

150 FERC 61,033
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

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

Southwest Power Pool, Inc.

Docket No. ER13-1864-000

ORDER CONDITIONALLY ACCEPTING IN PART AND REJECTING IN PART
REVISIONS TO JOINT OPERATING AGREEMENT

(Issued January 22, 2015)

1. On June 28, 2013, Southwest Power Pool, Inc. (SPP) submitted a filing to comply with the Commission's directive in an order dated October 18, 2012,¹ requiring SPP to negotiate a market-to-market coordination process with Midcontinent Independent System Operator, Inc. (MISO) and file it as part of the MISO-SPP Joint Operating Agreement.² In this order, we conditionally accept in part and reject in part the proposed revisions to the MISO-SPP Joint Operating Agreement, subject to a compliance filing. Specifically, we reject SPP's originally-proposed sections 3.1.13 and 8.1.4 of the proposed Market-to-Market Protocols and direct SPP to submit a compliance filing within 30 days of the issuance of this order to insert new sections 8.4.3 through 8.4.6, as

¹ *Southwest Power Pool, Inc.*, 141 FERC ¶ 61,048, at P 364 (2012) (October 2012 Order), *order on reh'g*, 142 FERC ¶ 61,205 (2013) (Rehearing Order).

² SPP filed the proposed market-to-market coordination process (Market-to-Market Protocols) as Attachment 2, Interregional Coordination Process, to the MISO-SPP Joint Operating Agreement. SPP also filed other proposed revisions to the MISO-SPP Joint Operating Agreement (revisions to sections 2.2, 4.2, 4.3, 12.1.1, 16.2, 18.3.3.1, 18.3.3.2, 18.3.4 and new Article XIX Change Management Process and sections 19.1 through 19.4, and new Article XX Biennial Review of Process Changes and sections 20.1 and 20.2). These other proposed revisions to the MISO-SPP Joint Operating Agreement add references to Attachment 2, and they provide for the parties to notify each other of any change that could affect market-to-market coordination and to conduct a comprehensive review of any such changes every other year.

MISO and SPP agreed to in their post-technical conference comments, and to revise proposed section 8.1.2.

I. Background

2. In the October 2012 Order on SPP's Integrated Marketplace, the Commission required SPP to negotiate with MISO to develop a market-to-market coordination process for managing congestion across the seam between MISO and SPP.³ The Commission further directed SPP to file the market-to-market coordination process as part of the MISO-SPP Joint Operating Agreement, by June 30, 2013. The Commission noted that such "market-to-market mechanisms have been shown to economically relieve congestion and align border prices successfully."⁴ The Commission further stated that if SPP and MISO model their market-to-market coordination process on the Market-to-Market Protocols in the Joint Operating Agreement between MISO and PJM Interconnection, L.L.C. (PJM) (MISO-PJM Market-to-Market Protocols), SPP should be able to meet the June 30, 2013 deadline.⁵ The Commission acknowledged that some adjustments to the MISO-PJM Market-to-Market Protocols may be necessary.⁶ On rehearing, the Commission reiterated its directive in the October 2012 Order that SPP negotiate a market-to-market coordination process with MISO and file it with the Commission by June 30, 2013.⁷ The Commission clarified that SPP and MISO are not required to implement the market-to-market coordination process until one year following commencement of the SPP Integrated Marketplace.⁸

³ The SPP Integrated Marketplace launched on March 1, 2014.

⁴ October 2012 Order, 141 FERC ¶ 61,048 at P 364 (quoting *New York Indep. Sys. Operator, Inc.*, 133 FERC ¶ 61,276, at P 32 (2010)).

⁵ *Id.*

⁶ *Id.* n.535.

⁷ Rehearing Order, 142 FERC ¶ 61,205 at P 85 (citing October 2012 Order, 141 FERC ¶ 61,048 at P 364).

⁸ *Id.*

3. Accordingly, on June 28, 2013, SPP submitted the proposed Market-to-Market Protocols, requesting an effective date of March 1, 2015, one year following the commencement of the Integrated Marketplace.⁹

4. On July 11, 2014, the Commission issued an order establishing a technical conference to explore three issues related to the proposed Market-to-Market Protocols: (1) the methodologies for implementation of Interface Bus Pricing (implementing proposed section 2); (2) the Market-to-Market flowgate creation limitation provisions, proposed sections 3.1.13 and 8.1.4; and (3) the deferred implementation of a day-ahead firm flow entitlement exchange process, proposed section 4.¹⁰ The technical conference was held on September 22, 2014, with post-technical conference comments due October 7, 2014, and reply comments due October 22, 2014.¹¹

II. Proposed Market-to-Market Protocols

5. SPP states that its proposed Market-to-Market Protocols have four key components: Interface Bus Price Coordination; Real-Time Energy Market Coordination; Day-Ahead Energy Market Coordination; and Auction Revenue Rights Allocation and Financial Transmission Rights/Auction Coordination.¹² SPP explains that the proposed Market-to-Market Protocols build upon existing provisions in the MISO-SPP Joint Operating Agreement's Congestion Management Process¹³ by adding procedures to address conditions that will prevail in the SPP Integrated Marketplace.

6. According to SPP, the proposed Market-to-Market Protocols are modeled on the Commission-approved MISO-PJM Market-to-Market Protocols, with only two substantive differences. First, SPP states that it and MISO have agreed to alter section 4 of the MISO-PJM Market-to-Market Protocols, which provides for a process by which the parties (referred to throughout the proposed Market-to-Market Protocols as regional transmission organizations (RTOs)) exchange firm flow entitlements in the day-ahead

⁹ SPP June 28, 2013 Transmittal (SPP Transmittal) at 2.

