



Southwest Power Pool
Board of Directors/Members Committee
June 12, 2017
Email Vote

• M I N U T E S •

Agenda Item 1 – Email Vote

During an email vote the SPP Staff and SPP MOPC requested the SPP Board of Directors and Members Committee to approve Revision Request 230 (RR230) (attachment 1 – RR230 Recommendation Report and attachment 2 – Memorandum RR230). RR230 implements a Capacity Margin reduction that equates to the planning reserve margin already approved by SPP stakeholders and the Board of Directors, but is still awaiting approval at the Federal Energy Regulatory Commission (FERC). The requested effective date for RR230 is June 1, 2017.

RR230 passed with a majority vote of the Members Committee. Empire District Electric and Westar Energy voted no. SPP Board approved RR230.

Respectfully Submitted,

Paul Suskie, Corporate Secretary



Revision Request Recommendation Report

RR #: 230	Date: 5/9/2017
RR Title: Lowering the Capacity Margin	
SUBMITTER INFORMATION	
Submitter Name: Marisa Choate	Company: Southwest Power Pool
Email: mchoate@spp.org	Phone: 501.688.1707
EXECUTIVE SUMMARY AND RECOMMENDATION FOR MOPC AND BOD ACTION	
All reviewing working groups have approved this RR. Recommend that the MOPC approve RR 230 as submitted.	
OBJECTIVE OF REVISION	
<p>Objectives of Revision Request: <i>Describe the problem/issue this revision request will resolve.</i></p> <p>RR 187 (ER17-1098) implements policy with respect to resource adequacy, including who is responsible for resource adequacy, what the resource adequacy requirement is, and how and when the resource adequacy requirement can be and should be met. This filing is currently pending before the Federal Energy Regulatory Commission (FERC). One piece of the package is the establishment of a 12% Planning Reserve Margin. As part of the “dry run” of this process, members were asked to meet the 12% for the upcoming Summer Season starting June 1. This percentage is lower than the 12% Capacity Margin currently outlined in the SPP Criteria.</p> <p><i>Describe the benefits that will be realized from this revision.</i></p> <p>RR 230 will allow members to benefit from the reduced reserve margin while the entire Resource Adequacy package continues to be reviewed by FERC. The MOPC and BOD approved 12% Planning Reserve Margin translates to a 10.7% Capacity Margin. Changes have been made to the SPP Planning Criteria in sections 4.1.9 and 6.3.5 to reflect this reduced margin.</p>	
SPP STAFF ASSESSMENT	
SPP staff supports this RR.	
IMPACT	
<p>Will the revision result in system changes? <input checked="" type="checkbox"/> No <input type="checkbox"/> Yes</p> <p>Summarize changes:</p> <p>Will the revision result in process changes? <input checked="" type="checkbox"/> No <input type="checkbox"/> Yes</p> <p>Summarize changes:</p>	
<p>Is an Impact Assessment required? <input checked="" type="checkbox"/> No <input type="checkbox"/> Yes</p> <p>If no, explain:</p>	
Estimated Cost: \$	Estimated Duration: months
Primary Working Group Score/Priority:	

SPP DOCUMENTS IMPACTED		
<input type="checkbox"/> Market Protocols	Protocol Section(s):	Protocol Version:
<input type="checkbox"/> Operating Criteria	Criteria Section(s):	Criteria Date:
<input checked="" type="checkbox"/> Planning Criteria	Criteria Section(s): 4.1.9.6.3.5	Criteria Date: 4/26/2016
<input type="checkbox"/> Tariff	Tariff Section(s):	
<input type="checkbox"/> Business Practice	Business Practice Number:	
WORKING GROUP REVIEWS AND RECOMMENDATIONS		
List Primary and any Secondary/Impacted WG Recommendations as appropriate		
Primary Working Group: Supply Adequacy Working Group	Date: 5/10/2017 Action Taken: To approve as modified Abstained: None Opposed: Empire, Westar	
Reason for Opposition: Empire objects to this RR on our experience with operational considerations. I realize that this RR has already been approved by the BOD and MOPC, but I cannot in good conscious approve something that lowers the capacity margin while SPP continues to have thousands of MW's of variable resources adding every year. This leads us closer and closer to an event that no one wants to experience. Westar considers RR230 unnecessary. If "As part of the "dry run" of this process, members were asked to meet the 12% for the upcoming Summer Season starting June 1" and there is no enforcement mechanism, the exercise of changing the criteria for the summer is not necessary. Without RR230, the region can still move forward using 2017 as a "dry run".		
Primary Working Group: Transmission Working Group	Date: 5/16/2017 Action Taken: To approve Abstained: City of Independence, ITC, SouthCentral MCN Opposed: None	
Reasons for Abstention: City of Independence doesn't think it is necessary and it really doesn't affect our company. ITC: Since the Tariff language has not yet been approved at FERC (our only objection), we are uncomfortable moving forward with changes to the Planning Criteria as an alternative route. However, we are supportive of the Deliverability Study and encourage SPP to carry out the study. We also believe that the Deliverability Study results should be made public. Currently, SPP is planning to keep the results confidential, which makes proactive transmission planning more difficult. SouthCentral MCN does not have resource requirements so we do not take a position.		
Secondary Working Group: Reliability Compliance Working Group	Date: 5/19/2017 Action Taken: To approve as written Abstained: None Opposed: None	
Reasons for Opposition:		

