

152 FERC ¶ 61,034
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

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

Southwest Power Pool, Inc.

Docket Nos. ER14-2553-001
ER14-2553-002

ORDER DENYING REHEARING AND ACCEPTING COMPLIANCE FILING,
SUBJECT TO FURTHER COMPLIANCE FILING

(Issued July 16, 2015)

1. In this order, we deny requests for rehearing of the Commission's order issued on October 28, 2014.¹ In addition, we conditionally accept Southwest Power Pool, Inc.'s (SPP) January 30, 2015 compliance filing, subject to a further compliance filing.

I. Background

2. On February 29, 2012, as amended on May 15, 2012, SPP submitted proposed revisions to its Open Access Transmission Tariff (Tariff) to implement the transition from SPP's Real-Time Energy Imbalance Service Market to the Integrated Marketplace, which the Commission conditionally accepted on October 18, 2012.² The Commission determined that the Integrated Marketplace constitutes an "organized electricity market" and ordered SPP to establish long-term firm transmission rights in an Order No. 681 compliance filing due within 180 days after the commencement of the Integrated Marketplace.³ The Integrated Marketplace launched on March 1, 2014.

¹ *Southwest Power Pool, Inc.*, 149 FERC ¶ 61,076 (2014) (October 2014 Order).

² *Southwest Power Pool, Inc.*, 141 FERC ¶ 61,048 (2012), *order on reh'g and clarification*, 142 FERC ¶ 61,205 (2013).

³ *Id.* P 245 (citing *Long-Term Firm Transmission Rights in Organized Electricity Markets*, Order No. 681, FERC Stats. & Regs. ¶ 31,226, *reh'g denied*, Order No. 681-A, 117 FERC ¶ 61,201 (2006), *reh'g denied*, Order No. 681-B, 126 FERC ¶ 61,254 (2009)).

3. On July 31, 2014, SPP submitted revisions to Attachment AE of its Tariff, under section 205 of the Federal Power Act (FPA).⁴ SPP's filing was made in compliance with the Commission's requirement in Order No. 681 to provide Long-Term Congestion Rights (LTCRs). SPP requested that the proposed revisions become effective February 1, 2015.

4. On October 28, 2014, the Commission accepted SPP's revisions, subject to a compliance filing. In the October 2014 Order, the Commission explained that, consistent with the Energy Policy Act of 2005 (EPAAct 2005),⁵ Order No. 681 required independent transmission organizations that oversee organized electricity markets to make available long-term firm transmission rights that satisfy seven guidelines.⁶ Relevant to this rehearing proceeding, Guideline (3) requires that long-term transmission rights made feasible by transmission upgrades or expansions must be available upon request to any party that pays for such upgrades or expansions in accordance with the transmission organization's prevailing cost allocation methods for upgrades or expansions.⁷ The purpose of Guideline (3) is to award transmission rights to entities that fund transmission upgrades and expansions through direct cost assignment and not to award rights related to upgrades that are rolled into transmission rates.⁸ In addition, Guideline (5) requires that LSEs have priority over non-LSEs in the allocation of long-term firm transmission rights that are supported by existing capacity,⁹ and provides that the transmission organization and its stakeholders must be given flexibility to determine the level at which an LSE may

⁴ 16 U.S.C. § 824d (2012).

⁵ Pub. L. No. 109-58, § 1233, 119 Stat. 594, 958 (2005). Section 217(b)(4) of EPAAct 2005 directed the Commission to use its authority to facilitate transmission planning and expansion to meet the reasonable needs of load-serving entities (LSEs) with respect to meeting their service obligations and, relevant to this filing, securing long-term firm transmission rights for long-term supply arrangements made, or planned, to meet such obligations. *Id.*

⁶ Order No. 681, FERC Stats. & Regs. ¶ 31,226 at PP 108-428; Order No. 681-A, 117 FERC ¶ 61,201 at PP 12-15.

⁷ 18 C.F.R. § 42.1(d)(3) (2014).

⁸ Order No. 681, FERC Stats. & Regs. ¶ 31,226 at P 211.

⁹ 18 C.F.R. § 42.1(d)(5) (2014).

nominate long-term firm transmission rights that do not fall below the “reasonable needs” of the LSE.¹⁰

5. In the October 2014 Order, the Commission found that SPP’s proposal did not comply with Guideline (3) of Order No. 681, because SPP’s reliance on its Attachment Z2 transmission revenue crediting process was insufficient to comply with Guideline (3). Specifically, the Commission found that SPP’s proposal did not grant LTCRs to “any party”¹¹ that funds upgrades. Instead, the proposal awarded transmission service revenue credits, which are only available to transmission service customers and are not based on the value of congestion revenue.¹² The Commission held that SPP’s proposal did not allow other entities that fund transmission upgrades but do not take transmission service to receive LTCRs and benefit from their investment in those upgrades, and this unjustly limited the provision of LTCRs. The Commission also directed SPP to make a compliance filing to include a process for offering LTCRs to “any party” that funds transmission upgrades. The Commission noted that it was unclear how the provision of LTCRs for participant-funded upgrades and the Attachment Z2 process would interact if SPP desires to retain Attachment Z2 as an option in addition to offering LTCRs for participant-funded upgrades. Therefore, the Commission stated that, if SPP intends to offer transmission revenue credits under Attachment Z2 as an alternative option, SPP must address in its compliance filing how the provision of Attachment Z2 revenue credits will work alongside the provision of LTCRs for participant-funded upgrades in a way that is just and reasonable and consistent with Order No. 681.

6. In the October 2014 Order, the Commission also found that SPP’s proposal did not fully comply with Guideline (5). Specifically, the Commission held that SPP’s proposal to allow LSEs to select available LTCRs from a set of candidate LTCRs made up of all possible LSE LTCRs, rather than selecting from only those nominated by the LSE, did not provide LSEs with a sufficient financial hedge against congestion costs.¹³ The

¹⁰ Order No. 681, FERC Stats. & Regs. ¶ 31,226 at PP 320, 323.

¹¹ *See id.* P 210 (“Long-term firm transmission rights made feasible by transmission upgrades or expansions must be available upon request to *any party* that pays for such upgrades or expansions”) (emphasis added).

¹² Under SPP’s proposal, the Attachment Z2 credits are provided up to the cost of the facility and would not serve as an incentive for entities to build merchant transmission projects. An LTCR could provide an incentive if the value of the LTCR is greater than the cost of the investment.

¹³ October 2014 Order, 149 FERC ¶ 61,076 at P 50.

Commission directed SPP to submit revisions to its proposal to allow LSEs to nominate candidate LTCRs prior to the performance of a simultaneous feasibility test to determine the availability of the nominated LTCRs.

7. On November 14, 2014, SPP filed a motion for an extension of time until January 30, 2015 to file revisions to its Tariff to comply with the Commission's directives in the October 2014 Order.¹⁴ On November 25, 2014, the Commission granted SPP's extension request.¹⁵ SPP made its compliance filing on January 30, 2015.