¹⁰ *Southwest Power Pool, Inc.*, 148 FERC ¶ 61,019 (2014).

¹¹ See August 29, 2014 Supplemental Notice of Technical Conference in Docket No. ER13-1864-000.

¹² SPP Transmittal at 4-6.

¹³ The Congestion Management Process is Attachment 1 of the MISO-SPP Joint Operating Agreement.

market.¹⁴ Specifically, proposed section 4 defers implementation of a day-ahead firm flow entitlement exchange process until SPP and MISO jointly agree that the anticipated benefits are sufficient to justify the system and administrative costs required to implement it.¹⁵

7. Second, SPP proposes two provisions (sections 3.1.13 and 8.1.4), which are not included within the MISO-PJM Market-to-Market Protocols, and which are opposed by MISO.¹⁶ SPP's proposed sections 3.1.13 and 8.1.4 prohibit each RTO from designating a new Market-to-Market flowgate outside of the parties' mutually-agreed upon scheduling timeframes, except in extreme circumstances or unless the party wishing to designate the new flowgate is willing to compensate the other party for any redispatch provided as a result of the creation of that flowgate.¹⁷

III. Notice and Responsive Pleadings

8. Notice of SPP's filing was published in the *Federal Register*, 78 Fed. Reg. 41,056 (2013), with interventions, comments, and protests due on or before July 19, 2013.

9. Motions to intervene were filed by the following: Ameren Services Company on behalf of Ameren Illinois Company, Union Electric Company d/b/a Ameren Missouri, and Ameren Energy Marketing Company; American Electric Power Service Corporation on behalf of Public Service Company of Oklahoma and Southwestern Electric Power Company (AEP); Calpine Corporation; East Texas Cooperative, Inc., Northeast Texas Electric Cooperative, Inc. and Tex-LA Electric Cooperative of Texas, Inc. (collectively, East Texas Cooperatives); Exelon Corporation (Exelon); International Transmission Company d/b/a ITCTransmission, Michigan Electric Transmission Company, LLC, ITC Midwest LLC and ITC Great Plains LLC; Kansas City, Kansas Board of Public Utilities; Kansas City Power & Light Company (KCP&L) and KCP&L Greater Missouri Operations Company (KCP&L-GMO); Lincoln Electric System (Lincoln); MidAmerican Energy Company (MidAmerican); MISO; Nebraska Public Power District (NPPD); Northern Indiana Public Service Company (NIPSCO); Omaha Public Power District

¹⁴ As defined in Appendix A to the proposed Market-to-Market Protocols, an RTO's firm flow entitlement is its net allocation on flowgates used in the market-to-market settlement process.

¹⁵ SPP Transmittal at 6.

¹⁶ *Id.* at 7.

¹⁷ *Id.*

(OPPD); PJM; Potomac Economics, Ltd. as the MISO Independent Market Monitor (MISO IMM); Sunflower Electric Power Corporation (Sunflower) and Mid-Kansas Electric Company, LLC. (Mid-Kansas); The Empire District Electric Company (Empire); Westar Energy, Inc. (Westar); Wisconsin Electric Power Company; WPPI Energy; and Xcel Energy Services Inc. on behalf of Southwestern Public Services Company, Northern States Power Company, a Minnesota corporation (NSPM), and Northern States Power Company, a Wisconsin corporation (NSPW).

10. Motions to intervene out-of-time were filed by the following: Arkansas Electric Cooperative Corporation (Arkansas Electric); City Utilities of Springfield, Missouri (Springfield); Dynegy Marketing and Trade, LLC and Illinois Power Marketing Company (collectively Dynegy); Electric Power Supply Association (EPSA); Entergy Services, Inc. on behalf of the Entergy Operating Companies (Entergy); Midwest ISO Transmission Owners (MISO Transmission Owners);¹⁸ Missouri Joint Municipal Electric Utility Commission (Missouri JMEUC); NRG Companies (NRG);¹⁹ and Southern Company Services, Inc. as agent for Alabama Power Company, Georgia Power Company, Gulf Power Company, and Mississippi Power Company, and Southern Power Company (collectively, Southern Companies).

¹⁸ For purposes of this filing, MISO Transmission Owners are: Ameren Services Company, as agent for Union Electric Company d/b/a Ameren Missouri, Ameren Illinois Company d/b/a Ameren Illinois and Ameren Transmission Company of Illinois; American Transmission Company LLC; Big Rivers Electric Corporation; Central Minnesota Municipal Power Agency; City Water, Light & Power (Springfield, Illinois); Dairyland Power Cooperative; Duke Energy Corporation for Duke Energy Indiana, Inc.; Great River Energy; Hoosier Energy Rural Electric Cooperative, Inc.; Indiana Municipal Power Agency; Indianapolis Power & Light Company; Manitoba Hydro; Michigan Public Power Agency; MidAmerican; Minnesota Power (and its subsidiary Superior Water, L&P); Missouri River Energy Services; Montana-Dakota Utilities Co.; NIPSCO; NSPM and NSPW; Northwestern Wisconsin Electric Company; Otter Tail Power Company; Prairie Power Inc.; Southern Illinois Power Cooperative; Southern Indiana Gas & Electric Company (d/b/a Vectren Energy Delivery of Indiana); Southern Minnesota Municipal Power Agency; Wabash Valley Power Association, Inc.; and Wolverine Power Supply Cooperative, Inc.

