a presentation by Stephen Pointer from the Office of
5 Energy Market Regulation. And he is accompanied by Julie
6 Graf, Laurel Hyde, and Christie DeVoss, from the Office of
7 Energy Market Regulation. Sarah Crawford from the Office of
8 the General Counsel. Elizabeth Topping from the Office of
9 Energy Policy and Innovation. And Rakesh Batra from the
10 Office of Electric Reliability.

11 MR. POINTER: Good morning, Mr. Chairman and
12 Commissioners.

13 CHAIRMAN WELLINGHOFF: Good morning.

14 MR. POINTER: In addition to those of us at the
15 table, we would like to thank the rest of the team which
16 includes staff from the Office of Energy Market Regulation,
17 the Office of the General Counsel, the Office of Electric
18 Reliability, the Office of Energy Policy and Innovation, and
19 the Office of Enforcement.

20 As proposed by SPP, the Integrated Marketplace
21 includes Day-Ahead and Real-Time Energy and Operating
22 Reserve markets. These markets are co-optimized and utilize
23 Locational Marginal Pricing which reflects Marginal Losses
24 and the Marginal Cost of Congestion. The Integrated
25 Marketplace established a Day-Ahead market obligation and
26

1 virtual bidding.

2 SPP will perform a Multi-Day Reliability
3 Assessment prior to the Day-Ahead Market to manage the
4 commitment of long-start resources. Also, SPP will conduct
5 reliability unit commitment processes to enhance
6 reliability.

7 In addition, the Integrated Marketplace includes
8 a market-based Congestion-Management Program that allocates
9 auction revenue rights and uses Transmission Congestion
10 Rights.

11 SPP proposes to consolidate the 16 Balancing
12 Authority Areas into a single Balancing Authority area
13 operated by SPP.

14 Under the Integrated Marketplace as modified,
15 these markets will be monitored and mitigated as necessary
16 by an Internal Market Monitor according to a revised
17 mitigation plan.

18 The Draft Order conditionally accepts SPP's
19 proposal, finding that the Integrated Marketplace as
20 modified will improve market efficiency, facilitate
21 centralized unit commitment, and provide for the centralized
22 operating reserve procurement.

23 The Draft Order finds that as modified, the
24 Market-Based Congestion Management Program will allocate
25 Firm Transmission Rights in a simultaneously feasible
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1 manner, allow for Congestion Cost Hedging, and recognize the
2 historical rights of Firm Transmission customers.

3 In addition, the Draft Order finds that the
4 Market-Based provision of Operating Reserves and the
5 consolidation of Balancing Authority Areas will facilitate
6 the integration of wind-powered Variable Energy Resources
7 into SPP.

8 SPP proposes to launch the Integrated Marketplace
9 on March 1st, 2014. In order to ensure that a well-designed
10 market is in place by this date, the Draft Order accepts
11 SPP's filing subject to compliance filings and informational
12 filings.

13 Further, the Order conditionally accepts the
14 Integrated Marketplace subject to SPP's submission of plans
15 necessary for the commencement of the new market which
16 include readiness and reversion plans, and a readiness
17 certification.

18 Some of the compliance filings required by the
19 Draft Order are needed to comply with previously issued
20 Commission Orders. For example, the Draft Order requires
21 SPP to clarify the demand response provisions of the
22 Integrated Marketplace to conform to Order No. 719. Other
23 compliance directives address market design issues and
24 matters related to the transition from the current market.

25 This concludes our presentation. We would be
26

1 happy to answer any questions. Thank you.

2 CHAIRMAN WELLINGHOFF: Thank you, Stephen. And I
3 want to thank the team for their thorough work and analysis
4 in drafting this Order. I know it was a tough Order, a long
5 Order, and I want to congratulate SPP and its stakeholders
6 for proposing this innovative development of electricity
7 markets in their region.

8 You know these markets are growing, and they're
9 prospering. And they are doing so because it is widely
10 recognized that they are delivering benefits to consumers.
11 So I am very pleased to vote for this Order because I know
12 it means enhanced benefits to the consumers in SPP.

13 Colleagues, comments? Phil.

14 COMMISSIONER MOELLER: Mr. Chairman, thank you
15 for letting me call this item. This is a very significant
16 day--maybe not as significant as March 1st, 2014, when the
17 Market goes live, but the amount of effort that this Agency
18 and SPP and the stakeholders have put into developing this
19 market has been extraordinary. I think it is reflective of
20 the fact that you have a big team up here in presentation.
21 There is a lot of credit to go around.