II. Rehearing Requests

8. On November 21, 2014, the City of Independence, Missouri, Kansas Power Pool, Missouri Joint Municipal Electric Utility Commission, Missouri River Energy Services, and West Texas Municipal Power Agency (collectively, TDU Intervenors) filed a request for rehearing of the October 2014 Order. On November 28, 2014, SPP and Kansas City Power & Light Company and KCP&L Greater Missouri Operations Company (collectively, KCP&L) filed requests for rehearing of the October 2014 Order.

III. Notice of Filing and Responsive Pleadings

9. Notice of SPP's compliance filing was published in the *Federal Register*, 80 Fed. Reg. 7443 (2015), with interventions and comments due on or before February 20, 2015. On February 20, 2015, Boston Energy Trading and Marketing, LLC (Boston Energy) filed a protest. On February 24, 2015, American Wind Energy Association and the Wind Coalition (AWEA/Wind Coalition) filed a motion to intervene out of time. On February 27, 2015, AWEA/Wind Coalition filed a protest out of time.

IV. Discussion

A. Procedural Matters

10. 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 this proceeding. Pursuant to Rule 214(d) of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214(d) (2014), the

¹⁴ SPP November 14, 2014 Motion for Extension of Time to Make Compliance Filing.

¹⁵ *Southwest Power Pool, Inc.*, Notice of Extension of Time, Docket No. ER14-2553-000 (Nov. 25, 2014).

Commission will grant AWEA/Wind Coalition's late-filed motion to intervene given its interest in the proceeding and the absence of undue prejudice or delay.

B. Substantive Matters

1. Requests for Rehearing

a. SPP

11. SPP seeks rehearing of the October 2014 Order with respect to Guideline (3) and argues that the order ignores the realities of the SPP system and the rights of SPP's firm transmission customers. SPP argues that the Commission's rejection of SPP's proposed role for Attachment Z2 credits in SPP's LTCR design is based entirely on the Commission's erroneous conclusion that reliance on Attachment Z2 credits is unduly discriminatory, because the credits are not available to parties who fund transmission upgrades but do not take transmission service. SPP contends that the Commission failed to support its decision with substantial evidence or analyze the contrary evidence set forth in Attachments Z2 and L and show why this evidence should not be relied upon.

12. SPP asserts that the Commission erred in concluding that the only way an upgrade sponsor can receive credit dollars is through a transmission bill. SPP asserts that such entities are not also required to purchase transmission service to receive Attachment Z2 credits.¹⁶ SPP notes that when it pointed out in its answer that Boston Energy could receive Transmission Congestion Rights (TCR) by signing up for transmission service, SPP was not describing the only way an entity such as Boston Energy could obtain TCRs. SPP contends that Boston Energy could be compensated with Attachment Z2 credits regardless of whether it has a transmission service reservation. Specifically, SPP states that any entity that funds any sponsored upgrade under the Tariff may become eligible to have the facility considered a "Creditable Upgrade" and be eligible to receive revenue credits under Attachment Z2, and that neither Attachment Z2 nor Attachment L excludes non-transmission customers from such payments.¹⁷ SPP notes that the Tariff does require that a sponsored upgrade meet a "needs test" before it can be considered a Creditable

¹⁶ SPP Rehearing Request at 6 (citing SPP Tariff, Attachment L, Section I, and Attachment Z2, Section II.D.2). SPP's rehearing request does not provide page or paragraph numbers. Therefore, we refer to the page numbers attributed by the Portable Document Format version on the Commission's website.

¹⁷ *Id.* (citing SPP Tariff, Attachment L, Section I, and Attachment Z2, Section II.D.2).

Upgrade.¹⁸ According to SPP, the sponsor of a Creditable Upgrade receives credits when SPP cannot grant service to a Transmission Customer or continue to maintain Firm or Network service “but for” the existence of the Creditable Upgrade.¹⁹

13. SPP notes that financial players will not experience congestion like other SPP stakeholders, but they nonetheless get the benefit of others’ use of any new capacity resulting from upgrades they fund in the form of Attachment Z2 revenue credits. Thus, SPP concludes that Attachment Z2 payments are reasonable equivalents of long-term congestion rights under SPP’s regional design, because SPP is paying the sponsor of the Creditable Upgrade for the use of the additional capacity the Creditable Upgrade added to the system to relieve congestion and provide service to other customers. SPP argues that the Commission should grant rehearing to correct its error based on a mistaken understanding of the Attachment Z2 crediting process.

14. SPP also alleges that the Commission erred by failing to acknowledge and address the complications and potential harm to SPP’s transmission customers that may result if an LTCR is made available for participant-funded upgrades at the expense of Auction Revenue Rights (ARR) and TCRs. SPP claims that forcing SPP to shoehorn participant-funded LTCRs into SPP’s existing ARR/TCR design will start a domino effect with the potential to ultimately harm sales of firm point-to-point transmission in the SPP region. SPP notes that, under SPP’s Commission-approved congestion rights design, a TCR is a translation into market terms of the rights associated with a Transmission Service Reservation (TSR). SPP states that an LTCR, in turn, is a right to acquire a TCR without going through the Commission-approved ARR/TCR auction process. SPP contends that, because SPP’s Tariff requires an ARR to be available for each firm TSR, awarding congestion rights in the form of LTCRs that are not tied to TSRs may result in a transmission customer obtaining a TSR with no associated ARR availability and thus no TCRs. Therefore, SPP concludes that future sales of firm, point-to-point transmission service could be harmed because TCRs may not be available.

15. SPP states that LTCRs cannot be viewed in a vacuum as severable features that can be added without consequence to SPP’s planning, cost allocation, and congestion hedging designs. SPP observes that it is unclear how SPP can designate a source and sink for any incremental capacity resulting from an LTCR granted for a participant-funded upgrade without an associated TSR. SPP states that, if the participant funded project does not have a source or sink, then an award of an LTCR must use existing

¹⁸ *Id.* (citing SPP Tariff, Attachment Z2, Section I).

¹⁹ *Id.* (citing SPP Tariff, Attachment Z2, Section II).

transmission to complete the path. However, SPP notes that Order No. 681 provides that parties seeking long term financial rights for upgrades are not entitled to existing transmission capacity that is included in the transmission rates. If the Commission does not grant rehearing, SPP requests that the Commission clarify how the addition of a participant-funded LTCR to SPP's existing cost allocation methodology can be reconciled with the potential complications and harm to customer rights.

16. SPP alleges that the Commission also erred by failing to acknowledge and address the fundamental differences that distinguish SPP's Commission-approved transmission planning, cost allocation, and congestion rights designs from those of other regional transmission organizations (RTO). SPP notes that the Commission has generally espoused a policy favoring tailored market designs and accommodation of regional differences in orders issued subsequent to Order No. 681.