¹⁹ For the purposes of this filing, NRG Companies are: Louisiana Generating LLC; NRG Power Marketing LLC; GenOn Energy Management, LLC; Bayou Cove Peaking Power LLC; Big Cajun I Peaking Power LLC; NRG Sterlington Power LLC; Cottonwood Energy Company LP; and NRG Wholesale Generation LP.

11. Comments and/or protests were filed by Exelon, MidAmerican, MISO, the MISO IMM, NIPSCO, PJM, and Southwest Power Pool Transmission Owners (SPP Transmission Owners).²⁰ Answers were filed by Entergy, MISO, SPP, and SPP Transmission Owners. Answers to answers were filed by Entergy, SPP, and SPP Transmission Owners.

12. Post-technical conference comments were filed by EPSA, MISO, the MISO IMM, PJM, and SPP. Post-technical conference reply comments were filed by MISO, PJM, and SPP.

IV. Procedural Issues

13. 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 the proceeding. Pursuant to Rule 214(d) of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214(d) (2014), we grant the late-filed motions to intervene of Arkansas Electric, Dynegy, Entergy, EPSA, MISO Transmission Owners, Missouri JMEUC, NRG, Southern Companies, and Springfield, given their interests in the proceeding, the early stage of the proceeding, and the absence of undue prejudice or delay.

14. 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 or an answer unless otherwise ordered by the decisional authority. We accept the answers filed in this proceeding because they have provided information that assisted us in our decision-making process.

V. Substantive Issues

15. We find that the proposed revisions to the MISO-SPP Joint Operating Agreement, including provisions in the proposed Market-to-Market Protocols, that are not specifically discussed below are just and reasonable and not unduly discriminatory or preferential. Accordingly, we accept them for filing, effective March 1, 2015, as requested.

A. Interface Bus Pricing Implementation Methodologies

16. According to SPP, proposed section 2, Interface Bus Pricing, provides that SPP and MISO will coordinate the methodologies each will use to calculate interface bus

²⁰ For purposes of these filings, SPP Transmission Owners are: AEP; Empire; KCP&L and KCP&L-GMO; Lincoln; NPPD; Oklahoma Gas and Electric; OPPD; Springfield; Sunflower and Mid-Kansas; and Westar.

prices so that the prices are consistent and reflect the nature of the congestion on both RTOs' systems. SPP explains that neighboring markets must have the ability to track the economic value of power imported or exported across their seam. SPP states that the proposed pricing procedures are intended to provide for a sufficient level of granularity in pricing models and to generate proxy prices for imports and exports that recognize the nature and level of congestion on SPP's and MISO's systems.²¹

1. Initial Comments

17. The MISO IMM argues that it has identified a “fundamental flaw” in the interface bus pricing methodologies that PJM and MISO use to implement section 2 of the MISO-PJM Market-to-Market Protocols,²² and it recommends that SPP and MISO be directed to adopt implementation methodologies that do not replicate it.²³ According to the MISO IMM, because the proxy bus price that PJM and MISO calculate for each other reflects the congestion on both RTOs' systems, it produces double settlement payments for customers and owners.²⁴ The MISO IMM maintains that PJM's and MISO's methodologies have produced countless transactions that are over-compensated when they are expected to relieve a constraint, and over-charged (and inefficiently deterred from scheduling) when they are expected to contribute to congestion.

2. Post-Technical Conference Comments

18. In post-technical conference comments and reply comments, parties generally agree that efficient interface price signals are necessary. EPSA states that facilitating effective interface bus pricing is essential to ensuring that prices provide an incentive for efficient behavior and minimize uplift and financial transmission right underfunding.²⁵ The MISO IMM provides examples of how MISO's and PJM's interface bus pricing

²¹ SPP Transmittal at 4-5.

²² MISO IMM July 19, 2013 Comments at 10 (citing MISO IMM's 2012 MISO State of the Market report and other updates provided by the MISO IMM to MISO) (MISO IMM Comments).

²³ *Id.* at 13.

²⁴ *Id.* at 10-13.

²⁵ EPSA October 7, 2014 Comments (EPSA Post-Conference Comments) at 5.

methodologies currently work and describes two alternative methodologies.²⁶ Alternative 1, preferred by the MISO IMM, removes the congestion component of the locational marginal price for the non-monitoring RTO.²⁷ Alternative 2, preferred by PJM, requires each RTO to set its interface bus price relative to a common set of interfaces.²⁸ The MISO IMM submits that its analysis of the settlement outcome results from both alternatives and argues that its analysis supports Alternative 1.²⁹

19. PJM explains that Alternative 2 would eliminate the overstatement of congestion costs by permitting each RTO to use a common set of interfaces to calculate locational marginal price, including losses and congestion, on its side of the border. PJM states that although it opposes the Alternative 1,³⁰ it would be willing to discuss a hybrid approach that implements a common interface at the RTOs' seam for Market-to-Market flowgates. PJM explains that this approach would utilize either the same common interface or a separate interface definition, such as a static common interface, for non-Market-to-Market flowgates. PJM argues that this hybrid approach would resolve the incorrect counting of congestion impacts.³¹ PJM provides examples to illustrate its concerns with Alternative 2.³²

20. The MISO IMM notes that although concerns over the unintended consequences of the Alternative 1 have been raised, in the two years that it has been discussing the first alternative with PJM and MISO, no examples of such unintended consequences have been identified.³³

²⁶ MISO IMM October 7, 2014 Comments (MISO IMM Post-Conference Comments) at 3-14.

²⁷ *Id.* at 6.

²⁸ *Id.* at 7.

²⁹ *Id.* at 14.

³⁰ PJM October 7, 2014 Comments (PJM Post-Conference Comments) at 1-2.

