

165 FERC ¶ 61,026
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Cheryl A. LaFleur, Neil Chatterjee,
and Richard Glick.

Southwest Power Pool, Inc.

Docket No. ER18-1632-001

ORDER ACCEPTING TARIFF REVISIONS

(Issued October 18, 2018)

1. On May 15, 2018, as amended on July 12, 2018, pursuant to section 205 of the Federal Power Act (FPA)¹ and Part 35 of the Commission's regulations,² Southwest Power Pool, Inc. (SPP) filed revisions to section 3.3 of Attachment AF of the SPP Open Access Transmission Tariff (Tariff) to implement a major maintenance cost component for mitigated start-up offers and mitigated no-load offers. In this order, we accept SPP's proposed Tariff revisions, effective January 15, 2019, as requested.

I. SPP Filing

2. In its May 15, 2018 filing (May 15 Filing), SPP states that the proposed Tariff revisions address concerns over the recovery of major maintenance costs resulting from the operation of resources in the SPP Integrated Marketplace.³ Specifically, SPP states that the operation of a resource results in gradual deterioration of equipment and therefore requires maintenance to sustain the resource's ability to operate. SPP adds that the proposed Tariff revisions will allow market participants to include major maintenance costs associated with the number of unit starts and run hours in a generating resource's mitigated start-up and no-load offers, respectively.⁴ SPP also states that major maintenance costs as proposed will directly affect the make-whole payment calculation

¹ 16 U.S.C. 824d (2012).

² 18 C.F.R. § 35.15 (2018).

³ SPP administers the Integrated Marketplace, which is a centralized day-ahead and real-time energy and operating reserve market with locational marginal pricing and market-based congestion management. The terms and conditions of the Integrated Marketplace are found in Attachment AE of the Tariff.

⁴ SPP May 15 Filing at 2.

and resource commitment decisions, but they will not directly affect the Locational Marginal Price or Market Clearing Price.⁵

3. SPP states that, under the proposed Tariff revisions, major maintenance costs will be a variable cost component of the mitigated offer and will be directly related to both the decision to start a resource and/or the number of hours the resource is operated. SPP explains that generation owners will be required to submit major maintenance costs on a resource-by-resource basis to the Market Monitoring Unit (MMU) for validation and approval prior to including the cost in the mitigated offer.⁶ SPP states that the MMU will ensure that a single-maintenance activity is assigned to either the mitigated start-up offer or the mitigated no-load offer major maintenance costs and never for both.⁷

4. In further support of its proposal, SPP states that to receive make whole payments, generators must place themselves in “Market” status to allow the SPP market to determine whether to order a resource to start. SPP states that a major maintenance cost component will allow a resource to be compensated for short-run operating costs and the expected cost of the major maintenance caused by the resource’s commitment, and as a result, the market clearing process will include major maintenance costs in the determination of whether to order a resource to start. SPP states that this increases the effectiveness of the economic evaluation by including in the mitigated offer the costs of deciding to start and run a resource so as to lower starts and pace of deterioration of the resource.⁸

5. SPP states that the proposed Tariff revisions were reviewed and approved through the SPP stakeholder process and that process indicated that an exhaustive list of what qualifies as a major maintenance cost would not be feasible as many stakeholders have differing situations and, resultantly, varied opinions as to what the definition of major maintenance should be.⁹ Accordingly, SPP states that only those specific major maintenance costs agreed to in advance by the MMU and the market participant will be permitted as part of the market participant’s mitigated start-up and mitigated no-load offers. SPP explains that once the proposed Tariff revisions go into effect, market participants may submit updates of resource-specific major maintenance costs to the

⁵ *Id.*

⁶ *Id.* at 5.

⁷ *Id.* at 6.

⁸ *Id.* at 8.

⁹ *Id.*

MMU.¹⁰ SPP states that the MMU then has 15 calendar days from receipt to notify the market participant in writing whether the market participant has submitted sufficient information for the MMU to make a determination. After providing that notice, the MMU has 15 calendar days to determine the acceptable level of major maintenance costs to be included in the start-up or no-load offer and inform the market participant in writing.¹¹

6. SPP explains that in the transition period (i.e., between the date of issuance of a Commission order accepting the proposed Tariff revisions and the January 15, 2019 proposed effective date) market participants must provide major maintenance costs to the MMU within 30 days after the date of the Commission's order to include major maintenance costs in the mitigated start-up or no-load offers.¹² According to SPP, the MMU will then provide written notification once the costs have been reviewed and approved. SPP explains that major maintenance costs that are not submitted in the initial 30-day period may be reviewed as time permits, but notes that these costs may not be approved or eligible for inclusion in mitigated start-up offers when the tariff changes go into effect.¹³

7. SPP requests waiver of the applicable notice requirements of section 35.3(a)(1) of the Commission regulations¹⁴ to allow for a January 15, 2019 effective date. SPP requests a transition period between the requested order issuance date and the requested effective date to allow time for the MMU to vet individual resource costs and for SPP to implement changes to the software and processes needed to accommodate the changes before SPP's January 15, 2019 requested effective date.¹⁵

8. In its July 12, 2018 filing (July 12 Amended Filing), SPP filed an amendment to the proposed Tariff revisions to remove a reference in section 3.5 of Attachment AF that it is no longer applicable.¹⁶

¹⁰ *Id.*

¹¹ *Id.* at 9-10.

¹² *Id.*

¹³ *Id.*

¹⁴ 18 C.F.R. § 35.3(a)(1) (2018).

¹⁵ SPP May 15 Filing at 12.

¹⁶ SPP July 12 Amended Filing at 3.

