

SPP Task Force on New Members

Proposed SPP Stakeholder Communication Process

**** Final Report ****

Introduction

Given communication concerns raised during the Integrated Systems addition to the Southwest Power Pool (SPP) in 2013/2014, the SPP Board charged the Strategic Planning Committee to develop improved and enhanced communications and processes for new member additions to SPP. At the July 17, 2014 SPP Strategic Planning Committee (SPC) meeting, the SPC Task Force on New Members (SPCTFNM) was formed and charged with developing recommended prospective communication and work group processes that would be followed during the various stages of engaging prospective transmission-owning and load serving members. The outcome of this Final Report and Communication Process only applies to prospective transmission-owning members who request membership contingent upon modifications beyond minor pro forma changes to typical new members to the SPP Open Access Transmission Tariff (OATT), Governing Documents, or Regional State Committee (RSC) Bylaws.¹

The SPCTFNM had several meetings over the course of fall of 2014 and reviewed the existing SPP Staff process document for adding prospective transmission-owning members and discussed improvements in the SPP Staff process as well as documenting a recommended Communication Process for future transmission-owning member additions. The SPCTFNM was guided by the overarching need to allow flexibility to deal with unique features of the prospective transmission-owning member throughout the process, while balancing appropriate transparency for member participation while allowing for confidential discussions/negotiations. Noteworthy is that the SPP staff remains solely responsible for the direct negotiations with the prospective member with input from the stakeholders on both policy and specific changes to the governing documents.

When evaluating the overall process of adding new transmission-owning members, the prospective member goes through the following five stages:

1. Initial Discussions
2. Due Diligence and Membership Agreement Discussions
3. SPP OATT and Governing Document Changes
4. FERC Approvals
5. Integration

¹ The applicability of the process contained herein is further defined in Chart 1, Applicability of New Member Process, contained on Page 6.

Each of these stages will be discussed further in this Final Report and the recommended Communication Process improvements are noted for each of the stages. The focus of the SPCTFNM efforts was on Stages 1, 2 and 3 as those are the stages where most communications and discussions are confidential and proprietary to the SPP region and where the communication concerns were concentrated.

Regarding the effective date for regional cost sharing associated with the integration of the new member, the SPCTFNM brought the issue to the RSC to determine how the issue should be addressed. The SPCTFNM recommends that while the issue is a significant concern when adding a new transmission-owning member to the SPP region, the issue is outside the scope of this task force which was tasked with improving the communication process.

This document is the final product of the SPCTFNM and recommends the Strategic Planning Committee (SPC) approve the recommendations for process improvements. SPP Staff has also made a series of changes and clarifications in the Staff work process document, which is included in this report as ATTACHMENT A.

Key Definitions

Stakeholders – Stakeholders include existing transmission-owning members, transmission-using members, and RSC members and their staffs.

Prospective transmission-owning member – A potential SPP member who is seeking to bring its transmission system into the SPP region. Due to its request for membership, the prospective member requires modifications to the SPP OATT (beyond minor pro forma changes for typical new members), Governing Documents, or RSC Bylaws.

Members Forum – A group of interested SPP members, including SPP members who are electrically adjacent to the prospective transmission-owning member, who will give guidance to SPP Staff. A prerequisite to joining the Members Forum is an executed SPP Members Agreement and confidentiality agreement.

State Commission Forum – A group of interested RSC Commissioners or Commission Staff who will give guidance to SPP Staff. A prerequisite to joining the State Commission Forum is an executed confidentiality agreement.

Governing Documents – Includes the SPP Bylaws and SPP Membership Agreement.

First Triggering Event – Typically when the potential new transmission-owning member formally requests SPP to begin negotiations to change the SPP OATT, Governing Documents, or RSC Bylaws to allow for its membership into SPP.

Second Triggering Event – This occurs when SPP Staff and the prospective transmission-owning member determine that the discussions and the potential new member information need to become public to all SPP Stakeholders.