³¹ PJM October 22, 2014 Reply Comments (PJM Post-Conference Reply Comments) at 5.

³² *Id.* at Attachment A.

³³ MISO IMM Post-Conference Comments at 14.

21. SPP argues that the MISO IMM's comments on interface bus pricing implementation methodologies are beyond the scope of this proceeding and that they do not offer a basis for rejecting the proposed Market-to-Market Protocols.³⁴ SPP maintains that proposed section 2 simply provides that the RTOs should have consistent proxy bus pricing approaches so that proper price signals are provided to exports and imports, relative to their congestion impacts.³⁵ SPP further argues that its proposal promotes consistency between the two RTOs and reflects the level of congestion on both systems.

22. MISO asserts that the interface bus pricing methodology issue does not need to be resolved before the intended implementation of market-to-market coordination and settlements on March 1, 2015. MISO adds that it would be open to the establishment of a working group and work plan, similar to the efforts underway between PJM and MISO,³⁶ as well as providing periodic reporting to the Commission.³⁷ SPP argues that the appropriate next step is to allow the affected parties to confer and collaborate on the proper design of interface price methodologies, because adoption of any proposed solution without the benefit of further study is premature and unsupported.³⁸ SPP states that it is willing to continue working with the other RTOs and stakeholders to investigate interface bus pricing issues.³⁹ According to SPP, the on-going PJM and MISO working group could benefit from the participation of SPP and its market monitor.⁴⁰

3. Commission Determination

23. We accept proposed section 2, Interface Bus Pricing, and agree that it is appropriate for SPP and MISO to coordinate the methodologies each will use to calculate interface bus prices. We anticipate, however, that SPP and MISO could face technical

³⁴ SPP October 7, 2014 Comments (SPP Post-Conference Comments) at 7.

³⁵ *Id.* at 7-8.

³⁶ MISO October 22, 2014 Reply Comments (MISO Post-Conference Reply Comments) at 6. We note that in the MISO-PJM Joint and Common Market Initiative, Docket Nos. AD12-13, AD14-3, Interface Bus Pricing methodologies are a work item.

³⁷ MISO Post-Conference Comments at 3.

³⁸ SPP Post-Conference Reply Comments at 8.

³⁹ *Id.*

⁴⁰ *Id.*

challenges in identifying the appropriate pricing methodologies. For example, we note that PJM and MISO have worked extensively on this issue through the Joint and Common Market Initiative process, and have yet to reach a mutually-agreeable resolution. We also note the concerns raised by the MISO IMM about the potential for over-counting of congestion. Given the complexity of this issue, we encourage SPP to work with MISO and PJM in developing its Interface Bus Pricing approach, and we believe it is appropriate to monitor the development of these methodologies. Accordingly, we direct SPP to submit an informational report, detailing the parties' progress in resolving concerns about the implementation methodologies, every six months until SPP and MISO have reached agreement on their respective methodologies.⁴¹ SPP should include the agreed-upon methodologies as part of its final informational report.

B. Flowgate Creation

24. SPP proposes to include sections 3.1.13 and 8.1.4 to the proposed Market-to-Market Protocols. SPP explains that under these provisions one RTO would not be able to designate a new Market-to-Market flowgate outside of mutually agreed-upon scheduling timeframes except in extreme, extenuating circumstances, or unless the RTO seeking to designate the new flowgate is willing to compensate the other RTO for any redispatch provided for that flowgate. SPP further explains that under these provisions a new Market-to-Market flowgate can be designated if both RTOs agree, but if one RTO does not agree within 30 days, then the flowgate is deemed rejected. SPP asserts that the proposed provisions are needed to provide a "known and orderly process" for adding Market-to-Market flowgates outside the process in the analogous provision in the MISO-PJM Market-to-Market Protocols, and that without the provisions, one RTO's scheduling practices could result in congestion revenue shortfalls.⁴² These proposed provisions do not correspond to any provisions in the MISO-PJM Market-to-Market Protocols. SPP notes that MISO has not agreed to these provisions.⁴³

1. Initial Comments

25. PJM and Exelon (a PJM member) support SPP's proposed sections 3.1.13 and 8.1.4. PJM notes that it is seeking to add similar provisions to the MISO-PJM Market-to-

⁴¹ The Commission does not intend to issue a public notice, accept comments, or issue an order on the informational filings.

⁴² SPP Transmittal at 7.

⁴³ *Id.*

Market Protocols.⁴⁴ Exelon argues, among other things, that SPP's proposed provisions are needed to prevent one RTO from unilaterally imposing new Market-to-Market flowgates and having the other RTO provide redispatch, in order for the first RTO to manage congestion caused by outages on its system.⁴⁵ Exelon claims that during one year, MISO designated 500 new flowgates, while PJM designated only 80.⁴⁶ SPP Transmission Owners also support SPP's proposed provisions because they believe future refunds from resettlements can be extremely complex and burdensome, and therefore they support resolving this issue in this proceeding.⁴⁷

26. MISO and the MISO IMM argue that SPP's proposed sections 3.1.13 and 8.1.4 should be rejected because they give one RTO a veto over the market-to-market coordination process, which could impede the market-to-market coordination process.⁴⁸ They argue that the process should be as flexible as possible, to maximize economic efficiency. The MISO IMM points out that Market-to-Market flowgates are dynamic due to changes in outages and changes in the definitions of constraints.⁴⁹

27. According to MISO, SPP's proposed provisions should be rejected because improving outage coordination is a better solution than SPP's proposal to restrict the creation of Market-to-Market flowgates.⁵⁰ MISO further argues that SPP's claim that the provisions are needed to prevent congestion revenue shortfalls is incorrect because such shortfalls are not created by the designation of new Market-to-Market flowgates.⁵¹

⁴⁴ PJM July 19, 2013 Comments (PJM Comments) at 3, n.9.