MOPC	<p>Date: 5/30/2017</p> <p>Action Taken: To approve RR230 Lowering the Capacity Margin effective June 1, 2017 until 10 business days after FERC takes action on RR187 (ER17-1098)</p> <p>Abstained: Flat Ridge 2 Wind Energy, Prairie Wind</p> <p>Opposed: DATC, DETHCO, KEPC, KGE-Westar, Westar Energy</p>
Reasons for Opposition:	
BOD/Members Committee	<p>Date:</p> <p>Action Taken:</p> <p>Abstained:</p> <p>Opposed:</p>
Reasons for Opposition:	
COMMENTS	
Comment Author: Bryan Taggart (Westar)	
Date Comments Submitted: 5/8/2017	
<p>Description of Comments: Westar considers RR230 unnecessary. If "As part of the "dry run" of this process, members were asked to meet the 12% for the upcoming Summer Season starting June 1" and there is no enforcement mechanism, the exercise of changing the criteria for the summer is not necessary. Without RR230, the region can still move forward using 2017 as a "dry run".</p>	
Status: Comments were reviewed by the SAWG	
Comment Author: Pat McCool (KCPL)	
Date Comments Submitted: 5/8/2017	
<p>Description of Comments: While RR 230 captures the new Planning Reserve Margin target change to 12% as recommended in RR187, it does not address the policy change in RR 187 where the system peak responsibility is to be based upon the Forecasted Peak Demand rather than the LSM's greatest net load (ie-actual peak). This is an integral part of the new PRM requirement and needs to be included in this Revision Request in order to accurately reflect the new criteria. In addition, members can pursue capacity contracts for the summer of 2017 based upon the results of the Deliverability Study, and that has also not been reflected in RR 230.</p> <p>To appropriately capture the integrated package of changes that resulted from RR 187 and that were followed for meeting the 2017 summer PRM requirements, Kansas City Power & Light would recommend that attachment AA replace the current criteria with the exception of Sections 12 and 13 regarding the CONE and Deficiency Payment, which will not be in effect until year 2018.</p>	
Status: Comments were reviewed by the SAWG	
PROPOSED REVISION(S) TO SPP DOCUMENTS	
Tariff (OATT)	

N/A

Market Protocols

N/A

SPP Operating Criteria

N/A

SPP Planning Criteria

4.0 Capacity Margin

This Criteria requires and provides for the sharing of reserve generating capacity as a means of reducing capacity requirements of each Member and providing reliable electric service to firm customers due to the equitable purchase, sale and exchange of generating capacity among Members.

4.1 Definitions

4.1.1 Load Serving Member

A Load Serving Member shall mean any SPP Member assuming legal obligation to provide firm electric service to a customer or group of customers within SPP.

4.1.2 Firm Power

Firm Power shall mean electric power which is intended to be continuously available to the buyer even under adverse conditions; i.e., power for which the seller assumes the obligation to provide capacity (including SPP defined Capacity Margin) and energy. Such power shall meet standards of reliability and availability as that delivered to native load customers. For purchases and sales, the contract amount governs regardless of the amount actually delivered at the time of such Load Serving Member's greatest Net Load. Power purchased shall only be considered to be Firm Power if Firm Transmission Service is in place to the Load Serving Member for delivery of such power. Firm Power does not include "financially firm" power.

