

149 FERC ¶ 61,253  
UNITED STATES OF AMERICA  
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Cheryl A. LaFleur, Chairman;  
Philip D. Moeller, Tony Clark,  
and Norman C. Bay.

Southwest Power Pool, Inc.

Docket Nos. ER12-1179-019  
ER13-1173-002

ORDER ON MOTION FOR CLARIFICATION

(Issued December 18, 2014)

1. On June 19, 2014, the Commission issued an order conditionally accepting a compliance filing submitted by Southwest Power Pool, Inc. (SPP) concerning the Integrated Marketplace.<sup>1</sup> On July 11, 2014, SPP filed a motion for clarification regarding the allocation of costs associated with manual resource commitments to address Local Reliability Issues<sup>2</sup> in the SPP Integrated Marketplace. In this order, we grant SPP's motion and direct SPP to submit a compliance filing within 30 days from the date of this order.

**I. Background**

2. On February 29, 2012, as amended through various supplemental and compliance filings, SPP proposed revisions to its open access transmission tariff (Tariff) to transition from its Energy Imbalance Service Market to the Integrated Marketplace. Following a series of Commission orders,<sup>3</sup> the Integrated Marketplace commenced operation March 1, 2014.

---

<sup>1</sup> *Southwest Power Pool, Inc.*, 147 FERC ¶ 61,212 (2014) (June 2014 Compliance Order).

<sup>2</sup> A Local Reliability Issue is defined in SPP's Tariff as "[a] local voltage or reliability condition necessitating a Local Reliability Issue Commitment." SPP Tariff, Attachment AE section 1.1L.

<sup>3</sup> *Southwest Power Pool, Inc.*, 141 FERC ¶ 61,048 (2012) (Integrated Marketplace Order), *order on reh'g and clarification*, 142 FERC ¶ 61,205 (2013) (Rehearing Order), *Southwest Power Pool, Inc.*, 144 FERC ¶ 61,224 (2013) (September 2013 Compliance

(continued ...)

3. In the September 2013 Compliance Order, the Commission conditionally accepted SPP's proposed local cost allocation for make whole payments related to Local Reliability Issues, subject to SPP making certain modifications to Attachment AE section 8.6.7 "to ensure the proper allocation of such costs."<sup>4</sup> The Commission directed SPP "to provide more specific information in the Tariff regarding what constitutes a 'Local Reliability Issue' and on what basis SPP will make its commitment decisions to Local Reliability Issues."<sup>5</sup> The Commission stated that this additional information "will provide market participants with insight into SPP's commitment decisions and allow greater transparency into the costs being allocated."<sup>6</sup> The Commission also directed SPP to modify section 8.6.7(A)(1) of Attachment AE "to clarify that all commitments to address local reliability issues are excluded from the system-wide [Reliability Unit Commitment (RUC)] make whole payment distribution."<sup>7</sup> However, SPP maintains that the Commission did not direct SPP to make any changes to the day-ahead make whole payment distribution amount language in section 8.5.10 of Attachment AE, which also addresses cost allocation for manual resource commitments related to Local Reliability Issues.<sup>8</sup>

4. In January 2014, the Commission issued an order addressing SPP's compliance filing in response to the September 2013 Compliance Order.<sup>9</sup> The January 2014 Compliance Order directed SPP to modify the definition of "Local Reliability Issue" to make it consistent with Midcontinent Independent System Operator, Inc.'s<sup>10</sup> Tariff definition of local reliability issue in order to prevent a more regional allocation of manual resource commitment costs. The Commission also reiterated that a regional allocation of costs had not been shown to be consistent with cost causation principles.

---

Order); *Southwest Power Pool, Inc.*, 146 FERC ¶ 61,050 (2014) (January 2014 Compliance Order); June 2014 Compliance Order, 147 FERC ¶ 61,212.

<sup>4</sup> September 2013 Compliance Order, 144 FERC ¶ 61,224 at P 129.

