

September 23, 2013

The Honorable Kimberly D. Bose  
Secretary  
Federal Energy Regulatory Commission  
888 First Street, N.E.  
Washington, D.C. 20426

**Re: *Southwest Power Pool, Inc., Docket No. ER12-1179-\_\_\_\_\_***  
Submission of Tariff Revisions to Implement a Virtual Transaction Fee

Pursuant to Section 205 of the Federal Power Act, 16 U.S.C. § 824d; Part 35 of the Regulations of the Federal Energy Regulatory Commission (“Commission”), 18 C.F.R. Part 35; and the Commission’s “Order Conditionally Accepting Tariff Revisions to Establish Energy Markets,” issued on October 18, 2012,<sup>1</sup> Southwest Power Pool, Inc. (“SPP”) submits revisions to its Open Access Transmission Tariff.<sup>2</sup> SPP requests an effective date of March 1, 2014, for the Tariff revisions submitted in this filing. SPP requests that the Commission issue an order on this filing by November 18, 2013, as discussed in more detail below.

## **I. BACKGROUND**

### **A. Integrated Marketplace Filing/October 18 Order**

On February 29, 2012,<sup>3</sup> as amended on May 15, 2012,<sup>4</sup> SPP submitted to the Commission proposed revisions to its Tariff to transition from its current Real-Time Energy Imbalance Service (“EIS”) Market to the SPP Integrated Marketplace in March 2014. As proposed, the Integrated Marketplace includes Day-Ahead and Real-Time Energy and Operating Reserve Markets and a Transmission Congestion Rights (“TCR”) Market aimed at maximizing the cost-effective utilization of energy Resources and the regional transmission

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<sup>1</sup> *Sw. Power Pool, Inc.*, 141 FERC ¶ 61,048 (2012) (“October 18 Order”).

<sup>2</sup> Southwest Power Pool, Inc., FERC Electric Tariff, Sixth Revised Volume No. 1 (“Tariff”).

<sup>3</sup> Submission of Tariff Revisions to Implement SPP Integrated Marketplace of Southwest Power Pool, Inc., Docket No. ER12-1179-000 (Feb. 29, 2012) (“Integrated Marketplace Filing”).

<sup>4</sup> Amendatory Filing of Tariff Revisions to Implement SPP Integrated Marketplace of Southwest Power Pool, Inc., Docket No. ER12-1179-001 (May 15, 2012).

system, resulting in estimated annual net benefits of between \$45 million and \$100 million.<sup>5</sup> SPP requested a March 1, 2014, effective date for the implementation of the Integrated Marketplace.

The Commission's October 18 Order conditionally approved SPP's Integrated Marketplace, subject to modification of certain design components and submission of certain revisions to its Tariff to "ensure that a well-designed market will be in place at the proposed effective date [of March 1, 2014]."<sup>6</sup> In the October 18 Order, the Commission required SPP to submit and justify its day-ahead Virtual Energy Transaction Fee proposed in the Integrated Marketplace Filing.<sup>7</sup> With this filing, SPP proposes the fee for virtual transactions in the Integrated Marketplace consistent with the October 18 Order.

## **B. Stakeholder Approval**

SPP developed the Tariff revisions proposed in this filing through its stakeholder process, including: (1) several meetings of the Market Working Group ("MWG")<sup>8</sup> between April 2013 and June 2013, (2) a meeting of the Regional Tariff Working Group ("RTWG")<sup>9</sup> in June 2013, (3) a meeting of the Markets and Operations Policy Committee ("MOPC")<sup>10</sup> in July 2013, and (4) a meeting of the SPP Members Committee<sup>11</sup> and Board of Directors in July 2013.

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<sup>5</sup> See the Integrated Marketplace Filing, Transmittal Letter at 2 and Exhibit No. SPP-1 at 7-8.

<sup>6</sup> See October 18 Order at P 2.

<sup>7</sup> See *id.* at P 133.

<sup>8</sup> The MWG is responsible for the development and coordination of the changes necessary to support any SPP administered wholesale market(s), including energy, congestion management, and market monitoring, consistent with direction from the SPP Board of Directors.

<sup>9</sup> The RTWG is responsible for development, recommendation, overall implementation, and oversight of SPP's Tariff. The RTWG also advises SPP staff on regulatory and implementation issues not specifically covered by the Tariff or issues where there may be conflicts or differing interpretations of the Tariff.

<sup>10</sup> The MOPC consists of a representative officer or employee from each SPP Member and reports to the SPP Board of Directors. Its responsibilities include recommending modifications to the SPP Tariff. See Southwest Power Pool, Inc., Bylaws, First Revised Volume No. 4 ("Bylaws") § 6.1.

<sup>11</sup> The Members Committee consists of up to 19 representatives of the Transmission Owning Member and Transmission Using Member sectors of SPP's Membership.