4.1.3 System Capacity

A Load Serving Member's System Capacity shall be equal to the capability of its generating facilities, including its ownership share of jointly owned units, demonstrated under procedures set forth in SPP Rating of Generating Equipment Criteria, adjusted to reflect the purchase from and/or sale to any other party of generating capacity or SPP defined Operating Reserve, under any appropriate agreement. For purchases and sales, the contract amount governs regardless of the amount actually delivered at the time of such Load Serving Member's greatest Net Load.

Capacity purchases shall only be considered if Firm Transmission Service is in place to the Load Serving Member for delivery of power from such capacity.

Unless reported separately, generating facilities owned by others within the Load Serving Member's system that are obligated to furnish firm power to customers within the Load Serving Member's system shall also be reported. Absent any bilateral contractual arrangements with the host Control Area, the host Control Area will not be required to be responsible for capacity and/or reserve requirements. The reporting of generating facilities owned by others does not constitute an obligation on the Load Serving Member's part to furnish reserves or back up power for that generation.

4.1.4 Net Load

The term Net Load for any Load Serving Member shall mean, for any clock hour:

- a) Net generation by the Load Serving Member's facilities; plus b) Net receipts into the Load Serving Member's system; minus c) Net deliveries out of such Load Serving Member's system

Unless reported separately, the Net Load of other non-Load Serving Members located within the Load Serving Member's system shall also be reported. Absent any bilateral contractual arrangements, the reporting of these loads does not constitute an obligation on the Load Serving Member's part to furnish reserves, back up power, or incur financial obligations from SPP for that load.

4.1.5 Capacity Year

Capacity Year shall mean a period of twelve consecutive months beginning on October 1 of each calendar year. Any period less than a Capacity Year shall be designated as Short Term.

4.1.6 System Peak Responsibility

System Peak Responsibility of a Load Serving Member for any Capacity Year shall mean the Load Serving Member's greatest Net Load during that Capacity Year plus:

- a) The contract amount of Firm Power sold to others under agreements in effect as of the time of such Load Serving Member's greatest Net Load which provide for the sale of a specified amount of Firm Power; and minus
- b) The contract amount of Firm Power purchased from others under agreements in effect as of the time of such Load Serving Member's greatest Net Load which provide for the purchase of a specified amount of Firm Power.

In each case, the contract amount governs regardless of the amount actually delivered at the time of a Load Serving Member's greatest Net Load.

4.1.7 Capacity Margin

Capacity Margin shall mean the amount by which a Load Serving Member's System Capacity exceeds its System Peak Responsibility.

4.1.8 Percent Capacity Margin

Percent Capacity Margin shall be defined by the formula:

$$\text{Percent Capacity Margin} = (\text{Capacity Margin}/\text{System Capacity}) \times 100$$

4.1.9 Minimum Required Capacity Margin

Each Load Serving Member's Minimum Required Capacity Margin shall be ~~ten point seven (10.7%)~~ percent (equivalent to a 12% reserve margin). If a Load Serving Member's System Capacity for a Capacity Year is comprised of at least seventy- five percent hydro-based generation, then such Load Serving Member's Minimum Required Capacity Margin for that Capacity Year shall be nine percent.

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4.1.10 System Capacity Margin Responsibility

A Load Serving Member's System Capacity Responsibility for any Capacity Year shall mean the sum of that Load Serving Member's System Peak Responsibility and its Minimum Required Capacity Margin.

4.1.11 Capacity Balance

Capacity Balance shall mean the amount by which a Load Serving Member's System Capacity exceeds its System Capacity Responsibility.

4.1.12 Firm Transmission Service

Firm Transmission Service is that service defined in any applicable transmission service provider tariff.

4.2 Capacity Responsibility

- a) Each Capacity Year, each Load Serving Member shall possess System Capacity at least equal to its System Capacity Responsibility.
- b) Prior to the establishment of its System Peak Responsibility for each Capacity Year, each Load Serving Member shall provide System Capacity by one or more of the following means:
 - i) Establishing a unit rating consistent with SPP generating equipment rating Criteria, prior to establishing its System Peak Responsibility;