Communication Process

Stage 1: Initial Discussions

Periodically, prospective transmission-owning members approach SPP, typically in confidence, indicating they would like to discuss membership. SPP Staff will periodically report to the SPP SPC the general discussions and these discussions may remain “general” for months and years. SPP Staff does not take any formal action until the First Triggering Event occurs, which is typically when the prospective new transmission-owning member formally requests SPP to begin negotiations to change the SPP OATT, Governing Documents, or RSC Bylaws to allow for its membership into SPP.

Once this First Triggering Event occurs, SPP Staff formally notifies the SPC. If the potential new member requests confidentiality of the negotiations, or if the new member is also negotiating with another Regional Transmission Organization (RTO), the negotiations are considered proprietary, and updates to the SPC are conducted in Executive Session with proper notification given, by ensuring the meeting agendas note an Executive Session is expected and the topic is New Members. In the Executive Session, the phones may be closed out; however, all SPP Members and RSC Commissioners or Commissioner Staff present at the meeting shall be permitted to remain in the Executive Session.²

Once this First Triggering Event occurs, SPP Staff also shall establish a Members Forum and State Commission Forum to give guidance and assist SPP Staff on due diligence. The Members Forum is typically open to SPP members who are located electrically adjacent to the potential new transmission-owning member(s) and while no existing Member requesting to join the Members Forum is turned down, the Members Forum size needs to be managed so that SPP Staff can be agile and efficient in their work.

All SPP members, as well as RSC and commission staff, may attend the SPC Executive Session discussions on New Members. For these Executive Sessions, an executed confidentiality agreement will be required for all participants.

Stage 2: Due Diligence and Membership Agreement Discussions

During this stage, SPP Staff is solely responsible for the negotiations with the prospective new transmission-owning member. The SPP SPC, State Commission Forum and Members Forum can provide input to SPP Staff as well as receive regular updates on progress or issues of concern. These discussions, and updates from the due diligence work SPP Staff conducts, are typically highly confidential and proprietary. Also during this stage, SPP Staff provides regular updates to the SPC and as the updates require, in Executive Session. The Executive Session will be noticed on the agenda. As appropriate, SPP Staff will provide updates to the appropriate working groups and committees, including the SPP Board, Members Committee, RSC, and Markets and Operations Policy Committee (MOPC).

² Subject to assurances from Commissioners and Commission staff regarding protection of confidential information that may be subject to Freedom of Information Act and state open meeting laws.

During this stage, a Second Triggering Event occurs that makes the discussions and the potential new member's identity public to all SPP Stakeholders. Once this Second Triggering Event occurs, SPP Staff convenes a special all-member meeting to discuss all the proposed document changes and analyses conducted to date.

Each prospective new transmission-owning member generally has unique characteristics associated with its transmission system. In all cases, SPP Staff conducts a cost/benefit analysis to determine the impact the addition of the prospective transmission-owning member's system would have on existing SPP members. The potential new transmission-owning member may conduct a cost/benefit study of its own that could include a production cost analysis.

The SPC shall make a determination of whether to have a more extensive production cost/benefit analysis conducted, either by SPP Staff or by a third party under SPP direction. When posting the SPC agenda, SPP Staff will ensure the agenda states there is a new member discussion item and that it may be discussed in Executive Session. The decisions to conduct such a cost/benefit study will be evaluated on a case-by-case basis.

Stage 3: SPP OATT and Governing Document Changes

During this stage, SPP Staff is solely responsible for the direct negotiations with the prospective new member, and the SPP SPC, State Commission Forum and Members Forum provide input to SPP Staff as well as receive regular updates on progress or issues of concern. During this stage, SPP Staff provides regular updates to the SPC and as the updates require, in Executive Session. As appropriate, SPP Staff will provide updates to the appropriate working groups and committees, including the SPP Board and Members Committee, RSC, and MOPC.