## II. INTEGRATED MARKETPLACE FILING

### A. The Virtual Energy Transaction Fee

As SPP explained in its Integrated Marketplace Filing, SPP's Day-Ahead Market will allow Market Participants to submit Virtual Energy Offers to sell Energy<sup>12</sup> or Virtual Energy Bids to purchase Energy.<sup>13</sup> In its filing, SPP proposed that each virtual bid and virtual offer be subject to a transaction fee (a "Virtual Energy Transaction Fee") to help offset administrative costs for the Integrated Marketplace.<sup>14</sup> Currently, SPP's administrative costs are recovered under Schedule 1-A of the SPP Tariff, which imposes charges on Point-To-Point Transmission Service and Network Integration Transmission Service. However, because virtual transactions in the Day-Ahead Market will have no associated Transmission Service, parties making virtual bids or offers will not incur charges under Schedule 1-A. SPP must have an alternate mechanism to recover costs from these transactions. As stated in SPP's Integrated Marketplace Filing, the revenues collected through the Virtual Energy Transaction Fee will be applied to reduce the budgeted expenses used to calculate the administrative fee charged under Schedule 1-A.<sup>15</sup>

In its October 18 Order, the Commission noted there is no consistent approach to overseeing virtual transactions and that Regional Transmission Organizations ("RTOs") and Independent System Operators ("ISOs") have implemented various measures.<sup>16</sup> The Commission described SPP's overall approach to virtual transactions as "conservative" and "reasonable," but the Commission also pointed out it could not make a determination on the fee itself until SPP had arrived at a fee amount.<sup>17</sup> The Commission conditionally accepted SPP's proposal contingent upon SPP's identifying the specific fee in a subsequent Section 205 filing.

### B. Considerations Surrounding the Virtual Energy Transaction Fee

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This committee provides input to and assists the SPP Board of Directors with the management and direction of the general business of SPP. *See* Bylaws § 5.1.

<sup>12</sup> *See* Integrated Marketplace Filing Proposed Tariff at Attachment AE § 4.2.1

<sup>13</sup> *See id.* at § 4.3.2.

<sup>14</sup> *See id.* at §§ 4.2.1(4), 4.3.2(4); 8.5.17

<sup>15</sup> *See id.* at § 8.5.17.

<sup>16</sup> *See* October 18 Order at P 131.

<sup>17</sup> *See id.* at PP 131, 133.

SPP staff and working groups began their research into the basis for and calculation of the fee by conducting an extensive review of the fees other RTOs and ISOs charge in connection with virtual transactions. After studying the rate structures of ISO New England Inc. (“ISO-NE”), the Midcontinent Independent System Operator, Inc., PJM Interconnection, L.L.C., and New York Independent System Operator, the MWG noted certain entities differ in terms of fee amounts and in structural design (e.g. a tiered approach versus a single, flat fee). Upon viewing the totality of approaches employed, however, the MWG identified certain key purposes to be served by a virtual transaction fee, including: (1) to recover toward the cost of administering a virtual market so that loads are not bearing those costs, (2) to meet the ideal of apportioning cost as closely as possible to the service being provided, and (3) to keep a virtual market manageable by serving as a natural governor on the total number of transactions that are likely to be conducted.

In considering a single-tier fee design, the MWG used as a starting point the amount associated with ISO-NE's lowest-cost tier when ISO-NE implemented its approach: \$ 0.005 per submitted bid or offer.<sup>18</sup> As the MWG continued its deliberations in subsequent meetings, however, it questioned whether such an amount would provide a sufficient offset to apply toward the budgeted expenses non-virtual market participants would be sharing on Schedule 1-A. Accordingly, the MWG voted to change the flat fee to \$ 0.05 per each submitted bid or offer. The MWG recommended this fee amount to SPP's other stakeholders, and, following approval by other stakeholder groups, this is the fee amount that appears in the proposed revisions to SPP's Tariff, in Section 8.5.17 of Attachment AE.

SPP and its stakeholders have considered the impact of the proposed Virtual Energy Transaction Fee on potential virtual participation levels in its Integrated Marketplace. While SPP recognizes that stakeholder approval does not by itself cause a filing to be just and reasonable, SPP requests that the Commission extend appropriate deference to the wishes of SPP's stakeholders, consistent with Commission precedent.<sup>19</sup>

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<sup>18</sup> See, e.g., 113 FERC ¶ 61,055 at P 11 (2005). ISO-NE's approach also included a charge of \$.06 for cleared bids or offers. See *Id.*

<sup>19</sup> The Commission has previously recognized that provisions approved through RTO stakeholder processes are due deference. See *Sw. Power Pool, Inc.*, 127 FERC ¶ 61,283, at P 33 (2009) (noting that the Commission “accord[s] an appropriate degree of deference to RTO stakeholder processes”); *New Eng. Power Pool*, 105 FERC ¶ 61,300, at P 34 (2003) (Commission approval of transmission cost allocation proposal based upon an extensive and thorough stakeholder process); Policy Statement Regarding Regional Transmission Groups, 1991-1996 FERC Stats. & Regs., Regs. Preambles ¶ 30,976, at 30,872 (1993) (the Commission will afford the appropriate degree of deference to the stakeholder approval process). The Commission's deference to RTO stakeholder processes has been upheld by the courts. See *Pub. Serv. Comm'n of Wis. v. FERC*, 545 F.3d 1058, 1062-63 (D.C. Cir. 2008) (noting that the Commission often gives

SPP respectfully submits that this proposed fee amount is just, reasonable, and is not unduly discriminatory.