- ii) Reducing its System Peak Responsibility by purchase of Firm Power from any Member or non-Member by separate agreement;
 - iii) Separate written agreement with another Member or a non-Member for purchase of a specified amount of capacity; and/or
 - iv) Reducing its Net Load.
- c) A Load Serving Member may purchase Short Term capacity to provide a part of its System Capacity or Short Term Firm Power to reduce its System Peak Responsibility subject to each of the following restrictions:
- i) Such Short Term period shall not be less than four consecutive months, and shall include the day the Load Serving Member establishes its System Peak Responsibility. Such period shall begin during May 1 to June 1 or November 1 to December 1;
 - ii) The amount of Short Term capacity or Short Term Firm Power purchased shall not exceed 25% of the Load Serving Member's System Peak Responsibility; and
 - iii) The Load Serving Member shall purchase such Short Term Capacity or Short Term Firm Power prior to the start of the Short Term period.
- d) A Load Serving Member may sell Short Term Capacity or Short Term Firm Power from resources comprising its Capacity Balance, provided that its System Capacity Responsibility is met.

4.3 Records

Each Load Serving Member, upon request, shall provide accurate and detailed records of information related to this Criteria to the SPP Staff. Except for System Peak Responsibility, all other information shall be provided prior to establishing System Peak Responsibility for a Capacity Year and shall include; validation of System Capacity per SPP Rating of Generating Equipment Criteria, Capacity purchase and sale contracts, Firm Power purchase and sale contracts, and firm transmission service agreements. The SPP Staff shall verify information supplied by each Load Serving Member. Calculations shall be based on the highest peak load of each of the Load Serving Members during the Capacity Year. All capacity and demand values will be rounded to the nearest whole MW for purposes of this Criteria. All data submitted to SPP related to this Criteria shall be considered confidential by the SPP Staff and shall not be released in any form except by force of law

4.4 Generation Planning

4.4.1 Design Futures

- a) In order to maintain a balanced design of the electric system, excessive concentration of generating capacity in one unit, at one location, or in one area shall be avoided.
- b) Auxiliary power sources shall be provided in each major generating station to provide for the safe shutdown of all the units in the event of loss of external power.
- c) In each major load area of SPP, a unit capable of black start shall be provided having the capability of restarting the other units in the area.
- d) Boiler controls and other essential automation of major generating units shall be designed to withstand voltage dips caused by system short circuits.

4.4.2 Fuel Supply

Assurance of having desired generating capacity depends, in part, on the availability of an adequate and reliable fuel supply. Where contractual or physical arrangements permit curtailment or interruption of the normal fuel supply, sufficient quantities of standby fuel shall be provided. Due to the dependence of hydroelectric plants on seasonal water flows, this factor shall be taken into consideration when calculating capacity for capacity margin requirements.

6.3.5 Capacity Benefit Margin (CBM)

CBM on a Flowgate basis is the amount of Flowgate capacity reserved by load serving entities to ensure access to generation from interconnected systems to meet generation reliability requirements. SPP will use a probabilistic approach for Regional and sub-regional Generation Reliability assessments. These assessments will be performed by the SPP on a biennial basis. Generation Reliability assessments examine the regional ability to maintain a Loss of Load Expectation (LOLE) standard of 1 day in ten years. The SPP capacity margin Criteria requires each control area to maintain a minimum of 10.7% capacity margin (equivalent to a 12% reserve margin) for steam-based utilities and 9% for hydro-based utilities. Historical studies indicate that the LOLE of one day in ten years can be maintained with a 10% - 11% capacity margin. SPP does not utilize CBM for calculations of ATC for some or all of the following reasons:

- (1) the existing level of internal capacity margin of each member is adequate
- (2) historical reliability indicators of transmission strength of the SPP area
- (3) Open Access transmission usage environment allows greater purchasing options

Since SPP does not utilize CBM for any flowgate within the SPP footprint, the CBM value used in any calculations will be zero.

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N/A

Memorandum

To: SPP Board of Directors/Members Committee
From: Matthew Harward, SPP Attorney
Date: June 9, 2017
Re: Board of Director Approval Item – Revision Request 230

I. Purpose

The SPP Board of Directors and Members Committee is asked to approve Revision Request 230 (“RR 230”), which will implement a revised Capacity Margin of 10.7% applicable to load serving SPP Members pursuant to SPP Planning Criteria § 4 effective June 1, 2017. ***The request is for an email vote by both the Members Committee and the Board of Directors.*** RR 230 implements a Capacity Margin reduction that equates to the planning reserve margin already approved by SPP stakeholders and the Board of Directors but is still awaiting approval at the Federal Energy Regulatory Commission (“FERC”).