17. SPP argues that, to the extent the Commission is directing SPP to re-justify Attachment Z2, such action constitutes an unexplained departure from precedent, and therefore is arbitrary and capricious.²⁰ SPP contends that the Commission previously accepted SPP's Attachment Z2 revenue crediting mechanism as just and reasonable, and it has not explained in the October 2014 Order why the provisions are no longer just and reasonable.

b. KCP&L

18. KCP&L alleges that the Commission erred in finding that “[i]f SPP intends to offer transmission revenue credits as an option in addition to offering LTCRs for participant funded upgrades, SPP must address in its compliance filing how the provision of Attachment Z2 revenue credits will work alongside the provision of LTCRs for participant-funded upgrades in a way that is just and reasonable and consistent with Order No. 681.”²¹ KCP&L notes that SPP filed its compliance filing under section 205 of the FPA proposing to use Attachment Z2 to satisfy its compliance obligation without proposing any change to the language of this existing tariff provision. KCP&L states that the Commission rejected this proposal, directed SPP to file a new provision, and then required SPP to show that the existing Attachment Z2 mechanism will “work alongside” the new provision and remain “just and reasonable.”²² KCP&L argues that section 206 is

²⁰ *Id.* at 11 (citing October 2014 Order, 149 FERC ¶ 61,076 at P 34).

²¹ KCP&L Rehearing Request at 5 (quoting October 2014 Order, 149 FERC ¶ 61,076 at P 34).

²² *Id.* at 5-6 (citing October 2014 Order, 149 FERC ¶ 61,076 at P 34).

the statutory vehicle for investigating the continued justness and reasonableness of existing tariff provisions, and that the Commission's role in the instant section 205 proceeding is merely "passive and reactive."²³ KCP&L contends that the Commission cannot in this section 205 proceeding require SPP to re-justify the existing just and reasonable rate "alongside" the new provision and that, if anything, the new provisions must be just and reasonable in light of the existing provision. KCP&L states the launch of a section 206 investigation carries important notice and comment rights and requires a substantive determination that the provision under consideration may no longer be just and reasonable. KCP&L alleges that by putting into question the justness and reasonableness of the existing allocation mechanism, the Commission has turned its precedent and the statutory scheme on their heads.²⁴

19. KCP&L argues that neither the FPA nor the Commission's precedent prohibits regionally-appropriate linkage of physical transmission rights to financial rights, such as transmission revenue credits in Attachment Z2. KCP&L states that the language in section 217(b)(4) of the FPA and the Commission's implementing orders are oriented toward granting LSEs "firm transmission rights" or "equivalent" financial rights.²⁵ KCP&L further states that the Commission has made plain that the equivalence is to physical rights and that the Commission did not require RTOs to adopt financial rights that are independent of physical rights. According to KCP&L, the linkage of physical rights with financial rights as proposed by SPP is entirely consistent with the Commission's stated goal of "support [in] long-term power supply arrangements."²⁶ KCP&L contends that SPP's proposal is just and reasonable, because it is consistent with the statutory scheme and Commission precedent and should have been approved.

20. KCP&L alleges that neither the Commission nor anyone else has explained how SPP's proposed linking of financial rights (in the form of revenue credits) to physical rights is inconsistent with the plain language of the statute or the Commission's subsequent interpretations. KCP&L argues that the Commission changed course without the benefit of a reasoned explanation and that the Commission is not permitted to substitute the rate it perceives as the "best" rate so long as SPP's proposed rate is within

²³ *Id.* at 6 (citing *Niagara Mohawk Power Corp.*, 121 FERC ¶ 61,275, at P 19 (2007); *Atlantic City Elec. Co. v. FERC*, 295 F.3d 1, 9-10 (2002)).

²⁴ *Id.* at 6-7.

²⁵ *Id.* at 7-8 (citing 16 U.S.C. § 824q (2012)).

²⁶ *Id.* at 9 (quoting Order No. 681-A, 117 FERC ¶ 61,201 at P 36).

the zone of reasonableness.²⁷ According to KCP&L, SPP's proposal was within the zone of reasonableness, because it provided a regionally-appropriate long-term rights solution consistent with both the statute and Commission precedent.

21. KCP&L requests that, if the Commission does not grant rehearing on this issue, it should at minimum permit SPP to retain its Attachment Z2 process in addition to whatever LTCR program the Commission accepts. Because of concerns raised by SPP that a second provision could undermine the priority provided to LSEs in receiving firm transmission rights and associated financial rights, KCP&L states that the Commission should require the award of rights under such a new provision to occur only after and to the extent consistent with the existing mechanism.

22. KCP&L contends that Order No. 681 recognized that regional differences should be recognized and that the implementation of the order should be consistent with existing cost allocation mechanisms. KCP&L argues that SPP's proposal complied with Guideline (3) in a manner consistent with SPP's market design and that upholds the existing cost allocation mechanism, i.e., Attachment Z2. According to KCP&L, Attachment Z2 provides parties that fund upgrades with rights to payment, and that nothing in Attachment Z2 precludes an entity like Boston Energy from obtaining these payments.²⁸ KCP&L alleges that the Commission's focus on the words "any party" in Guideline (3) reads out its express limitation on that term. KCP&L points out that Guideline (3) requires that long-term rights be awarded to "any party that pays for such upgrades or expansions *in accordance with the transmission organization's prevailing cost allocation methods for upgrades or expansions.*"²⁹ KCP&L alleges that it was a failure of reasoned decision-making for the Commission in the October 2014 Order to read out this express limitation without explanation. KCP&L contends that Attachment Z2 appropriately complies with Guideline (3), and that the Commission cannot silently assume that SPP's regional differences do not satisfy the Order No. 681 guidelines. KCP&L thus alleges that it was an error for the Commission to fail to consider Attachment Z2 in this light.³⁰

²⁷ *Id.* at 9-10 (citing *Midcontinent Indep. Sys. Operator, Inc.*, 146 FERC ¶ 61,165, at P 31 (2014)).

²⁸ *Id.* at 12-13 (citing SPP Tariff at Attachment L).

²⁹ *Id.* at 13 (citing Order No. 681, FERC Stats. & Regs. ¶ 31,226 at P 211 (emphasis KCP&L's)).

³⁰ *Id.* at 14.

23. KCP&L further claims that the October 2014 Order is overly-narrow in concluding that Attachment Z2 transmission revenue credits “are not based on congestion revenue.”³¹ KCP&L states that, while the revenue credits are not necessarily tied to congestion in real-time, they are paid for transmission service that could not occur but for the upgrade. According to KCP&L, there would have been congestion absent the upgrade, and in this way Attachment Z2 credits are at least roughly tied to the value of congestion revenue and certainly meet the threshold test established by Congress in that they are “equivalent” to physical rights.³²

24. KCP&L requests rehearing of the Commission’s finding that SPP’s proposal is not consistent with Guideline (3) and its direction to SPP to justify a previously-approved Tariff provision. KCP&L alleges that, in Order No. 681, the Commission placed great weight on the notion that each regional transmission organization is different and that the guidelines are not prescriptive rules that override existing compensation provisions. KCP&L emphasizes that SPP’s proposal was developed through a specifically created task force and was subsequently approved by stakeholders. According to KCP&L, the Commission should respect the SPP stakeholder process and regional differences that justify SPP’s proposal and grant rehearing.³³

c. TDU Intervenors

25. TDU Intervenors state that the Commission made clear its expectation that long-term rights provisions would allow each LSE to obtain long-term protection from congestion rights with respect to its baseload needs.³⁴ TDU Intervenors argue that the Commission erred in only requiring SPP to adopt a nomination process for LSEs’ LTCRs.³⁵ TDU Intervenors contend that the addition of a nomination process will not, by itself, accomplish the goal of ensuring that LSEs obtain LTCRs “sufficient to hedge the congestion associated with providing baseload service.”³⁶ TDU Intervenors request

³¹ *Id.* at 13 (citing October 2014 Order, 149 FERC ¶ 61,076 at P 33).