22 I have to think about John Rogers and Mike
23 McLaughlin, actually living in Little Rock for a couple of
24 years, helping SPP get started up. And the times we've gone
25 down to Little Rock to provide guidance. So I congratulate
26

1 SPP. I think we had to make a few calls in here--you know,
2 I would probably prefer a little bit different compensation
3 method for Demand Response, but nevertheless I'll support
4 the Order in its entirety and congratulate again all the
5 stakeholders. It is a great day for consumers and the SPP
6 footprint.

7 We will have a lot more work to do as we get
8 ready for March 1st, 2014, but congratulations to a wide
9 array of people on a very significant day for the
10 development of these markets.

11 CHAIRMAN WELLINGHOFF: Thank you, Phil. John.

12 COMMISSIONER NORRIS: I would echo both your
13 thoughts. Congratulations and thanks to staff, who have
14 been working hard on this with SPP and all the stakeholders
15 and the staff at SPP, and state regulators, and everyone
16 involved in pulling this together.

17 This is, as you mentioned, Jon, this is a big
18 step towards taking the next step of providing opportunities
19 for your consumers and efficiencies that the market
20 operation will provide to make your system more efficient.

21 I know in today's Order we require some
22 additional work, and I just want to point out that anyone
23 who has ever been involved with designing electricity
24 markets knows this is a long process. Don't be discouraged
25 by the additional work required. I see this as just the
26

1 next step to getting there.

2 But ultimately I am very optimistic that the 2014
3 market launch can be done on time. I think we have given
4 some good guidance and additional efforts that need to be
5 made, and look forward to continuing to working with SPP and
6 the stakeholders to get this done.

7 Thanks.

8 CHAIRMAN WELLINGHOFF: Thank you, John. Cheryl.

9 COMMISSIONER LaFLEUR: Well I echo the comments
10 of my colleagues congratulating the team, and all the folks
11 at SPP and in the SPP/stakeholder community that worked on
12 this. I thank them not just for what they have done
13 already, but for the months of work ahead in all the very
14 careful directives that are in the Order.

15 I remember from my visit out to SPP, it is one of
16 the oldest if not the oldest of the regional organizations
17 started in 1941 to get together to put the grid together to
18 build jets during World War II. It is also one that has
19 very, very strong stakeholder and state regulator
20 involvement, all of which is reflected in the agreements
21 that came together on the application that was filed that
22 we're voting out today.

23 And just the combination of 16 Balancing
24 Authorities alone into one is just a major step forward for
25 balancing the wind and the other resources they have out
26

1 there, and take it into the next step.

2 So a lot of work still to do, but it is a
3 milestone today. Thank you.

4 CHAIRMAN WELLINGHOFF: Thank you, Cheryl. Tony.

5 COMMISSIONER CLARK: My thanks also to the team.
6 This is a significant Order. About half of this rather
7 thick binder is dedicated just to the SPP Order. It is no
8 small undertaking starting up a market.

9 Having sat on the other side of things through
10 the startup of a market in the Midwest ISO when I was on the
11 State Commission, I can assure you that there is a lot of
12 work ahead for everyone involved. Not every day necessarily
13 comes up rainbows and unicorns, but it is something that can
14 be worked through. And at the end of the day, I believe it
15 can provide net benefits for consumers, which is the goal
16 that we all have. The key will be ongoing stakeholder
17 communications with the transmission owners, SPP, state
18 commissions, and others involved in the process.

19 And a very important part of it, and something
20 that I'm glad the Order speaks to in some detail, is the
21 importance of market monitoring, and the importance of
22 having that MMU available for the benefit of stakeholders,
23 consumers, and this Commission, and state commissions, as
24 the market starts up. So thanks to the team for that work,
25 as well.

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1 CHAIRMAN WELLINGHOFF: Thank you, Tony.

2 Madam Secretary, I believe we're ready to vote.

3 SECRETARY BOSE: And the vote begins with
4 Commissioner Clark.

5 COMMISSIONER CLARK: Aye.

6 SECRETARY BOSE: Commissioner LaFleur.

7 COMMISSIONER LaFLEUR: I vote aye.

8 SECRETARY BOSE: Commissioner Norris.

9 COMMISSIONER NORRIS: Aye.

10 SECRETARY BOSE: Commissioner Moeller.

11 COMMISSIONER MOELLER: Aye.

12 SECRETARY BOSE: And Chairman Wellinghoff.

13 CHAIRMAN WELLINGHOFF: I vote aye.

14 And that completes our agenda items. In closing,
15 I would like to acknowledge the Minisink people and thank
16 you all for coming to this meeting. I appreciate it. Thank
17 you. This meeting is adjourned.

18 (Whereupon, at 9:36 a.m., Thursday, October 18,
19 2012, the 985th open meeting of the Federal Energy
20 Regulatory Commissioners was adjourned.)

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