SPP staff recommends this change to the Capacity Margin as a stop gap to bridge the time between the start of the summer season (June 1, 2017) and a future date when FERC issues an order on SPP’s filing of Tariff revisions to implement the resource adequacy requirement for the SPP region. Approval of RR 230 will reduce the Capacity Margin and ensure load serving SPP Members may continue to meet obligations under the Planning Criteria while SPP prepares to implement the resource adequacy requirement that is pending at FERC. The Board of Directors has final approval authority over the Planning Criteria and no FERC action is required to implement this change. Hence, upon the Board of Directors approval, no further action is required.

II. Background

On March 3, 2017, SPP submitted for FERC approval a proposal to implement a resource adequacy requirement for the SPP region that will be applicable to all entities serving load in the Integrated Marketplace (Docket No. ER17-1098). SPP requested FERC to approve Tariff revisions to implement the resource adequacy requirement and a 12% planning reserve margin to be effective on June 1, 2017. On May 31, 2017, FERC issued a request for additional information to process SPP’s filing, which delays the issuance of an order by FERC for a minimum 60 days after SPP provides the additional information.¹ Additionally, FERC does not currently have a quorum necessary to issue a final order on SPP’s filing; and therefore, it is unknown when FERC will be able to take formal action on resource adequacy.

Current Planning Criteria § 4 contains a 12% Capacity Margin for load serving Members of SPP. Although Capacity Margin and planning reserve margin are similar in function, a 12% Capacity Margin does not translate directly to a 12% planning reserve margin. Load serving SPP Members have been asked to participate in a “dry run” of the 12% planning reserve margin for the

¹ SPP staff is currently preparing responses to be provided to FERC no later than June 30, 2017.

2017 summer season while FERC reviews SPP's filing. SPP staff developed RR 230 to reduce the Capacity Margin contained in the Planning Criteria to 10.7%, which is the equivalent to a 12% planning reserve margin, but lower than the current Capacity Margin. The Markets and Operations Policy Committee ("MOPC") approved RR 230 during a conference call held on May 30, 2017.² Approval of RR 230 by the Board of Directors will bridge the gap between June 1, 2017 and FERC action discussed above, and allow load serving SPP Members to comply with the Capacity Margin contained in the Planning Criteria and participate in the "dry run" of the resource adequacy requirement.

III. SPP Board of Directors Has Sole Authority to Revise SPP Planning Criteria

Pursuant to the SPP Bylaws, the Board of Directors has the responsibility and authority to approve changes to the Planning Criteria for enforcement under the SPP Membership Agreement. Pursuant to SPP Bylaws § 4.1(o), the Board of Directors has authority to "[a]pprove Regional Criteria pertaining to planning and operating standards and policies[.]" Additionally, SPP Bylaws § 4.1(i) provides that the Board of Directors "[a]pprove and implement Regional Criteria for enforcement under the terms and conditions of the SPP Membership Agreement."

Both MOPC and SPP Staff recommendations to revise the Planning Criteria for the SPP region. Therefore, approval and implementation of RR 230 requires Board of Directors' approval in order to for SPP to revise the Planning Criteria and enforce the 10.7% Capacity Margin requirement.

IV. FERC Action Not Necessary to Implement Changes to Planning Criteria

FERC approval is not required to change Planning Criteria. Currently, the SPP Criteria is not subject to FERC's jurisdiction under Section 205 of the Federal Power Act. As a result, SPP may implement changes to the Capacity Margin requirement contained in the Planning Criteria immediately upon Board of Directors' approval of RR 230, and implementation of RR 230 will not require SPP to make an additional filing at FERC.

V. Recommendation

As stated in RR 230, the reduction to the Capacity Margin contained in the section 4 of the Planning Criteria to 10.7% will allow members to benefit from the reduced reserve margin while FERC continues to review SPP's resource adequacy requirement proposal. Moreover, approval of RR 230 will allow load serving Members to satisfy the lower 12% planning reserve margin for the summer season and remain compliant with the requirements of the Planning Criteria. For these reasons, SPP staff recommends that the Board of Directors and Members Committee approve RR 230 via an email vote and the resulting change to lower the Capacity Margin contained in the Planning Criteria to 10.7%.

² The MOPC approved RR 230 with 5 oppositions and 2 abstentions.