II. Notice of Filings and Responsive Pleadings

9. Notice of SPP's May 15 Filing was published in the *Federal Register*, 83 Fed. Reg. 23,664 (2018), with interventions and protests due on or before June 5, 2018. Dogwood Energy LLC, Exelon Corporation, Westar Energy, Inc., Western Farmers Electric Cooperative, Xcel Energy Services Inc. (on behalf of Southwestern Public Service Company), and Kansas City Power & Light Company and KCP&L Greater Missouri Operations Company filed timely motions to intervene. City Utilities of Springfield, Missouri (City Utilities of Springfield), Golden Spread Electric Cooperative, Inc. (Golden Spread), and the MMU filed timely motions to intervene and comments in support of the proposal, as discussed below.

10. Notice of SPP's July 12 Amended Filing was published in the *Federal Register*, 83 Fed. Reg. 34,563 (2018), with interventions and protests due on or before August 2, 2018. Golden Spread filed a comment in support of the July 12 Amended Filing.

11. The MMU states that it strongly supports SPP's proposed revisions and that the proposed changes will allow generator owners to reflect the costs of starting and running their resources and improve unit commitment and dispatch decisions.¹⁷ The MMU states that the ability to recover major maintenance costs will create a more efficient market by incentivizing more market participants to offer their resources in "Market" status with assurance that they will be adequately compensated for expected major maintenance costs caused by a commitment.¹⁸

12. The MMU states that only variable costs directly linked to starts and run hours will be considered major maintenance costs; time-based maintenance costs (not related to run hours) will not be included in major maintenance. The MMU also states that all allowed major maintenance costs will need to be adequately documented and based on "[r]esource-specific information derived from documented variable maintenance costs."¹⁹ The MMU states that if actual costs are not available, estimated major maintenance costs may be submitted. The MMU assures that it will evaluate each application's major maintenance costs individually and will apply consistent criteria to similar elements, in the same way it reviews fuel-cost policies and variable operations and maintenance costs.²⁰ The MMU states that major maintenance costs shall be subject to the MMU

¹⁷ MMU Comments at 2, 4.

¹⁸ *Id.* at 12-13.

¹⁹ *Id.* at 6 (quoting SPP May 15 Filing at 7-8).

²⁰ *Id.* at 9.

auditing for accuracy and review for potential gaming.²¹ The MMU further states it will ensure that individual major maintenance costs are only included once (in either the mitigated start-up offer or the mitigated no-load offer) and that its review process will verify that costs are not double counted. The MMU affirms that all information collected will be secure and confidential and states that it has the right to audit a market participant's major maintenance activity.²²

13. The MMU agrees with SPP's requested transition period, explaining that the MMU will require significant time to approve the costs and process all applications prior to implementation in January 2019. The MMU estimates that over half of the 700 resources in the SPP market will apply to include major maintenance costs in their mitigated start-up and no-load offers.²³

14. In their comments, City Utilities of Springfield and Golden Spread also express support for SPP's proposed Tariff revisions to implement a major maintenance cost component for mitigated start-up offers and mitigated no-load offers.

III. Discussion

A. Procedural Matters

15. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2018), the timely, unopposed motions to intervene serve to make the entities that filed them parties to this proceeding.

B. Substantive Matters

16. We find SPP's proposed Tariff revisions to be just and reasonable and therefore accept them. Specifically, SPP states that it is proposing to revise its Tariff to address concerns over the recovery of major maintenance costs resulting from the operation of resources in the SPP Integrated Marketplace. SPP explains that the operation of a resource results in gradual deterioration of equipment and therefore requires maintenance to sustain the resource's ability to operate. SPP also states that major maintenance costs will be a variable cost component of the mitigated offer and will be directly related to both the decision to start a resource and/or the number of hours the resource is operated. We find SPP's proposal to include a major maintenance cost component in mitigated

²¹ *Id.* at 1-2.

²² *Id.* at 10.

²³ *Id.* at 2.

start-up offers and mitigated no-load offer to be a just and reasonable means of addressing concerns over the recovery of costs resulting from the gradual deterioration of resources operating equipment in the SPP Integrated Marketplace.

17. We further find that SPP's proposed approach to cost recovery for major maintenance will help ensure that resource operators have the proper incentives to offer their resources into the market and to follow commitment and dispatch instructions. As SPP explains, in order to receive make whole payments, generators must place themselves in "Market" status to allow the SPP market to determine whether to order a resource to start. Further, the MMU explains that the ability to recover major maintenance costs will create a more efficient market by incentivizing more market participants to offer their resources in "Market" status with assurance that they will be adequately compensated for expected major maintenance costs caused by a commitment. Accordingly, we find that SPP's proposal to implement a major maintenance cost component for mitigated start-up offers and mitigated no-load offers should reduce concerns market participants might have about operating their resources while incurring a potentially uncompensated variable maintenance costs related to starts or operating hours.

18. We also find that the MMU's evaluation of each applicant's proposed major maintenance costs should ensure that each resource's major maintenance costs are appropriately evaluated and should mitigate the possibility of double recovery of such costs. Accordingly, we accept SPP's proposed Tariff revisions to be effective January 15, 2019, as requested.²⁴

The Commission orders:

SPP's proposed tariff revisions are hereby accepted to be effective January 15, 2019, as discussed in the body of this order.

By the Commission. Chairman McIntyre was not present at the Commission Meeting held on October 18, 2018 and did not vote on this item.

(S E A L)

Kimberly D. Bose,
Secretary.

²⁴ We find good cause to grant waiver of the Commission's 120-day notice requirement, 18 C.F.R. § 35.3(a)(1), to permit SPP's requested effective date.