⁴⁵ Exelon July 19, 2013 Comments at 4.

⁴⁶ *Id.* n.8.

⁴⁷ SPP Transmission Owners August 5, 2013 Answer (SPP Transmission Owners Answer) at 7.

⁴⁸ MISO July 19, 2013 Protest (MISO Protest) at 8-9; MISO IMM Comments at 4-5.

⁴⁹ MISO IMM Comments at 6.

⁵⁰ MISO Protest at 9.

⁵¹ *Id.*

28. MISO asserts that SPP's proposed sections 3.1.13 and 8.1.4 conflict with sections 1.2 and 1.2.2 of the proposed Market-to-Market Protocols, which MISO says provide for after-the-fact review of, and "hold harmless" adjustments to, the settlement if the flowgate should not have been treated as a Market-to-Market flowgate.⁵² MISO maintains that the proposed provisions should be rejected because they would shift congestion costs from the party causing the congestion to the owners of the congested facilities, resulting in less efficient dispatch, but without any resulting reduction in congestion. MidAmerican argues that SPP's proposed provisions would allow one RTO to veto the other RTO's creation of a Market-to-Market flowgate by doing nothing for 30 days, and to degrade economic dispatch without an offsetting benefit.⁵³ Moreover, MISO, the MISO IMM, and MidAmerican argue that SPP's proposed provisions are overly vague and fail to define critical terms.⁵⁴

29. NIPSCO supports MISO's Protest.⁵⁵ NIPSCO further argues that under SPP's proposed provisions, one RTO could veto the other RTO's creation of a Market-to-Market flowgate in order to prevent settlement payments from its market participants to the other RTO's market participants.⁵⁶

30. In its answer, SPP responds that its proposed provisions do not affect the normal creation of Market-to-Market flowgates, only the creation of flowgates as a surrogate for proper outage planning by an RTO.⁵⁷ SPP also asserts that the proposed provisions use terms that are commonly used and understood.⁵⁸ SPP asserts that the proposed provisions are needed because the "hold harmless" provisions in the proposed Market-to-Market Protocols only apply to flowgates created due to "forced" outages, and do not address flowgates created due to a discretionary or avoidable outage.⁵⁹ In their answer, SPP Transmission Owners argue that by requiring mutual agreement for a new flowgate,

⁵² *Id.* at 6-8.

⁵³ MidAmerican July 19, 2013 Protest (MidAmerican Protest) at 4-5.

⁵⁴ MISO Protest at 10; MISO IMM Comments at 5; MidAmerican Protest at 5.

⁵⁵ NIPSCO July 19, 2013 Protest at 3.

⁵⁶ *Id.* at 4.

⁵⁷ SPP August 5, 2013 Answer (SPP Answer) at 6-9.

⁵⁸ *Id.* at 9-10.

⁵⁹ *Id.* at 6.

the proposed provisions encourage mutually beneficial designation and prevent the transmission owners from having to concede control of their transmission facilities to an RTO that the transmission owners have chosen not to join.⁶⁰

31. In its answer, MISO argues that SPP's criticisms of its outage practices are without merit and do not justify SPP's proposed limits on Market-to-Market flowgate creation.⁶¹ MISO explains that the flowgate coordination process often requires only one day, and that in the last two years, "on the fly" flowgates rarely have been added between MISO and PJM, and none of the added flowgates has led to a resettlement.⁶²

2. Post-Technical Conference Comments

32. Both MISO and SPP state that they have negotiated new provisions to address each other's concerns regarding the creation of Market-to-Market flowgates.⁶³ MISO comments that it has agreed to the deletion of SPP's proposed sections 3.1.13 and 8.1.4 and to the insertion of new sections 8.4.3 through 8.4.6. As set out in MISO's reply comments, new sections 8.4.3 through 8.4.6 would specify conditions under which one RTO will be compensated by the other RTO for costs incurred due to the designation of a new Market-to-Market flowgate by the second RTO, as follows:⁶⁴

- 8.4.3 A new M2M Flowgate shall be subject to a hold-harmless provision for the balance of the current operating day in which the M2M Flowgate is submitted for coordination by the Monitoring RTO as a result of a planned outage in the Monitoring RTO's system as provided below:
- a) If the Non-Monitoring RTO's integrated market flows are below its Firm Flow Entitlement for the hour, there will be a market-to-market settlement with a payment from the Monitoring RTO to the Non-Monitoring RTO for the hour.

⁶⁰ SPP Transmission Owners Answer at 9-10.

⁶¹ MISO August 19, 2013 Answer (MISO Answer to Answers) at 4.

⁶² *Id.*

⁶³ MISO October 7, 2014 Comments (MISO Post-Conference Comments) at 8; SPP Post-Conference Comments at 3, 6; MISO Reply Comments at 2-4; SPP October 22, 2104 Reply Comments (SPP Post-Conference Reply Comments) at 6-7.

⁶⁴ MISO Post-Conference Reply Comments at 2-3 and Attachment 1.

- b) If the Non-Monitoring RTO's integrated market flows exceed its Firm Flow Entitlement for the hour, there will be no market-to-market settlement for the hour.
- c) Notwithstanding the above provisions, these hold-harmless provisions shall not apply (i.e., a market-to-market settlement will occur) if the new M2M Flowgate was necessitated by an unplanned outage (forced, emergency, or urgent) that could not meet normal outage scheduling timeframes.