<sup>5</sup> *Id.* P 132.

<sup>6</sup> *Id.*

<sup>7</sup> *Id.* P 129.

<sup>8</sup> SPP Motion for Clarification at 5.

<sup>9</sup> January 2014 Compliance Order, 146 FERC ¶ 61,050.

<sup>10</sup> *Id.* PP 64-65.

Further, the Commission directed SPP to make additional revisions to Attachment AE sections 5.2.2, 6.1.2, 6.2.4 and 8.6.7 to clarify the process for and allocation of costs associated with manual resource commitments, including manual resource commitments that occur in one settlement area to address local reliability issues in another settlement area. Following the January 2014 Compliance Order, SPP submitted a compliance filing, which the Commission accepted in June 2014.<sup>11</sup>

## **II. Motion for Clarification**

5. SPP explains that while it modified the RUC make whole payment distribution amount provision, section 8.6.7, it did not revise the comparable Tariff provisions for day-ahead make whole payment distribution amount, section 8.5.10. SPP seeks clarification that it is the Commission's intent that the costs associated with manual resource commitments to address Local Reliability Issues should be allocated locally, regardless of whether the make whole payments are allocated in accordance with the day-ahead make whole payment distribution amount provisions of section 8.5.10 of Attachment AE or the RUC make whole payment distribution amount provisions set forth in section 8.6.7.<sup>12</sup>

6. SPP notes that day-ahead make whole payment costs associated with manual resource commitments in the day-ahead market are allocated according to the day-ahead make whole payment distribution amount rules set forth in section 8.5.10 of Attachment AE. SPP states that these rules differ from the RUC rules with respect to regional versus local allocation of make whole payment costs.<sup>13</sup> SPP seeks this clarification because a resource that is committed either in SPP's multi-day reliability assessment process or initially committed in the RUC may be subject to the day-ahead make whole payment provisions of Attachment AE section 8.5.10. SPP states that applying section 8.5.10 to resources manually committed in these circumstances could be inconsistent with the Commission's directive requiring local allocation of costs incurred in response to Local Reliability Issues.<sup>14</sup>

7. SPP also maintains that when a reliability issue arises requiring the manual commitment of a resource in the RUC process, it is not uncommon for the reliability

---

<sup>11</sup> June 2014 Compliance Order, 147 FERC ¶ 61,212.

<sup>12</sup> SPP Motion for Clarification at 7.

<sup>13</sup> *Id.* at 9.

<sup>14</sup> *Id.*

problem to persist for several days.<sup>15</sup> In that situation, SPP explains that the resource would be eligible for a RUC make whole payment for the day for which it was initially committed, and it also would be eligible for day-ahead make whole payments for the subsequent days in which it is committed via the day-ahead market. According to SPP, eligibility for make whole payments will continue in that situation until the reliability issue is resolved or SPP is able to address the reliability issue with its Security Constrained Economic Commitment process.<sup>16</sup>

### **III. Determination**

8. We grant SPP's motion for clarification. We reiterate that the cost of all manual resource commitments implemented to address Local Reliability Issues should be allocated locally, consistent with the principle of cost causation. We also clarify that it was the Commission's intention in the June 2014 Compliance Order that SPP revise the provisions of its Tariff so that the costs of all manual resource commitments, including those made by SPP and the transmission operators in the day-ahead market, to serve a Local Reliability Issue, would be allocated locally. Therefore, consistent with this clarification, we direct SPP to submit a compliance filing within 30 days of the date of this order that revises the Tariff provisions to allocate locally the cost of all manual resource commitments that address a Local Reliability Issue.

#### The Commission orders:

(A) SPP's motion for clarification is hereby granted, as discussed in the body of this order.

(B) SPP is required to make a compliance filing within 30 days of the date of this order, as discussed in the body of this order.

By the Commission.

( S E A L )

Kimberly D. Bose,  
Secretary.

---

<sup>15</sup> *Id.* at 10.

<sup>16</sup> *Id.*