

MEMORANDUM

To: SPP market participants

From: Keith Collins, Executive Director
SPP Market Monitoring Unit

Date: April 5, 2021

Re: Actual cost verification

Executive summary

The events of February 11 to February 20, 2021 represent an unprecedented and unanticipated magnitude of market operations that fall under FERC Order Nos. 831 and 831-A (the Orders).¹ This communication is to set a framework to assist the MMU's review of actual costs to facilitate the settlement of operating days where the locational marginal price for energy reflected incremental energy offers above the \$1,000/MWh safety-net energy offer cap. The Orders require that energy suppliers receive a reasonable opportunity to recover their actual costs of providing energy.²

The MMU shall perform an after-the-fact verification of actual costs, which will be used by SPP to calculate actual cost reimbursement in the form of make whole payments, for resources with energy offer curves above \$1,000/MWh submitted prior to start of the market clearing process.³ Pursuant to SPP Tariff Attachment AF, section 3.2(J), settlement of actual costs on the S53 statements requires the timely submission of evidence demonstrating actual costs incurred; within 35 days after the operating day. In other words, evidence of actual costs for operating day February 13 would normally be due no later than March 20. SPP and the MMU submitted, and FERC approved, a request to extend the deadline to 75 days after the operating day, and to extend the MMU's verification deadline to 105 days after the operating day.⁴ The Extension Order allows settlement of actual costs to extend to the S120 settlement. Consistent with the language and intent of Order Nos. 831 and 831-A, the MMU will verify incremental energy offers, start-up and transition offers, and No-Load offers reflect actual costs incurred. All cost data submitted will be treated as confidential.⁵

¹ *Offer Caps in Markets Operated by Regional Transmission Organizations and Independent System Operators*, Order No. 831, FERC Stats. & Regs. ¶ 31,387 (2016) (Order 831), *reh'g and clarification*, Order No. 831-A, 161 FERC ¶ 61,156 (2017) (Order 831-A).

² Order 831, at P 36 (“A central tenet of sound wholesale electric market design is that resources must have an opportunity to recover their costs, so the question left to the Commission is how to provide that opportunity for cost recovery when short-run marginal costs exceed the \$1,000/MWh offer cap.”).

³ See SPP Tariff, Attachment AF, Section 3.2(J).

⁴ See *Southwest Power Pool, Inc.*, 174 FERC ¶ 61,211 (2021) (Extension Order).

⁵ See SPP Tariff, Attachments AF, Section 3.2(K) and AE, Section 11.

Offers requiring verification

Market participants are obligated under section 8.3 of attachment AG of the SPP tariff to retain and provide to the market monitor, upon request, data and information necessary for monitoring markets and services. The MMU requests submission of actual cost information, outlined below, for all resources with incremental energy offers above \$1,000/MWh submitted from February 11 through February 20, 2021.

The MMU will verify whether submitted incremental energy offers, start-up and transition offers, and No-Load offers reasonably represent actual costs incurred by the market participant to provide generation. The MMU will pass verified offers to SPP for settlement purposes. Offers that cannot be verified and original offers above \$1,000/MWh for which no actual costs are submitted will be treated as “zero dollars verified” and passed to SPP for settlement purposes.

Documentation required for verification

The MMU requests market participants submit information that will demonstrate actual costs that may be eligible for reimbursement by SPP. The information should include evidence of (i) actual costs incurred, (ii) revised offers based solely on actual costs, and (iii) any other information to assist the MMU in reproducing offers from actual costs. That information includes, but is not limited to, the following:

- Updated offers reflecting actual costs (the original offers are presumed to have been based to some degree on expected cost).
- Weighted average actual cost of fuel.
- Explanations of weighting based on fuel policy, inventory management, etc.
- Contracts, statements, invoices, or other records of actual fuel purchases that include quantity, price, and time of use.
- Any modification to the usual process in calculating the mitigated offer, with an explanation for modifying (*e.g.*, variable operations and maintenance costs, heat rate, and opportunity cost).
- A spreadsheet tying individual invoices to a weighted average fuel cost used to shadow the offer that is based on actual fuel costs.

A list of frequently asked questions and the data elements requested with a template containing data format is posted at SPP.org under Market Monitoring Documents and Reports on the Market Monitoring page.

- [AO Sample Cost Template 20210319](#)
- [SPP MMU Order 831 Verification FAQ](#)

How and where to submit requested documentation

1. Market participants should upload a zip file containing all documents to the Mitigated Offer Methodology section of the Market Monitoring Portal.
2. Each spreadsheet should include one resource and reflect one or more operating days.
3. The upload should include all documents (e.g., offers, invoices) required for verification of all resources owned by an asset owner and should be placed in one zip file.
4. For each zip file, use the prefix “1K_”.

Market participants should compile all relevant information as described in the “documentation required for verification” section of this document into a spreadsheet/workbook for each resource.

- All contracts, statements, invoices, and records of actual fuel purchases belonging to a single asset owner may be placed in separate tabs of a separate spreadsheet;
- All spreadsheets associated with an asset owner that use the same offer methodology and evidence for cost verification may be zipped (password protected if desired) together; and
- Spreadsheets and the zip file should be given a unique name that begins with “1K_” in order to visibly separate those files from actual policy documentation.

Tracking progress of submission

Once submitted, progress of the submission may be monitored on the portal. After upload, the documentation can be viewed under the “Policy Name” column and will be classified as “Submitted.” After Verification, the Offer status will change to “Approved” and the offer will be provided to SPP for use in the settlement process.

Next Steps

FERC’s approval of the waiver request extended market participants’ deadline for submission of actual cost data from 35 to 75 days after the operating day. The FAQ contains a table that provides the deadline for submission of actual cost data based on the operating day.

Please submit documentation as soon as possible and as close to the template above as practicable to facilitate timely reimbursement.