Nothing in this section is intended to restrict either Party's ability to submit new M2M Flowgates for coordination using the real-time market-to-market coordination procedures.

- 8.4.4 The settlement provisions, including exceptions, contained in Section 8.4.3 shall also apply for the next operating day when a new M2M Flowgate is submitted for coordination by the Monitoring RTO, as a result of a planned outage in the Monitoring RTO's system, subsequent to the cutoff for data submission of (i.e., the close of) the Non-Monitoring RTO's Day-Ahead market.
- 8.4.5 A new M2M Flowgate shall be subject to a hold-harmless provision for the balance of the current operating day in which the M2M Flowgate is submitted for coordination by the Monitoring RTO as a result of a planned outage in the Non-Monitoring RTO's system as provided below:
 - a) If the Non-Monitoring RTO's integrated market flows exceed its Firm Flow Entitlement for the hour, there will be a market-to-market settlement with a payment from the Non-Monitoring RTO to the Monitoring RTO for the hour.
 - b) If the Non-Monitoring RTO's integrated market flows are below its Firm Flow Entitlement for the hour, there will be no market-to-market settlement for the hour.
 - c) Notwithstanding the above provisions, these hold-harmless provisions shall not apply (i.e., a market-to-market settlement will occur) if the new M2M Flowgate was necessitated by an unplanned outage (forced, emergency, or urgent) that could not meet normal outage scheduling timeframes.
 - d) Notwithstanding the above provisions, these hold-harmless provisions shall not apply (i.e., a market-to-market settlement will occur) if the planned outage had been previously coordinated with the Monitoring

RTO but the M2M Flowgate was submitted after the beginning of the current operating day by the Monitoring RTO.

Nothing in this section is intended to restrict either Party's ability to submit new M2M Flowgates for coordination using the real-time M2M coordination procedures.

- 8.4.6 The settlement provisions, including exceptions, contained in Section 8.4.5 shall also apply for the next operating day when a new M2M Flowgate is submitted for coordination by the Monitoring RTO as a result of a planned outage on the Non-Monitoring RTO's system, subsequent to the cutoff for data submission of (i.e., the close of) the Monitoring RTO's Day-Ahead market.

MISO and SPP request that the Commission direct SPP to submit these revisions in a compliance filing.⁶⁵

33. PJM comments that the number of temporary Market-to-Market flowgates on the MISO-PJM seam created due to scheduled transmission outages has increased, and that these temporary flowgates have been a contributing factor in the underfunding of its Financial Transmission Rights.⁶⁶ MISO argues that underfunding of Financial Transmission Rights is not caused by the establishment of temporary Market-to-Market flowgates; rather, it is caused by the over-allocation of Financial Transmission Rights and a lack of constraint modeling.⁶⁷ MISO explains that it studied all Market-to-Market flowgates in the 2012-2013 planning year and determined that 80 percent of Market-to-Market settlement occurred on permanent flowgates.⁶⁸ MISO also asserts that in order to improve funding of Financial Transmission Rights, MISO and PJM have increased their coordination by exchanging outage schedules and lists of constraints that each RTO is enforcing in their respective auction processes.⁶⁹ MISO explains that PJM's Financial Transmission Rights underfunding situation has improved, thereby demonstrating that

⁶⁵ *Id.* at 4; SPP Post-Conference Reply Comments at 6.

⁶⁶ PJM Post-Conference Comments at 3-5.

⁶⁷ MISO Post-Conference Reply Comments at 4 and Attachment 2, "MISO-PJM Discussion on Funding, Outages and Constraint Identification," November 8, 2013.

⁶⁸ *Id.* at 4-5.

⁶⁹ *Id.* at 5 (citing March 2014 Report to the Joint and Common Market Initiative).

PJM's concerns about flowgate additions affecting Financial Transmission Rights are misplaced.⁷⁰

34. Further, MISO asserts that to increase coordination between the RTOs, MISO has extended its submittal timeline for planned outages for facilities that impact its seams to 60 days.⁷¹ MISO maintains that advanced notice of outages is facilitating increased coordination with SPP and MISO and others, and is resulting in reduced congestion costs across the seams. However, MISO asserts that imposing unnecessary limitations on an RTO's ability to create flowgates for precise congestion management under specific operating conditions is inconsistent with the goal of coordination of outages between the RTOs to reduce congestion costs across the seams.⁷² The MISO IMM states that SPP's proposed sections 3.1.13 and 8.1.4 are unnecessary in light of MISO's outage coordination improvements, because of MISO's analyses showing that outages scheduled close to the operating timeframe have had a minimal effect on PJM, and SPP's failure to justify giving one RTO unilateral veto power over the other RTO's creation of a Market-to-Market flowgate.⁷³

35. PJM, in reply comments, reiterates its belief that temporary Market-to-Market flowgates created due to scheduled outages have contributed to increased Financial Transmission Rights underfunding in PJM because they add constraints that were not in the model used for the Financial Transmission Rights auctions.⁷⁴

3. Commission Determination

36. We agree with MISO and SPP that the proposed sections 8.4.3 through 8.4.6 that were developed through negotiations after the technical conference appear to resolve their dispute by appropriately setting out conditions under which one RTO will compensate the other RTO for costs incurred due to the creation of a Market-to-Market flowgate. Accordingly, we reject SPP's originally-proposed sections 3.1.13 and 8.1.4 and direct SPP to submit a compliance filing within 30 days of the issuance of this order to insert new sections 8.4.3 through 8.4.6, as MISO and SPP agreed to in their post-

⁷⁰ *Id.*

⁷¹ *Id.*

⁷² *Id.*

⁷³ MISO IMM Post-Conference Comments at 17-18.

