



**Southwest Power Pool, Inc.**

**MARKETS AND OPERATIONS POLICY COMMITTEE**

**Recommendation to the Board of Directors**

**April 20, 2009**

**FERC Order No. 719 SPP Tariff Modifications and Compliance Filing**

**Background**

FERC issued a Final Rule in Docket Nos. RM07-19-000 and AD07-7-000, Order No. 719, Wholesale Competition in Regions With Organized Electric Markets ("Order 719") on October 17, 2008. The Order was published in the Federal Register on October 28, 2008 with an effective date of December 28, 2008. All RTOs and ISOs were ordered to file tariff revisions and explanation of current compliance on or before April 28, 2009.

Tariff revisions required by Order 719 are limited to the topics of demand response and market monitoring policies. This requires modifications primarily to Attachments AE, AF, and AG of the SPP Tariff. These are outlined below and the redlined Tariff sheets are attached. There are other modifications regarding demand response that are before FERC presently in Docket No. ER09-748 reflecting provisions set forth in PRR 176 (Approved by MOPC and the SPP Board of Directors in January 2009 meetings). In the Order 719 compliance filing letter, SPP will state that the February 24, 2009 filing in Docket No. ER09-748 by SPP reflects compliance with several demand response requirements required in Order 719. Tariff revisions to Attachment AF and AG are proposed to properly split the responsibilities of the internal and external market monitor functions. There are also some minor revisions to the SPP Bylaws that were required by Order 719 to comply with changes in the market monitoring policies. The revisions in the Bylaws were presented to the Corporate Governance Committee on March 5 and approval is pending by the Board of Directors.

Additionally, Order 719 addressed issues relating to long-term power contracting and RTO responsiveness. The Final Rule requires each RTO to dedicate a portion of its website to market participants to post offers to buy and sell power on a long term basis. There are no tariff revisions associated with this requirement. The RTOs and ISOs are working together as a group to propose for consideration to FERC a multi-RTO/ISO bulletin board that all RTOs and ISOs will link to for access by market participants for posting offers for long-term power contracting. There are no tariff revisions required to comply with Order 719 requirements for RTO responsiveness. There will be discussion of SPP's compliance with the RTO responsiveness section in the filing letter.

The Market Working Group discussed the tariff revisions relating to demand response and market monitoring and how the tariff currently complies with Order 719 in certain areas. The RTWG also reviewed the tariff revisions and approved those revisions on March 19, 2009 with 1 vote in opposition by Arkansas Electric Cooperative Corporation ("AECC"). A written statement was provided by Mr. Robert Shields to members of RTWG expressing concerns to Section 1.2.2(i) of Attachment AE. This email is attached herein.

**Analysis**

To comply with Order 719, changes to the following Tariff Sections are proposed:

In the main body of the Tariff:

Section: 1.18b – Market Participant (definition)

In Attachment AE to the OATT (Energy Imbalance Service Market)

- Section: 1.2.2 – Application and Asset Registration – new subsection (i)
- (new) 1.2.10 – Aggregation of Controllable Load as a Resource
- (new) 6 – Release of Offer Curve Data (insertion of new Section 6 necessitates renumbering and re-referencing remaining sections of Attachment AE)
- (renumbered) 8.4.5 Information Requests – subsection (e) new language added; new (g) inserted – Response to Tailored Request for Information from State Commissions; (h) renumbered from insertion above – Limitation on Disclosure Obligation

In Attachment AF to the OATT (Market Power Mitigation Plan)

- Section: Table of Contents for Attachment AF revised to reflect changes made below
1. Purpose and Objective
  - 2.2 (removed) subsequent subsections renumbered
  - 3.2.3 Reassessment of Affected Status
  - 3.2.4 Calculation of Offer Caps (subsections (a), (b), and (d))
  4. (removed)
  5. (removed) and subsequent sections and subsections renumbered
  - 4.1 (renumbered from above deletion) Rights and Remedies

In Attachment AG (Market Monitoring Plan)

- Section: 1.3 Mission Statement and Objectives of the Market Monitor (new name for section and proposed language)
- 1.5 (new subsection) Resolution of Conflicts
- 2.3 External Market Advisor (changed from “Monitor” to “Advisor”)
- 3.1 Staffing and Resources
- 3.2 Relationships and Notifications
- 3.3 Independence and Ethics Standards (added “and Ethics Standards” to title and added standards (a) through (g))
- 4.3 **Compliance with** Market Behavior Rules **and SPP Tariff** (bold text added to existing section title and the section was broken down into parts (a) and (b))
- 4.4 **Monitoring for Potential EIS** Market Manipulation (bold text added to existing section title)

- 4.5 Monitoring for Potential Transmission Market Power Activities
- 6.1 Compliance
- 6.2 Corrective Actions for Market Design
- 7. Periodic Reports and **Updates** to **SPP**, Government Agencies, and **Market Participants** (bold text added to section title)
  - 7.1 Reports **and Updates** to the Board of Directors (bold text added to the section title and new subsections created with new language)
  - 7.2 Reports to Government Agencies **and Market Participants** (bold text added to section title and new language added along with subsections 7.2.1, 7.2.2, and 7.2.3)
- 8.5 (new section) Data Created by Market Monitor

In Attachment AH (Form of Service Agreement for Market Participants Selling into the Energy Imbalance Service Market)

Section: 8. Added language to existing section

**Minority Opinion**

- City of Independence – “This was flushed out in at the RTWG and felt that the MOPC was making changes that I did not fully understand the implications (how it would impact municipal utilities). Also, further changes were needed throughout the document.”
- Lincoln Electric – “LES voted “no” due to the fact that the recommended language exceeded the original FERC language and its intents”
- SEPC and MKEC voted no. Proposed amendments to the tariff language were made on the fly and I’m concerned insufficient review was given to the proposed changes. Note that MKEC and SEPC support the base document, and may not be opposed to the proposed amendments, provided that a timely review can be completed.

