UNITED STATES OF AMERICA 84 FERC ¶ 61,251
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: James J. Hoecker, Chairman;
Vicky A. Bailey, William L. Massey,
Linda Breathitt, and Curt Hébert, Jr.

Southwest Power Pool, Inc.) Docket No. ER98-3888-000

ORDER CONDITIONALLY ACCEPTING FOR
FILING REVISED TARIFF SHEETS

(Issued September 18, 1998)

In this order, we conditionally accept for filing, without hearing or suspension, the proposed revised transmission tariff sheets filed by Southwest Power Pool, Inc. (SPP). [1]

Background

In the instant filing, SPP proposes modifications to the SPP Tariff loss provision. These proposed modifications were filed in response to Commission orders issued in Docket No. ER98-1163-000 [2]

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[1]SPP is a regional reliability council of the North American Electric Reliability Council. SPP has 18 transmission-owning members. The SPP members that have agreed to participate in SPP's Regional Transmission Tariff (SPP Tariff) are: Central and South West Corporation, Central Louisiana Electric Company, Empire District Electric Company, Kansas City Power & Light Company, Oklahoma Gas & Electric Company, UtiliCorp United, Inc., Western Resources, Inc., the City of Springfield, Missouri, Grand River Dam Authority, U.S. Department of Energy, Southwestern Power Administration, Midwest Energy, Inc., Sunflower Electric Power Corporation, Southwestern Public Service Company, and Western Farmers Electric Cooperative.

[2]In Southwest Power Pool, Inc., 82 FERC ¶ 61,267 (1998), reh'g pending, (March 13 order), the Commission accepted the SPP Tariff subject to certain modifications, including the requirement that the SPP Tariff be revised to permit customers to self-supply losses. SPP submitted a compliance tariff which contained a provision allowing customers to self-supply losses. SPP indicated that it would implement the provision by requiring that these self-supply losses be
(continued...)

and as the result of SPP's experience in implementing the SPP Tariff loss provision as required by the July 20 order. First, SPP proposes to delete the self-supply option and require customers instead to purchase losses from the SPP transmission providers. Second, SPP proposes to abandon its incremental approach to determining losses and instead determine losses based on the average loss factor of each SPP transmission provider.

Notice of SPP's filing was published in the Federal Register, [3] with comments, protests and motions to intervene due on or before August 13, 1998. Timely motions to intervene and comments supporting SPP's filing were filed by Southwestern Public Service Company, Southwestern Electric Power Company, Public Service Company of Oklahoma, Arkansas Electric Cooperative Corporation, Aquila Power Corporation, Empire District Electric Company, Oklahoma Gas and Electric Company, Southwestern Power Administration, Western Resources, Inc., Kansas City Power & Light Company, and Cleco Corporation.

Electric Clearinghouse, Inc. (Clearinghouse) filed a timely motion to intervene and protest. Clearinghouse argues that the Commission should not accept SPP's instant proposal which requires transmission customers to make cash payments to SPP transmission providers for transmission losses in lieu of self-supply. Clearinghouse points out that the Commission has already refused to permit SPP to implement a similar provision in the March 13 order. Clearinghouse further asserts that SPP did not implement the loss provision accepted in the compliance filing, which became effective earlier this year. Clearinghouse asks the Commission to order SPP to implement this requirement, as set out in the July 20 order, no later than November 1, 1998.

On August 24, 1998, SPP submitted its response to

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[2](...continued) delivered one week after the actual transaction. Intervenors objected to the loss provision because the time lag for supplying losses would make some transactions uneconomic after the fact due to price volatility in the wholesale power market. The Commission accepted the compliance tariff, but directed SPP to implement the self-supply loss provision in a manner that would permit customers to elect simultaneous loss delivery. Southwest Power Pool, Inc., 84 FERC ¶ 61,055 (1998) (July 20 order).

[3]63 Fed. Reg. 42,020 (1998).

Clearinghouse's protest.

Discussion

A. Procedural Matters

Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214 (1998), the unopposed motions to intervene of the movants listed above serve to make them parties to this proceeding.

Rule 213(a)(2) of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.213(a)(2) (1998), prohibits an answer to a protest unless otherwise ordered by the decisional authority. We are not persuaded to allow the proposed answer and, accordingly, we will reject it.