³² *Id.* at 13-14.

³³ *Id.* at 1-3.

³⁴ TDU Intervenors Rehearing Request at 5 (citing Order No. 681-A, 117 FERC ¶ 61,201; Order No. 681-B, 126 FERC ¶ 61,254).

³⁵ *Id.* at 9.

³⁶ *Id.* at 10 (quoting Order No. 681-B, 126 FERC ¶ 61,254 at P 7).

that the Commission swiftly grant rehearing to limit LTCR nominations to long-term reservations needed to support delivery of an LSE's baseload resources to its load.³⁷

26. TDU Intervenors allege that a nomination process in the Midcontinent Independent System Operator, Inc. (MISO) region, whereby LSEs are only able to nominate up to 50 percent of their peak usage, results in MISO LSEs not receiving long-term transmission rights sufficient to cover their baseload needs. TDU Intervenors contend that this problem will be even worse in SPP because, absent appropriate restrictions, SPP will allow LSEs to nominate up to 100 percent of their peak usage, and because SPP will only allocate up to 50 percent of its capacity as LTCRs.³⁸ TDU Intervenors contend that the Commission should also require SPP to limit LSE LTCR nominations (at least for the initial LSE nomination round if SPP were to include multiple nomination rounds) to those candidate LTCRs that are tied to long-term firm reservations supporting delivery of an LSE's baseload resources.³⁹ TDU Intervenors claim that such a process would achieve the Commission's intended purpose of enabling LSEs to obtain LTCRs "sufficient to hedge the congestion associated with providing baseload service."⁴⁰ TDU Intervenors further argue that if LSEs are unable to secure sufficient LTCRs to support their baseload needs through the initial allocation round, they should be able to nominate and compete for additional LTCRs in subsequent rounds.⁴¹

27. TDU Intervenors request that the Commission grant the relief before the initial LTCR allocations. TDU Intervenors contend that, because LTCRs are long-term and can be carried over, only a limited amount will be available in subsequent years, making it

³⁷ *Id.* at 2-3.

³⁸ In MISO, LSEs are only able to nominate up to 50 percent of their peak usage. TDU Intervenors alleges this allows LSEs to more sufficiently cover their baseload, although TDU Intervenors contends some MISO LSEs do not receive long-term rights allocations for all of their baseload resources and have found there is little capacity available to nominate new long-term rights. *See id.* at 7-8 (citing MISO Tariff §§ 43.2.4, 43.2.4.a.i).

³⁹ TDU Intervenors specifically point to MISO's nomination process as a model for defining baseload resources that could be nominated for long-term transmission rights.

⁴⁰ *Id.* at 10 (quoting Order No. 681-B, 126 FERC ¶ 61,254 at P 7).

⁴¹ *Id.* at 11.

unlikely that any relief after the initial allocation would be effective. According to TDU Intervenors, if the requested relief cannot be granted sufficiently in advance of March 1, 2015, the Commission should defer the initial LTRC allocation to 2016.⁴²

d. Commission Determination

28. We deny the requests for rehearing. We affirm our finding that SPP's reliance solely on its Attachment Z2 transmission revenue crediting process does not comply with Guideline (3) of Order No. 681.

29. SPP contends in its rehearing request that Attachment Z2 credits are available to entities that fund transmission upgrades but do not take transmission service. Significantly, SPP had not raised that argument previously and Attachment Z2 plainly links the distribution of revenue credits to transmission service.⁴³

30. Nonetheless, even if we assume that financial entities can obtain Attachment Z2 credits, contrary to SPP's arguments, SPP has not shown that Attachment Z2 revenue credits are reasonable equivalents to LTRCs for parties who fund transmission upgrades but do not take transmission service. As the Commission stated in the October 2014 Order, SPP's Attachment Z2 crediting process awards transmission service revenue credits up to the cost of the facility, but the value of a LTRC could exceed the cost of the facility.⁴⁴ Attachment Z2 credits up to the cost of the facility may be a reasonable incentive for some market participants to sponsor upgrades because without the sponsored upgrade they will be unable to make a profit on their market transaction. However, the Attachment Z2 credits would not serve as an incentive for financial entities that fund transmission projects to sponsor any upgrades because the most they could receive is their initial investment with no opportunity to make a profit. Thus, we disagree with SPP's contention that Attachment Z2 credits are reasonable equivalents to LTRCs for financial entities.

⁴² *Id.* at 11-12.

⁴³ Attachment Z2, Section II.D ("For use of Sponsored Upgrades that qualify as Creditable Upgrades, such revenue credits shall be given first to the Project Sponsor from new transmission service using the Creditable Upgrade until the revenue credit due to the Project Sponsor for that Creditable Upgrade is zero."). We also note that, in its answer in Docket No. ER14-2553-000, SPP stated that "[p]arties financing incremental upgrades should obtain their TCRs/ARRs the same way that other SPP Market Participants do – *through a transmission service reservation.*" SPP Answer at 11 (emphasis added).

⁴⁴ October 2014 Order, 149 FERC ¶ 61,076 at P 33 n.41.

31. We also reject SPP's contention that the Commission erred in failing to address the potential harm to SPP transmission customers from the implementation of a new LTCR compensation mechanism separate from Attachment Z2. SPP claims that the Commission is trying to shoehorn participant-funded LTCRs into SPP's existing ARR/TCR design. However, it is SPP that decided to use its existing Attachment Z2 mechanism to fulfill its requirements under Guideline (3) instead of crafting a proposal that was tailored to meet all of Guideline (3)'s mandates. In Order No. 681, the Commission noted that it would not necessarily require changes to existing designs and allocations in all cases, and that if a transmission organization could offer long-term firm transmission rights that satisfy each of the guidelines while retaining its current systems, it could do so.⁴⁵ However, Order No. 681 required that transmission organizations must provide long-term firm transmission rights that satisfy each of the guidelines, even if doing so required changes to existing systems. Because SPP's use of its existing Attachment Z2 did not satisfy Guideline (3), the October 2014 Order appropriately rejected it and required SPP to develop a new process for allocating LTCRs for sponsored upgrades in order to satisfy Guideline (3).