At this stage, SPP Staff convenes a special all-Member meeting to discuss the proposed OATT and Governing Document Changes and any analyses conducted to date. Throughout this stage, as appropriate, SPP Staff shall provide updates to the appropriate Working Groups and Committees, including the SPP Board and Members Committee, the RSC, the Cost Allocation Working Group, and MOPC.

When SPP Staff convenes the special all-Member meeting SPP Staff shall include the RSC Commissioners and Commission staff. The RSC may request SPP Staff to hold a special meeting of the RSC to review the proposed changes; however, this would not preclude the RSC Commissioners or Commission Staff from attending the all-Member special meeting to review and discuss the potential document changes and new members.

Finally, if the SPP OATT and Governing Documents are amended and presented for stakeholder approval, the following groups' roles are defined.

MOPC: Prior to going to the Members Committee and Board for a vote, any changes to the SPP OATT will be presented to MOPC for all members to discuss and vote on changes.

SPC: Prior to going to the Members Committee and Board for a vote, all negotiating strategies, guidance, and deliberations for prospective new members will be reviewed by the SPC, either in an open meeting or Executive Session for review and approval.

Corporate Governance Committee (CGC): Prior to going to the Members Committee and Board for a vote, any changes to the Governing Documents will be reviewed and approved by the CGC.

RSC: SPP Staff will provide regular updates to the RSC on new transmission owning member deliberations and negotiations. Any matters for which the RSC has delegated authority will be presented to the RSC for discussion and approvals, in accordance with the RSC and SPP Governing Documents, prior to SPP Board action.

Legal Analysis

Depending on the unique characteristics of the potential new member, or the request of the potential new member for OATT and Governing Document changes, a legal analysis may be required. The prospective new member shall be responsible for any legal analysis it needs. SPP will be responsible for any legal analysis SPP determines it needs. Any time the potential new member indicates that it has identified a matter for which it is seeking a legal analysis, an analysis may be requested of SPP's General Counsel. This request should be made in writing.

Additionally, on a case-by-case basis, Stakeholders, as defined in this document, may request an SPP legal analysis on issues related to the prospective new member. This request should be made of the General Counsel in writing. Nothing in this recommendation precludes any SPP Member, the RSC, or State Commission from pursuing its own legal analysis on any legal matter associated with the prospective new member.

The SPP General Counsel has a process for conducting general legal analyses in response to such requests. This process documents how that legal analyses would be pursued and disseminated during the non-public and public stages of the process of adding new members. Such legal analysis would be released subject to the resolution of attorney-client privilege issues and professional responsibility obligations.

CHART 1

Applicability of New Member Processes

Below are examples of situations of when the New Member Process Document will and will not apply to prospective new members integrations into SPP.

New Member Process Document Applies	New Member Process Document Does Not Apply
The prospective New Member is requesting changes to the SPP tariff including Schedule 11, Schedule 12, Attachment J, Attachment AE, or other rate schedule.	The prospective New Member is only requesting pro forma changes to the SPP tariff.
The prospective New Member is requesting significant changes to the pro forma SPP Membership Agreement.	The prospective New Member is only requesting minor changes to their membership agreement or changes to the membership agreement already approved by FERC for other members of the same zone.
The prospective New Member is requesting significant changes to the SPP Bylaws.	The prospective New Member has no requested changes to the SPP Bylaws.
The prospective New Member is requesting significant changes to the RSC Bylaws or to the delegated authorities of the RSC, as stated in the SPP Bylaws.	The prospective new member is not a prospective transmission-owning member.
Any other instances not specifically listed herein where the SPC or Board of Directors determine that the changes are significant enough that the New Member Process Document should apply.	The prospective new member will not be classified as a TO member within the SPP Membership Agreement.
Any other instances not specifically listed herein that are within the responsibilities of the RSC, where the RSC finds that the changes are significant enough that the New Member Process Document should apply.	