B. The customers' right to self supply losses

SPP asserts that its existing loss provision requiring customers to self-supply one week after the transaction (the provision included in the compliance filing) discourages transactions in the SPP region. SPP identifies two main problems with the loss provision. First, it asserts that the final cost of the transaction is not known until losses are delivered one week later and that this introduces an additional market risk to customers due to price volatility in the power market. As a result, it maintains, a transaction which appeared profitable at the time the deal was negotiated, may in some instances result in a loss to the customer, particularly for marginally profitable transactions.

Second, SPP explains that customers have encountered difficulty in acquiring losses because many power suppliers are unwilling to enter into transactions for only a few megawatt-hours given the administrative burden of scheduling losses to multiple control areas. Moreover, it points out that its existing accounting and software systems are designed to report transactions on a whole megawatt-hour basis, but losses are determined as a percentage of the megawatt-hours scheduled, resulting in fractional megawatt-hours for the provision of losses.

Although SPP supports a customer's right to self-supply losses at the time of the transaction ("simultaneous supply of losses"), SPP states that at present it does not have the necessary software in place to implement this right on a real-time basis over its large multi-control area region. Consequently, SPP proposes, on an indefinite interim basis until necessary software can be developed, to require SPP transmission providers to supply losses and customers to purchase losses from those transmission providers. SPP indicates that its proposal has received wide support among the SPP members. SPP states that other regions have imposed similar restrictions for losses.

Clearinghouse acknowledges SPP's problems and its related efforts to develop the necessary software to implement simultaneous supply of losses. Clearinghouse requests that Commission acceptance of the proposed filing be conditioned on SPP having the necessary software in place by November 1, 1998.

Given SPP's inability to accommodate the simultaneous supply of losses at this time and the difficulties experienced by SPP and its customers with SPP's existing loss provision, we will allow SPP to provide for losses on an interim basis, as it proposes, pending technical upgrades to its software. However, we concur with Clearinghouse that our acceptance should be conditioned on SPP implementing simultaneous supply of losses on a date certain. We believe that Clearinghouse's proposal of a November 1, 1998, implementation deadline is unrealistic given the technical upgrades required. We will therefore condition our acceptance of the proposed filing on SPP implementing simultaneous supply of losses by March 1, 1999.

C. Average loss factors

SPP proposes to abandon its existing incremental approach for determining losses and instead to determine losses based on the average loss factor of each SPP transmission provider. SPP indicates that this change is necessary because it has experienced technical difficulties in implementing its incremental loss method. SPP explains that under its proposal it will determine a loss factor for each receipt and delivery combination based on a weighting of the transmission's provider's loss factor, as set forth in the SPP transmission providers' individual tariffs, in proportion to its share of the MW-mile impacts for the given transaction. SPP states that it will post these loss factors in a matrix to permit a customer to determine the amount of losses associated with a particular transaction.

Since SPP proposes to use average loss factors based on those in the SPP transmission providers' individual open access tariffs, we find that SPP's proposal is an acceptable means to ease the administration of its tariff.

D. Waiver of advance notice provisions

SPP requests that the Commission waive its 60-day notice requirement and allow the proposed changes to become effective on or before September 1, 1998. SPP asserts that, given the harm to the market that its filing seeks to address and the broad support of SPP's diverse membership, good cause exists to grant its waiver request. We will grant the requested waiver for good cause shown and will allow the proposed changes to become effective on September 1, 1998. [4]

The Commission orders:

(A) SPP's response to Clearinghouse's protest is hereby rejected.

(B) SPP's revised tariff sheets are accepted for filing, effective September 1, 1998, as requested, subject to the condition contained in Ordering Paragraph (C).

(C) SPP shall implement simultaneous supply of losses no later than March 1, 1999, as discussed in the body of this order.

(D) SPP is hereby informed of the rate schedule designation: Southwest Power Pool, Inc., First Revised Sheet Nos. 28-29, 31-32, 35, 61-62, and 97-100 to FERC Electric Tariff, First Revised Volume No. 1 (Supersedes Original Sheet Nos.).

By the Commission.

(S E A L)

David P. Boergers,
Secretary.

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[4] See Central Hudson Gas & Electric Corporation, 60 FERC ¶ 61,106, order on reh'g, 61 FERC ¶ 61,089 (1992).