32. We disagree with KCP&L's assertion that the Commission read out an express limitation that the implementation of Order No. 681 should be consistent with existing cost allocation mechanisms. In Order No. 681 the Commission explained its policy with respect to sponsored upgrades saying:

The Commission's policy is that market participants that request and support an expansion or upgrade in accordance with their transmission organization's prevailing rules for cost responsibility and allocation must be awarded a long-term firm transmission right for the incremental transfer capability created by the expansion or upgrade.^[46]

Thus, it is the market participant's request that must be in accordance with SPP's rules for cost responsibility and as long as the sponsor's upgrade request is consistent with SPP's rules on cost responsibility, then the sponsor "must be awarded a long-term firm transmission right." The October 2014 Order found that the Attachment Z2 transmission revenue crediting process was insufficient to comply with Guideline (3). Therefore, SPP's proposal to use Attachment Z2 did not provide for LTCRs to "any party" that funds upgrades.

⁴⁵ Order No. 681, FERC Stats. & Regs. ¶ 31,226 at P 81.

⁴⁶ *Id.* P 19.

33. Contrary to SPP's and KCP&L's assertions that the Commission has ignored the realities of the SPP system, in the October 2014 Order, the Commission simply found that reliance solely on the Attachment Z2 crediting process did not fulfill the requirements of Guideline (3). The Commission anticipates that any new mechanism proposed by SPP would be tailored to take into account the realities of the SPP system. SPP identifies several issues that it must contemplate and resolve in proposing a process for offering LTRCs for transmission upgrades to "any party";⁴⁷ and, as discussed below, we conditionally accept SPP's compliance filing that proposes a process for offering LTRCs for transmission upgrades, including the process for designating a source and sink.

34. We also reject SPP's and KCP&L's claims that the October 2014 Order arbitrarily and capriciously directed SPP to re-justify Attachment Z2 and questioned the justness and reasonableness of Attachment Z2. The October 2014 Order found that SPP's reliance on its Attachment Z2 transmission revenue crediting process is insufficient to comply with Guideline (3) because it awards transmission service revenue credits, which are only available to transmission service customers and are not based on the value of congestion revenue, rather than LTRCs.⁴⁸ The October 2014 Order further found that "SPP must address in its compliance filing how the provision of Attachment Z2 revenue credits will work alongside the provision of LTRCs for participant-funded upgrades in a way that is just and reasonable and consistent with Order No. 681."⁴⁹

35. Therefore, the October 2014 Order does not attack the original finding that Attachment Z2 was just and reasonable. Instead, the Commission found that the use of Attachment Z2, alone, to fulfill Guideline (3) is not just and reasonable. SPP's decision to use Tariff language that already existed in a prior context to satisfy the subsequent requirements of Order No. 681 does not absolve the Commission of its responsibility to determine whether proposed Tariff language is just and reasonable under section 205 in this new context.

36. In addition, requiring SPP to explain how Attachment Z2 will work alongside SPP's new proposal does not equate to an impermissible attack on the justness and reasonableness of the existing Tariff provisions. Instead, consistent with Order No. 681's

⁴⁷ For example, SPP states that that it is unclear how it can designate a source and sink for any incremental capacity resulting from a LTRC granted for a participant-funded upgrade without an associated TSR.

⁴⁸ October 2014 Order, 149 FERC ¶ 61,076 at P 33.

⁴⁹ *Id.* P 34.

discussion of Guideline (3), in which the Commission stated that it “encourage[s] transmission organizations to harmonize the terms for long-term rights awarded for new capacity with the terms of long-term rights to existing transmission capacity as much as possible,”⁵⁰ the October 2014 Order merely required that SPP explain how the new proposal and its existing Attachment Z2 mechanism will work together in harmony and not conflict with each other, as all Tariff provisions must do.⁵¹

37. We deny TDU Intervenors’ request for rehearing in which they reiterate their concern that the adoption of a nomination process will not ensure that LSEs obtain sufficient LTCRs. As the Commission stated in the October 2014 Order, we find that, by incorporating a nomination process before the simultaneous feasibility test, SPP will address TDU Intervenors’ concerns and render their proposed revisions unnecessary. Further, we note that Order No. 681 does not guarantee that LSEs will receive all of the LTCRs that they request, but rather that the transmission organization “determine the level at which a load serving entity may nominate long-term firm transmission rights as long as that level does not fall below the ‘reasonable needs’ of the load serving entity.”⁵² Thus, while, TDU Intervenors may not receive all of the LTCRs that they request, they have failed to demonstrate that SPP’s proposed process will result in TDU Intervenors being unable to nominate LTCRs at a level that does not fall below their “reasonable needs” of LTCRs.

2. Compliance Filing

38. As discussed below, we conditionally accept SPP’s compliance filing, subject to a further compliance filing due within 30 days of the date of this order.

⁵⁰ Order No. 681, FERC Stats. & Regs. ¶ 31,226 at P 23.

⁵¹ We note that KCP&L incorrectly asserts that revisions to Attachment Z2 were accepted by the Commission in February 2014. Although SPP originally filed proposed revisions to Attachment Z2 on July 9, 2013 in Docket No. ER13-1914, SPP subsequently withdrew its proposed revisions to Attachment Z2 on October 9, 2013. On December 6, 2013, the Commission issued an order conditionally accepting SPP’s Tariff revisions and directing SPP to make a compliance filing to remove references to Attachment Z2 that were not made when SPP withdrew its Attachment Z2 revisions. The Commission accepted SPP’s January 6, 2014 compliance filing, which removed the Attachment Z2 references, by delegated letter order on February 12, 2014.

⁵² Order No. 681, FERC Stats. & Regs. ¶ 31,226 at P 323.

a. Guideline (3)

i. October 2014 Order

39. In the October 2014 Order, the Commission directed SPP to include a process for offering LTCRs for transmission upgrades to “any party.” The Commission found that it was unclear how the provision of LTCRs for participant-funded upgrades and the Attachment Z2 process would interact if SPP desired to retain Attachment Z2 as an option in addition to offering LTCRs for participant-funded upgrades. The Commission found that if SPP intends to offer transmission revenue credits under Attachment Z2 as an option in addition to offering LTCRs for participant-funded upgrades, SPP must address in its compliance filing how the provision of Attachment Z2 revenue credits will work alongside the provision of LTCRs for participant-funded upgrades in a way that is just and reasonable and consistent with Order No. 681.⁵³

ii. SPP’s Compliance Filing

40. SPP proposes in new section IV of Attachment Z2 to provide Incremental LTCRs, upon request, to entities that fund upgrades in lieu of revenue credits under Attachment Z2. SPP states that, for a network upgrade with directly assigned upgrade costs greater than or equal to \$5 million, the upgrade sponsor may elect to be paid for the upgrade with candidate Incremental LTCRs. SPP also asserts that Incremental LTCRs will be available for sponsored upgrades, transmission service upgrades, and generation interconnection related network upgrades. The terms of the Incremental LTCRs will be at least 10 years and not more than 20 years. SPP proposes that an entity sponsoring a qualifying system upgrade may, under specified circumstances, elect to receive either revenue credits or Incremental LTCRs pursuant to Attachment Z2, as revised. SPP contends that sponsored upgrades will not be approved for the purpose of receiving revenue credits or Incremental LTCRs if they have been previously identified and included in SPP’s transmission expansion plan. SPP states that the upgrade sponsor must request that SPP perform an analysis to determine available candidate Incremental LTCRs.