**Recommendation**

The MOPC recommends that the Board of Directors approve the proposed tariff language which reflects the revisions required by Order 719.

<b>Approved:</b>	Regional Tariff Working Group	March 19, 2009
	25 For; 1 Against; 0 Abstained	
	Markets and Operations Policy Committee	April 14, 2009
	20 For; 7 Against; 5 Abstained (75%)	

**Action Requested:** Approve Recommendation

(b) Transmission Customers, (c) Network Customers, (d) Generation Interconnection Customers, ~~and~~ (e) any Eligible Customer offering Resources for sale into the EIS Market that executes the Service Agreement specified in Attachment AH, or on whose behalf an unexecuted Service Agreement has been filed at the Commission, and (f) any retail customer or eligible person that is not precluded under the laws or regulations of the relevant electric retail regulatory authority **including state-approved retail tariff(s)** from participating in demand response programs and that is technically qualified to offer controllable load into the EIS Market or an aggregator of such retail customers that offers qualified controllable load into the EIS Market under Section 1.2.10 of Attachment AE.

**1.18c Market Protocols:** The protocols implementing this Attachment AE, as amended from time to time in accordance with the SPP Membership Agreement.

**1.18d Member:** A member of SPP.

**1.19 Native Load Customers:** The wholesale and retail power customers of the Transmission Owner(s) on whose behalf the Transmission Owner(s), by statute, franchise, regulatory requirement, or contract, has (have) undertaken an obligation to construct or operate the Transmission Owner's(s') system(s) to meet the reliable electric needs of such customers. In addition, Native Load Customers also may include the customers of the Federal Government on whose behalf the Government, by policy, statute, regulatory requirement, or contract, delivers Federal capacity and energy to meet all or a portion of the reliable electric needs of such customers.

**1.20 Network Customer:** An entity receiving transmission service pursuant to the terms of the Transmission Provider's Network Integration Transmission Service under Part III of the Tariff.

**1.21 Network Integration Transmission Service:** The transmission service provided under Part III of the Tariff.

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Effective:

(i) A Market Participant wishing to offer controllable load as a resource in the EIS Market must include in its application and registration a certification **by means of a declaration by the relevant electric retail regulatory authority, as applicable,** that participation in the EIS Market by its controllable load resource is not precluded under the laws or regulations of the relevant electric retail regulatory authority. Controllable load resources must meet all application, registration and technical requirements applicable to other resources offering imbalance energy in the EIS Market. The Transmission Provider is not responsible for interpreting the laws or regulations of a relevant electric retail regulatory authority and shall be required only to verify that the Market Participant has included such a certification in its application materials. The Transmission Provider is not liable or responsible for Market Participants participating in the EIS Market in violation of any law or regulation of a relevant electric retail regulatory authority **including state-approved retail tariff(s).**

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Filed to comply with order of the Federal Energy Regulatory Commission, Docket Nos. RM07-19-000 and AD07-7-000, issued October 17, 2008, 125 FERC ¶ 61,071 (2008).

Market Effective Date, Balancing Authorities' shall act as the meter agent for all Market Participant Resources and load within the Transmission Owners' zone unless mutually agreed upon by the Balancing Authority and Market Participant for another entity to perform the meter agent function. Subsequent to the first calendar year following the EIS Market Effective Date, a Market Participant may designate any qualified entity to perform the meter agent function or perform this function on its own behalf. Any entity performing the meter agent function for a Market Participant must execute the Meter Agent Agreement specified in Attachment AM prior to performing such function.

**1.2.9 Calculation of Real-Time Demand Response from Variable Demand Response Resources**

*The demand response provided by the Variable Demand Response Resource is sent directly to the Transmission Provider. This value will represent the actual net generation.*

**1.2.10 Aggregation of Controllable Load as a Resource**

An aggregator of retail customers ("ARC") may aggregate demand response of multiple end-use retail customers unless precluded by the laws or regulations of the relevant electric retail regulatory authority including state-approved retail tariff(s). An ARC wishing to offer demand response in the EIS Market must execute all agreements necessary to become a Market Participant and to participate in the EIS Market under the SPP Tariff and Attachment AE. ARCs shall be treated comparably to other Market Participants offering Resources in the EIS Market.

Aggregations pursuant to this section shall be subject to the following requirements:

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6. The Transmission Provider and the Customer agree that this Service Agreement shall be subject to, and shall incorporate by reference, all of the terms and conditions of the Transmission Provider's Tariff.
7. It is understood that, in accordance with the Transmission Provider's Tariff, the Transmission Provider may amend the terms and conditions of this Service Agreement by notifying the Customer in writing and making the appropriate filing with the Commission.
8. The Customer represents and warrants that:
  - (a) At any time it has registered one or more Resources that the Customer intends to offer for sale into the EIS Market in accordance with procedures specified in the Market Protocols, the participation of its Resource(s) in the EIS Market is not precluded under the laws or regulations of the relevant electric retail regulatory authority, including state-approved retail tariff(s), and it either (a) has on file with the Commission for each of such Resources market-based rate authority and/or other Commission-approved basis for setting prices in the EIS Market, or (b) is exempt from the requirement to have rates for services on file with the Commission;
  - (b) This Service Agreement, or any Transaction entered into pursuant to the Service Agreement, as applicable, has been duly authorized;
  - (c) This Service Agreement is the legal, valid, and binding obligation of the Customer enforceable in accordance with its terms, except as it may be rendered unenforceable by reason of bankruptcy or other similar laws affecting creditors' rights, or general principles of equity.

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