⁷⁴ PJM Reply Comments at 6.

technical conference comments. Regarding PJM's concern that MISO's creation of Market-to-Market flowgates in its MISO-PJM Market-to-Market process contributes to Financial Transmission Rights underfunding in PJM, we find that PJM's concern is beyond the scope of this proceeding.

C. Deferral of Day-Ahead Firm Flow Entitlement Exchange Process

37. SPP's proposed section 4, Day-Ahead Energy Market Coordination, of the proposed Market-to-Market Protocols differs from the analogous provision in the MISO-PJM Market-to-Market Protocols by including language that defers implementation of a day-ahead firm flow entitlement exchange process (exchange process) until both parties agree that the benefits of implementing the exchange process exceed the costs. SPP states that it and MISO have agreed to defer implementation of the exchange process, and that its deferral will not affect market-to-market coordination or real-time settlements.⁷⁵

1. Post-Technical Conference Comments

38. While parties generally agree that implementing an exchange process would provide significant value, SPP and MISO argue that deferring such implementation is reasonable, and should not delay the effective date of the Market-to-Market Protocols.⁷⁶ PJM, MISO, and the MISO IMM note that PJM and MISO have not yet implemented the exchange process provided for in section 4 of the MISO-PJM Market-to-Market Protocols, though PJM and MISO have agreed to develop the necessary tools and procedures for firm flow entitlement coordination.⁷⁷ MISO and the MISO IMM assert that once implemented, an exchange process would enhance reliability and market efficiency by coordinating the allocation of congestion between the RTOs and ensuring that transmission facilities are not oversubscribed.⁷⁸ EPSA urges the Commission to set a specific date for SPP and MISO to implement an exchange process.⁷⁹ In reply

⁷⁵ SPP Transmittal at 6.

⁷⁶ SPP Post-Conference Comments at 4; MISO Post-Conference Comments at 3-6.

⁷⁷ PJM Post-Conference Reply Comments at 6; MISO Post-Conference Comments at 4-5; MISO IMM Post-Conference Comments at 14-15.

⁷⁸ MISO Post-Conference Comments at 4; MISO IMM Post-Conference Comments at 14-15.

⁷⁹ EPSA Post-Conference Comments at 5.

comments, SPP states that there are no material disagreements between SPP and MISO regarding an exchange process.⁸⁰

2. Commission Determination

39. We accept proposed section 4 and thereby allow SPP and MISO to defer implementation of the day-ahead firm flow entitlement exchange process. However, we direct SPP to work with MISO to assess on an ongoing basis whether the implementation of an exchange process outweighs its costs. We further direct SPP to submit an informational report every six months until the exchange process is implemented, detailing the outcome of those assessments.⁸¹ While we agree with commenters that implementation of the exchange process should not delay implementation of the Market-to-Market protocols, we find that this exchange process is of value and should not be deferred indefinitely. Such an exchange process can aid in the operation and economic efficiency of the day-ahead market and decrease potential financial transmission rights underfunding by reducing unplanned flows in the real-time market.

D. Section 8.1.2 Minimizing Less Than Optimal Dispatch

40. Proposed section 8.1.2 of the Market-to-Market Protocols provides:

8.1.2 Minimizing Less than Optimal Dispatch. The Parties agree that, as a general matter, they should minimize financial harm to one RTO that results from [market-to-market] coordination initiated by the other RTO that produces less than optimal dispatch, which can lead to revenue inadequacy for FTR/TCR and impose the burden for such revenue inadequacy on one or both RTOs.

Proposed section 8.1.2 is analogous to section 8.1.2 in the MISO-PJM Market-to-Market Protocols.

1. Initial Comments

41. In its initial comments, the MISO IMM recommends revising section 8.1.2 of the proposed Market-to-Market Protocols because interpretation of the analogous provision

⁸⁰ SPP Post-Conference Reply Comments at 3.

⁸¹ The Commission does not intend to issue a public notice, accept comments, or issue an order on the informational filings.

in the MISO-PJM Market-to-Market Protocols was at issue in a complaint filed against MISO and PJM (MISO/PJM Complaint).⁸²

42. The MISO IMM states that the issue in the MISO/PJM Complaint is whether the reference in section 8.1.2 to one RTO minimizing financial harm to the other RTO from less than optimal dispatch applies only to less than optimal dispatch in the market-to-market coordination context or to less than optimal dispatch in any context.⁸³ The MISO IMM explains that interpreting this provision to apply in any context, rather than only in the market-to-market coordination context, would be an overbroad interpretation because dispatch in any interval can be less than optimal for many reasons.⁸⁴ The MISO IMM lists numerous causes for less than optimal dispatch: the day-ahead being based on an array of forecasts made both by participants and by the RTO (based on such things as load, generator and transmission status, interchange, and loop flow), so the day-ahead market may not facilitate the commitment of the most efficient set of generating units; suppliers submitting offers that did not equal their marginal costs; generators frequently under-producing or over-producing relative to their dispatch instruction; RTOs committing resources for reliability based on forecasted conditions that do not materialize; network flows caused by generators and loads outside MISO changing unexpectedly; assumed network flows associated with changes in imports and exports being incorrect, and short-term forecasted output of load and wind resources being incorrect. Accordingly, the MISO IMM recommends that the Commission direct SPP to file a revised section 8.1.2 with language clarifying that this provision applies only to less than optimal dispatch in the market-to-market coordination context.⁸⁵

2. Commission Determination

43. The MISO IMM has identified a potential ambiguity as to proposed section 8.1.2, and we agree with the MISO IMM that potential ambiguity exists concerning SPP and

⁸² MISO IMM Comments at 8-9 (referencing *Indicated Load Serving Entities v. Midcontinent Independent Transmission System Operator, Inc. and PJM Interconnection, L.L.C.*, Docket No. EL13-75-000).