41. SPP proposes that the upgrade sponsor may request up to three source-to-sink paths be evaluated by SPP to determine the amount of incremental available transfer capability created on the paths as a result of the portion of the upgrade associated with the directly assigned upgrade costs. In addition, SPP states that it shall determine the minimum increase in available transfer capability on each of the requested paths over a

⁵³ October 2014 Order, 149 FERC ¶ 61,076 at P 34.

10-year period and provide the MW amounts to the upgrade sponsor. The upgrade sponsor may then decide to select one of the requested paths on which candidate Incremental LTCRs are desired and the candidate Incremental LTCRs on that path will be equal to the minimum increase in available transfer capability on that selected path. If the upgrade sponsor does not confirm selection of Incremental LTCRs, then the upgrade sponsor shall be eligible for revenue credits under Attachment Z2.

42. SPP also will consider all awarded Incremental LTCRs in all planning studies on a going forward basis once the upgrade sponsor executes all applicable agreements. According to SPP, costs associated with studies for potential Incremental LTCRs shall be the responsibility of the upgrade sponsor requesting such studies. Finally, SPP proposes that Incremental LTCRs will be included in the annual verification process for LTCRs and ARRs. SPP proposes that feasible portions of nominated candidate Incremental LTCRs will be awarded during the annual LTCR allocation process,⁵⁴ and in order to qualify for candidate Incremental LTCRs in the current allocation year, network upgrades associated with the candidate Incremental LTCRs must be in-service prior to the start of the annual Incremental LTCR verification.⁵⁵

iii. Protest

43. Boston Energy contends that SPP has failed to comply with the Commission's directive in the October 2014 Order to include a process for offering LTCRs for transmission upgrades to any party that funds upgrades. Boston Energy asserts that SPP's inclusion of a \$5 million minimum for sponsored upgrade costs to receive Incremental LTCRs is contrary to Order No. 681 and more restrictive than other independent system operators (ISO). According to Boston Energy, other regions typically impose no dollar minimum. Boston Energy asserts that a minimum dollar amount for sponsored upgrade costs to receive Incremental LTCRs, without any reasoning, is arbitrary and anti-competitive.⁵⁶ Boston Energy argues that, contrary to establishing a minimum dollar amount, Order No. 681 states that "[l]ong-term firm transmission rights made feasible by transmission upgrades or expansions must be available upon request to any party that pays for such upgrades or expansions," and that the Commission directed SPP to "include a process for offering LTCRs for transmission

⁵⁴ SPP Tariff, Attachment AE § 7.1.

⁵⁵ *Id.* § 7.1.1.

⁵⁶ Boston Energy Protest at 2-3.

upgrades to ‘any party.’”⁵⁷ Boston Energy notes that SPP’s only explanation regarding the cost threshold is found in a footnote that states that “the cost threshold was determined based on SPP’s review of prior upgrade projects, including their various cost amounts.”⁵⁸ Boston Energy contends that SPP’s proposed language is anti-competitive because it prevents parties from providing upgrades that could cost less and be better but may not qualify to receive Incremental LTRCs if the upgrades cost less than \$5 million.⁵⁹

44. Boston Energy contends that SPP’s proposed provisions that upgrades must be in-service prior to ARR allocation to receive LTRCs for that year is inconsistent with Order No. 681 and practices across organized markets. Boston Energy avers that SPP has provided no provision in its compliance filing for market participants to receive any Incremental LTRCs in between auctions, and SPP has provided no explanation why network upgrades must be in-service prior to the annual allocation to get LTRCs for that year. According to Boston Energy, under SPP’s proposal, if Boston Energy’s upgrades are not in-service prior to Incremental LTRC verification for that year, it will have to wait an entire year for the next auction to receive any compensation, even though the system will benefit from the upgrades made by Boston Energy. According to Boston Energy, other ISOs/RTOs provide monthly ARRs to market participants that fund upgrades until the annual auction, then they provide an annual allocation from that point onward. Boston Energy asserts that SPP has not explained why it may need a different provision from those of other ISOs/RTOs.⁶⁰

45. Boston Energy requests that SPP add clarifying language that states that the candidate Incremental LTRCs should qualify for that year’s auction if a market participant has signed a construction agreement, paid for and commenced construction, the in-service date is prior to the planning year start date, and the construction is deemed highly likely by SPP to be in-service prior to the start of the planning year. Boston Energy asserts that because SPP’s Tariff provisions are discriminatory and SPP has failed to explain why its provisions should be different from other RTOs, SPP should amend its

⁵⁷ *Id.* at 4 (citing October 2014 Order, 149 FERC ¶ 61,076 at P 33).

⁵⁸ *Id.* at 5 (citing SPP Transmittal at n.26).

⁵⁹ *Id.* at 4-5.

⁶⁰ *Id.* at 6-7.

Tariff provisions to provide for compensation in between auctions and provide discretion to consider projects that are likely to be in-service before the annual verification date.⁶¹

46. AWEA/Wind Coalition state that they support SPP's decision to retain the option for upgrade sponsors to take revenue credits under Attachment Z2, in addition to the new option to request Incremental LTCRs. According to AWEA/Wind Coalition, SPP's proposal allows an upgrade sponsor to receive payments if SPP sells transmission service that uses the upgrade and that could not have been sold but for the upgrade being built, even when that service is taken by a different customer.

47. AWEA/Wind Coalition state that some customers may prefer revenue credits over the Incremental LTCR, noting that a generator that incurs directly assigned costs for the upgrades may recover part or all of its investment in the upgrades through the transmission service sold to the LSE through the revenue credit option. AWEA/Wind Coalition note that, in SPP, transmission service is required of load to access generation, and generators are not required to procure transmission service. AWEA/Wind Coalition assert that Incremental LTCRs are thus needed by LSEs to hedge against congestion, but awarding Incremental LTCRs to generators often does not provide value. AWEA/Wind Coalition contend that revenue credits, as a general rule, avoid conflicts with the LTCR process in SPP.

iv. Commission Determination

48. We find that SPP has partially complied with the Commission's directives in the October 2014 Order, and therefore, we conditionally accept SPP's proposed process to award Incremental LTCRs for transmission upgrades to any party that funds those upgrades. We find that SPP has justified the continuation of Attachment Z2 transmission revenue credits as an alternative alongside Incremental LTCRs. However, we find that SPP's proposed minimum upgrade cost threshold of \$5 million per upgrade has not been shown to be just and reasonable. Order No. 681 does not limit the provision of LTCRs to any party based on a minimum cost for the associated transmission upgrade. Accordingly, we direct SPP to make a further compliance filing within 30 days of the date of issuance of this order to remove the minimum upgrade cost threshold for Incremental LTCRs from its Tariff. We will not require SPP to include provisions in its Incremental LTCR process to provide monthly ARR allocations until the annual allocation process because of our determination discussed further below to provide the Incremental LTCRs when the upgrade goes into service rather than as part of the annual LTCR allocation. This will provide the upgrade sponsor access to Incremental LTCRs independent of the timing of the annual LTCR allocation. Additionally, these

⁶¹ *Id.* at 7.