### **III. EFFECTIVE DATE AND REQUEST FOR COMMISSION ACTION**

SPP requests an effective date of March 1, 2014, for the Tariff revisions proposed in this filing, consistent with the effective date granted in the October 18 Order. To the extent necessary, SPP requests a waiver of the Commission's notice requirements set forth in Section 35.3 of the Commission's regulations, 18 C.F.R. § 35.3, to allow SPP to submit these Tariff revisions to the Commission more than 120 days prior to the requested effective date.

### **IV. ADDITIONAL INFORMATION REQUIRED BY THE COMMISSION'S REGULATIONS**

#### **A. Documents submitted with this filing:**

In addition to this transmittal letter, clean and redlined versions of the Integrated Marketplace Tariff in electronic format are included in this filing.

#### **B. Effective date:**

SPP requests that the Commission accept the proposed revisions to the SPP Tariff effective March 1, 2014, as discussed in more detail above.

#### **C. Service:**

SPP has served a copy of this filing on all parties designated on the official service list compiled by the Secretary in this proceeding, as well as SPP's Members and Customers and all affected state commissions. A complete copy of this filing will be posted on the SPP web site, [www.spp.org](http://www.spp.org).

### **V. CONCLUSION**

For all of the foregoing reasons, SPP respectfully requests that the Commission accept the Tariff revisions proposed herein as just and reasonable, effective as discussed above.

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weight to RTO proposals that reflect the position of the majority of the RTO's stakeholders) (quoting *Am.Elec. Power Serv. Corp. v. Midwest Indep. Transmission Sys. Operator, Inc.*, 122 FERC ¶ 61, 083, at P 172 (2008)).

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Respectfully submitted,

/s/ Joseph W. Ghormley

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**CERTIFICATE OF SERVICE**

I hereby certify that I have this day served the foregoing document upon each person designated on the official service list compiled by the Secretary in this proceeding.

Dated this 23rd day of September, 2013.

*/s/ Joseph W. Ghormley*  
Joseph W. Ghormley

**Attorney for Southwest Power Pool, Inc.**

### **8.5.17 Day-Ahead Virtual Energy Transaction Fee Amount**

A Day-Ahead Market charge for each submitted Virtual Energy Offer and Virtual Energy Bid will be calculated for each Asset Owner for each Operating Day. Charges collected by the Transmission Provider under this charge type are used by the Transmission Provider to reduce the Transmission Provider budgeted expenses used to calculate the rate specified under Schedule 1-A of the Tariff and are calculated as follows:

Day-Ahead Virtual Energy Transaction Fee Amount =

[(Day-Ahead Virtual Energy Transaction Daily Count) \* (Day-Ahead Virtual Energy Transaction Fee Rate)]

- (1) Day-Ahead Virtual Energy Transaction Daily Count is equal to the sum of Virtual Energy Bids and Virtual Energy Offers submitted as of the close of the Day-Ahead Market for all Settlement Locations and hours in the Operating Day.
- (2) Day-Ahead Virtual Energy Transaction Fee Rate is \$0.05 for each Virtual Energy Offer or Virtual Energy Bid.



### 8.5.17 Day-Ahead Virtual Energy Transaction Fee Amount

A Day-Ahead Market charge for each submitted Virtual Energy Offer and Virtual Energy Bid will be calculated for each Asset Owner for each Operating Day. Charges collected by the Transmission Provider under this charge type are used by the Transmission Provider to reduce the Transmission Provider budgeted expenses used to calculate the rate specified under Schedule 1-A of the Tariff and are calculated as follows:

Day-Ahead Virtual Energy Transaction Fee Amount =

[(Day-Ahead Virtual Energy Transaction Daily Count) \* (Day-Ahead Virtual Energy Transaction Fee Rate)]

- (1) Day-Ahead Virtual Energy Transaction Daily Count is equal to the sum of submitted Virtual Energy Bids and Virtual Energy Offers submitted as of the close of the Day-Ahead Market for all Settlement Locations and hours in the Operating Day.
- (2) Day-Ahead Virtual Energy Transaction Fee Rate is \$0.05 for each Virtual Energy Offer or Virtual Energy Bid. ~~the rate defined under Schedule 1 of the Tariff.~~