⁸³ *Id.* at 7.

⁸⁴ *Id.* at 7-8.

⁸⁵ *Id.* at 9.

MISO's respective obligations under this provision.⁸⁶ Therefore, we direct SPP to work with MISO to revise the provision to resolve the potential ambiguity⁸⁷ and submit the revised provision in a compliance filing within 30 days of the date of this order.

E. Compensation to SPP for Use of SPP Facilities to Flow Power Between MISO North/Central and MISO South

1. Initial Comments and Answers

44. SPP Transmission Owners express concern that once Entergy joins MISO,⁸⁸ MISO will be allowed to use the MISO-SPP Joint Operating Agreement to justify its use of the SPP transmission system to flow power between the current MISO system (now called MISO North/Central) and Entergy (now called MISO South) without compensating SPP.⁸⁹ SPP Transmission Owners allege that SPP is attempting to isolate the proposed Market-to-Market Protocols from the issue of whether MISO must compensate SPP for the use of its transmission facilities to integrate Entergy into MISO. They assert that the issues are related, are not being addressed in any other proceeding, and must be resolved.⁹⁰ SPP Transmission Owners urge the Commission to address this dispute in this proceeding because the proposed Market-to-Market Protocols' settlements for an RTO exceeding firm flow entitlements may be construed as being the only compensation for flows over the other RTO's system, thereby precluding compensation for MISO's use of SPP's system to flow energy between MISO North/Central and MISO South.⁹¹ SPP Transmission Owners request that the matter be set for hearing or settlement judge procedures. SPP agrees that the issue should be resolved, but urges the

⁸⁶ As the MISO IMM correctly notes, the proper implementation of this same proposed provision is at issue in Docket No. EL13-75, concerning PJM and MISO's respective obligations under the provision in their Joint Operating Agreement.

⁸⁷ While the Commission does not take a position regarding the appropriate approach, we note that the MISO IMM proposed specific revisions that he believes will address the potential ambiguity. *See* MISO IMM Comments at 9.

⁸⁸ Entergy was integrated into MISO in December 2013.

⁸⁹ SPP Transmission Owners July 19, 2013 Protest (SPP Transmission Owners Protest) at 2-4.

⁹⁰ *Id.* at 2.

⁹¹ *Id.* at 1-15.

Commission to resolve it in the other proceedings.⁹² Entergy and MISO argue that SPP's and SPP Transmission Owners' concerns are misplaced and should be rejected outright or rejected as beyond the scope of this proceeding.⁹³ MISO also argues that there is no need for a hearing or settlement judge procedures on this issue.⁹⁴

2. Commission Determination

45. We find that the concerns of SPP and SPP Transmission Owners regarding whether MISO must compensate SPP for the use of SPP facilities to flow power between MISO North/Central and MISO South are beyond the scope of this proceeding. In Docket No. EL11-34, et al., the Commission established hearing and settlement judge procedures on, among other things, the issue of whether MISO should compensate SPP for the use of SPP facilities to flow power between MISO North/Central and MISO South.⁹⁵ Thus, we find that the SPP-MISO Dispute proceedings provide the appropriate forum for addressing the arguments submitted on that issue in the instant proceeding, and we will not address them herein.

⁹² SPP Answer at 13-16.

⁹³ Entergy August 6, 2013 Answer at 4-10; MISO Answer to Answers at 8-10.

⁹⁴ MISO Answer to Answers at 10.

⁹⁵ On December 3, 2013, the United States Court of Appeals for the District of Columbia Circuit vacated and remanded Commission orders in Docket No. EL11-34 that interpreted section 5.2 of the MISO-SPP Joint Operating Agreement. *Southwest Power Pool, Inc. v. FERC*, 736 F.3d 994 (D.C. Cir. 2013). On January 28, 2014, SPP filed a complaint against MISO in Docket No. EL14-21-000 and an unexecuted transmission service agreement (Service Agreement) in Docket No. ER14-1174-000, to address, among other things, the issue of whether MISO should compensate SPP for the use of SPP facilities to flow energy between MISO North/Central and MISO South. On February 18, 2014, MISO filed a complaint against SPP in Docket No. EL14-30-000. On March 28, 2014, the Commission conditionally accepted the Service Agreement, suspended it for a nominal period, consolidated the remand, the complaints, and the Service Agreement (collectively, the SPP-MISO Dispute proceedings), and set them for hearing and settlement judge procedures. *Southwest Power Pool, Inc.*, 146 FERC ¶ 61,231 (2014).

The Commission orders:

(A) SPP's proposed revisions to the MISO-SPP Joint Operating Agreement are conditionally accepted in part, to be effective March 1, 2015, and rejected in part, as discussed in the body of this order.

(B) SPP is directed to submit a compliance filing, within 30 days of the date of this order, as discussed in the body of this order.

(C) SPP is directed to submit informational reports every six months detailing SPP's and MISO's progress on resolving issues related to their implementation methodologies for Interface Bus Pricing, and analyzing whether the benefits of implementation of a day-ahead firm flow entitlement exchange process outweigh its costs, until such issues are resolved, as discussed in the body of this order.

By the Commission. Commissioner Honorable is voting present.

(S E A L)

Nathaniel J. Davis, Sr.,
Deputy Secretary.