Incremental LTCRs will immediately be converted to TCRs until the next annual allocation. We will also not require SPP to provide Incremental LTCRs prior to a facility going into service, as requested by Boston Energy, because the actual in-service date is the appropriate date upon which the sponsor should receive Incremental LTCRs and the actual in-service date is uncertain.

b. Guideline (5)

i. October 2014 Order

49. In the October 2014 Order, the Commission directed SPP to revise its proposal to allow LSEs to nominate candidate LTCRs prior to the performance of a simultaneous feasibility test to determine the availability of the nominated LTCRs.⁶²

ii. SPP's Compliance Filing

50. SPP proposes to allow eligible entities to nominate candidate LTCRs after the verification of the eligible entities' transmission service, and prior to running the simultaneous feasibility test. SPP states that market participants may nominate their candidate LTCRs and Incremental LTCRs prior to the running of the simultaneous feasibility test. According to SPP, nominated candidate LTCRs and candidate Incremental LTCRs will be evaluated on an annual basis in a two-step, single round process: nominated candidate LTCRs for LSEs will be evaluated in the first step, and nominated candidate LTCRs for non-LSEs and nominated candidate Incremental LTCRs will be evaluated in the second step.

iii. Protest

51. AWEA/Wind Coalition acknowledge that Guideline (3) was not intended to address the award of transmission rights made possible by transmission upgrades and expansions that are rolled into transmission rates;⁶³ rather, Guideline (3) was intended to address the allocation of transmission rights made available from upgrades or expansion funded by direct assignment. However, AWEA/Wind Coalition assert that the proposed compliance filing appears to disallow upgrade sponsors from obtaining the full allocation of Incremental LTCRs enabled by the transmission facilities they funded, which is impermissible under Order No. 681.

⁶² October 2014 Order, 149 FERC ¶ 61,076 at P 51.

⁶³ AWEA/Wind Coalition Comments at 5 (citing Order No. 681, FERC Stats. & Regs. ¶ 31,226 at P 211).

52. AWEA/Wind Coalition concede that LSEs are entitled to priority in the allocation of long term transmission rights that are supported by existing transmission capacity,⁶⁴ but AWEA/Wind Coalition claim that SPP's proposal extends the priority for LSEs beyond the existing system to system expansions funded through direct assignment. According to AWEA/Wind Coalition, under SPP's original proposed design, customers who funded transmission upgrades or expansions through direct assignment were not entitled to receive LTCRs.⁶⁵ As a result, AWEA/Wind Coalition argue that the priority of Incremental LTCRs was never an issue in the original filing. AWEA/Wind Coalition state that SPP now proposes to evaluate Incremental LTCRs for allocation of transmission capacity in the second step after SPP has allocated transmission rights to LSEs.⁶⁶ AWEA/Wind Coalition assert that this creates the potential for SPP to award LTCRs across capacity funded by an upgrade sponsor to an LSE in the first step of the allocation process under section 7.2.2. In such a situation, AWEA/Wind Coalition posit that the capacity created by an upgrade sponsor may no longer be available or have diminished value under the second step of the allocation process under section 7.2.3.⁶⁷ AWEA/Wind Coalition argue that this outcome is not consistent with Guideline (3). AWEA/Wind Coalition state that Guideline (3) provides that customers who fund upgrades are entitled to the LTCRs for such new capacity,⁶⁸ and customers who choose to take Incremental LTCRs from SPP should be entitled to first priority to the incremental capacity that they have funded. AWEA/Wind Coalition request that the Commission evaluate whether this outcome is consistent with Order No. 681, and if it is not, require SPP to submit a further compliance filing.

53. AWEA/Wind Coalition claim that an additional area of concern is SPP's treatment of LTCRs/Incremental LTCRs for upgrades funded through a combination of customer rates and direct assignment. According to AWEA/Wind Coalition, under SPP's proposal the portion of the upgrades costs directly assigned to the sponsor should be eligible for Incremental LTCRs awarded to the upgrade sponsor. AWEA/Wind Coalition notes that the transmission customer appears to also be eligible for the full LTCRs associated with its transmission service request that required the upgrades to be granted. AWEA/Wind

⁶⁴ *Id.* (citing Order No. 681, FERC Stats. & Regs. ¶ 31,226 at P 319).

⁶⁵ *Id.* at 6 (citing SPP July 31 Filing).

⁶⁶ *Id.* (citing Proposed SPP Tariff Attachment AE at § 7.2.3).

⁶⁷ *Id.* (citing Proposed SPP Tariff Attachment AE at § 7.2.3).

⁶⁸ *Id.* (citing Order No. 681, FERC Stats. & Regs. ¶ 31,226 at P 211).

Coalition assert that under SPP's proposal this situation may result in an over-allocation of LTCRs/Incremental LTCRs to LSEs.⁶⁹

iv. Commission Determination

54. We conditionally accept SPP's proposal to include a nomination process, but we also find that SPP has only partially complied with the Commission's directives in the October 2014 Order. By including Incremental LTCRs in the second step of the allocation, it is unclear whether upgrade sponsors will be able to receive their full entitlement of Incremental LTCRs consistent with Guideline (3) of Order No. 681. Accordingly, we direct SPP to make a further compliance filing within 30 days of the date of issuance of this order to separate the provision of Incremental LTCRs from the proposed nomination process, and to establish a new process to provide the Incremental LTCRs when the sponsored upgrade goes into service. Additionally, the Incremental LTCRs should be immediately converted into TCRs until the next annual allocation. It is unclear if this change would result in changes to the initial allocation of LTCRs. In the event that a change is required, we direct SPP to treat the LTCRs allocated in the 2015 initial allocation as single year LTCRs, i.e., treat them as though they are valid for only one year, and to implement the initial allocation of LTCRs in the 2016 ARR/TCR year. We further direct SPP in its compliance filing to inform the Commission whether the initial allocation of LTCRs will be implemented in the 2016 ARR/TCR year. Additionally, it is unclear how SPP would treat the provision of LTCRs and Incremental LTCRs for network upgrades that are funded through a combination of rolled-in transmission rates and directly assigned charges. Accordingly, we direct SPP in its compliance filing to explain how its proposed process will treat the provision of LTCRs and Incremental LTCRs for network upgrades that are funded through a combination of rolled-in transmission rates and directly assigned charges.

c. Transmission Planning and Expansion

i. October 2014 Order

55. In the October 2014 Order, the Commission found that SPP had failed to fulfill the requirement in Order No. 681 that each transmission organization with an organized electricity market implement a transmission system planning process that will accommodate the long-term transmission rights that are awarded by ensuring that they remain feasible over their entire term.⁷⁰ The Commission directed SPP either to

⁶⁹ *Id.* at 8-9.

