



Southwest Power Pool, Inc.

**MARKET AND OPERATIONS POLICY COMMITTEE**

**Recommendation to the Board of Directors/Members Committee**

**December 1, 2006**

**Organizational Roster**

The following members represent the Regional Tariff Working Group:

AEP-West	Mr. Robert Pennybaker
Arkansas Electric Cooperative Corp.	Mr. Ricky Bittle
Calpine Energy Services	Mr. Jason Atwood
East Texas Electric Cooperative	Mr. David Brian
Empire District Electric Co.	Mr. Bary Warren
Kansas City Power & Light	Mr. Charles Locke
Kansas Electric Power Cooperative	Mr. Robert Bowser
Lafayette Utilities System	Mr. Ron Gary
Midwest Energy	Mr. Bill Dowling
Missouri Public Service Commission	Mr. Mike Proctor
OG+E Electric Services	Mr. David Kays
Oklahoma Municipal Power	Mr. Gene Anderson
Redbud Energy LP	Mr. Rob Janssen
Southwest Power Pool	Mr. Pat Bourne
Southwestern Public Service Co.	Mr. Bernard Liu
Tenaska Power Services Co.	Mr. Mark Foreman
Westar Energy	Mr. Dennis Reed
Western Farmers Electric	Mr. Mitchell Williams

The following stakeholders participated in group discussions:

AEP-West	Mr. Dennis Bethel
AEP-West	Mr. Robert Pennybaker
AEP-West	Mr. Richard Ross
Kansas City Power & Light	Mr. Charles Locke
Lafayette Utilities System	Mr. Ron Gary
OG+E Electric Services	Mr. David Kays
OG+E Electric Services	Mr. Joe Russell
Oklahoma Municipal Power Authority	Mr. Gene Anderson
Southwest Power Pool	Mr. Pat Bourne
Southwest Power Pool	Mr. Jeff DiSciullo
Southwestern Public Service Co.	Mr. Bernard Liu
Southwestern Public Service Co	Ms. Terri Eaton
Tenaska Power Services Co.	Ms. Ann Scott
Westar Energy	Mr. Shah Hossain
Westar Energy	Mr. Dennis Reed



**Background**

PRRs 125 and 128

The SPP Market Working Group (MWG) approved PRRs 125 and 128 and provided draft modifications to Tariff Attachment AE to reflect the effect of those protocol changes.

**Analysis**

PRRs 125 and 128

At its teleconference on November 28, 2006, the RTWG approved the modifications to Tariff Attachment AE designed to reflect the provisions of PRRs 125 and 128 with minor modifications to the proposed language of Section 4.6 (b) as advanced by the MWG. Tariff modifications related to PRR128 were unanimously approved. The Tariff modifications related to PRR125 were approved with eight in favor, one opposed and one abstention. Westar Energy's opposition reflected their position on the provisions for PRR125, expressed in the MWG's PRR Recommendation Report for PRR125.

**Recommendation**

The RTWG recommends that the MOPC approve the modifications to Tariff Attachment AE. The PRR Recommendation Report for PRR128, reflecting the proposed Tariff language changes was attached previously in the MWG Recommendation. Attached is the RTWG Comments on PRR125, reflecting the Tariff change language approved.

**Approved:** Regional Tariff Working Group November 28, 2006

The MOPC approved modifications to Attachment AE based on: December 1, 2006

Approval of PRR128 with three abstentions (OMPA, Redbud, Calpine).

Approval of PRR125 contingent on review of this PRR by the ORWG for any conflicts with NERC standards. Finding no concerns, the RTWG Tariff Language is approved for filing. The ORWG is to provide suggestions for changes to resolve any conflicts. Passed by 75%.

**Action Requested:** The RTWG recommends that the MOPC approve the modifications to Tariff Attachment AE.

The MOPC recommends that the Board of Directors approve the modifications to Tariff Attachment AE with stated contingency of ORWG review.

**Attachments:** Recommendation Report – PRR128 and RTWG Comments PRR125

**Minority Opinions**  
**12/1/06 MOPC Meeting**

Of those who voted NO

Approving Schedule 2 modifications recommended by the RTWG

Redbud voted against the proposed Schedule 2 tariff language today during the MOPC meeting because it believes that implementing the proposed Schedule 2 in SPP is a bad policy decision.

The minority opinion of Calpine, Williams, Duke, and NRG is that we do not agree with the new proposed methodology. The majority of the other markets across the country pay for reactive under a capacity methodology and that is the methodology we support.

OMPA is concerned with the proposed Schedule 2 for reactive power. While we do not have an issue with the methodology used to compensate generators for the production of reactive power outside the 95% +/- bandwidth, we remain concerned with the following:

- 1.) There is no accounting for the self-supply of reactive power by a load. Every load within a zone is charged the same rate regardless of their provision of reactive power. This can have a chilling effect on a load's decision to self-supply reactive power. There is no incentive for any load to remedy the need for generators to provide reactive power because the benefits for this action would accrue to all load and not just the load taking the action.
  
- 2.) The TO/BA with generation could have the ability to control voltage schedules and VAR generation in such a way as to limit the ability of a QG to provide reactive power and be compensate for such reactive power.