⁷⁰ Order No. 681, FERC Stats. & Regs. ¶ 31,226 at P 453.

demonstrate that its current transmission planning process provides for the continued feasibility of LTCRs or, alternatively, submit Tariff revisions to include such a provision in its planning process.

ii. SPP's Compliance Filing

56. SPP states that its current transmission planning process makes sufficient and reasonable provision for the continued feasibility of LTCRs. According to SPP, its market design bases the allocation of congestion hedging rights, including ARRs, TCRs, and LTCRs, on firm transmission service reservations. SPP states that these firm reservations can include network integration transmission service, point-to-point transmission service, and grandfathered-agreement transmission service. In turn, SPP explains that all of these service reservations are reflected in the models and studies SPP uses for planning. SPP contends that because it plans its system in a way that ensures the feasibility and continued availability of the firm service reservations, SPP ensures the continued feasibility of LTCRs. SPP states that its proposed Tariff language regarding Incremental LTCRs makes clear that SPP will consider all awarded Incremental LTCRs in all planning studies on a going forward basis.

iii. Protest

57. AWEA/Wind Coalition request that SPP clarify how the LTRC process will affect future transmission in SPP's transmission aggregate study, transmission planning in the SPP's integrated transmission planning process, and SPP's generation interconnection processes. AWEA/Wind Coalition also request clarification as to the impact on transmission service customers from the Incremental LTCRs resulting from transmission capacity created by upgrade sponsors.

58. AWEA/Wind Coalition state that SPP's approach to LTCRs associates LTCRs with firm transmission service requests.⁷¹ In addition, AWEA/Wind Coalition state that this approach also assumes that new transmission service requests will come with LTCRs. AWEA/Wind Coalition argue that the SPP construct creates a challenge when dealing with the funding of transmission upgrades under Order No. 681. In particular, AWEA/Wind Coalition claim that awarding LTCRs based upon transmission service is different from the firm transmission rights discussion for LSEs in Guideline (5) of Order No. 681.⁷² AWEA/Wind Coalition assert that awards of LTCRs based upon transmission service do not differentiate between existing and new transmission. AWEA/Wind

⁷¹ AWEA/Wind Coalition Protest at 7 (citing SPP Compliance Filing at 8).

⁷² *Id.* (citing Order No. 681, FERC Stats. & Regs. ¶ 31,226 at P 325).

Coalition contend that this also does not account for whether the upgrade was paid for out of rates or by direct assignment. AWEA/Wind Coalition claim that it is not clear how the capacity resulting from new facilities constructed by an upgrade sponsor and which are eligible for Incremental LTRCs will be treated in the award of these LTRCs in the transmission service award or in the planning process. AWEA/Wind Coalition question whether SPP will assume that the capacity created by an upgrade sponsor is fully subscribed, even if there are no transmission service requests associated with the upgrades. According to AWEA/Wind Coalition, if SPP assumes that the upgrade capacity is fully subscribed when subsequent transmission service requests come into the queue, SPP's study results may show a need for additional transmission capacity and further investment in additional upgrades even though capacity is available from the previous upgrade. This could result in unnecessary new capacity, which could diminish the value of Incremental LTRCs possessed by upgrade sponsors, according to AWEA/Wind Coalition.

59. AWEA/Wind Coalition propose that an alternative might be for SPP to grant transmission service requests enabled by the upgrade sponsor's capacity. AWEA/Wind Coalition state that when new transmission service requests come into the queue, they could be granted if there is available capacity, even if the Incremental LTRCs associated with that capacity are already held by the upgrade sponsor. According to AWEA/Wind Coalition, these new requests should gradually increase congestion across the upgraded path and enhance the value of the upgrade sponsor's financial hedge associated with the Incremental LTRCs. Under this approach, the transmission service request would be granted but without the full value of the LTRC that the requestor would normally have received when transmission service is purchased. AWEA/Wind Coalition note that this result may conflict with SPP's construct that certain levels of LTRCs flow with transmission service.

iv. Commission Determination

60. We accept SPP's compliance filing with regard to the transmission planning and expansion requirements of Order No. 681. We find that SPP has shown that its transmission planning process ensures the continued long term feasibility of awarded LTRCs and Incremental LTRCs, and therefore has complied with the transmission planning and expansion requirements of Order No. 681. We also find that AWEA/Wind Coalition's concerns go beyond the transmission planning requirements of Order No. 681. Therefore, we find SPP has complied with this requirement of Order No. 681 and we will not require any further compliance filings by SPP.

d. Miscellaneous**i. October 2014 Order**

61. In the October 2014 Order, the Commission required SPP to revise section 7.1.3(1) of Attachment AE to include the clarification that the term “Network Integration Transmission Service Candidate LTRCs” instead of “Candidate LTRCs.” Additionally, the Commission required SPP to include language concerning the transfer of LTRCs to account for wholesale load shifts between transmission customers in sections 7.1.3(2), (3), and (4) of Attachment AE that is parallel with the language in section 7.1.3(1). The Commission directed SPP to revise section 7.2 of Attachment AE as proposed in its answer in the proceeding.⁷³ The Commission also directed SPP to include the language “surrendering previously awarded LTRCs” in section 7.2.1 of Attachment AE to make it clear that the submission of information is only by Eligible Entities surrendering previously awarded LTRCs, instead of all Eligible Entities.

ii. SPP’s Filing

62. SPP proposed revisions to section 7.2 of Attachment AE in order to incorporate its nomination process for LTRCs in accordance with the Commission’s directive with regard to Guideline (5). Additionally, SPP proposes to include some of the revisions to section 7.2 that the Commission directed it to include in the October 2014 Order.

iii. Commission Determination

63. We conditionally accept SPP’s compliance filing with regard to the miscellaneous directives from the October 2014 Order. We find that SPP’s proposed revisions to section 7.2 of Attachment AE to incorporate a nomination process that complies with Guideline (5) are consistent with or are superior to the revisions the Commissions directed in the October 2014 Order. Therefore, we will accept the proposed revisions. However, we find that SPP has failed to comply with the Commission’s directive to revise its Tariff to include the clarification that the term “Network Integration Transmission Service Candidate LTRCs” should appear in section 7.1.3(1) instead of “Candidate LTRCs,” and we will also require SPP to include parallel language concerning the transfer of LTRCs to account for wholesale load shifts between transmission customers, in sections 7.1.3(2), (3), and (4). We also find that SPP has failed to include the revision to section 7.2.1.a of Attachment AE to make it clear that

⁷³ October 2014 Order, 149 FERC ¶ 61,076 at P 75.

only Eligible Entities that are surrendering previously awarded LTCRs are required to submit the information requested in the Tariff.

The Commission orders:

(A) The requests for rehearing are hereby denied, as discussed in the body of this order.

(B) SPP's compliance filing is hereby conditionally accepted, subject to a further compliance filing to be submitted within 30 days of the date of this order, as discussed in the body of this order.

By the Commission.

(S E A L)

Nathaniel J. Davis, Sr.,
Deputy Secretary.