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SOUTHWEST POWER POOL, INC.'S MOTION FOR CLARIFICATION

Southwest Power Pool, Inc. ("SPP") hereby files this Motion for Clarification of the Commission's Order Abating Docket filed October 24, 2007 ("Abatement Order") in order to provide the Commission with its anticipated study work plan, including a proposed stakeholder process, and timeline and to request that the Commission either confirm that the proposed work plan and timeline are acceptable or provide SPP with suggestions regarding the proposed work plan and timeline. SPP also requests, in this motion, that the Commission clarify that Entergy Gulf States, Inc. ("EGSI") should compensate SPP for the costs of performing the study activities described herein.

I. Proposed Study Work Plan and Timeline

Exhibit A, attached hereto, provides an overview of SPP's proposed work plan and Figure 1 of Exhibit A, also attached, provides a proposed timeline for study completion. In brief, SPP expects its study activities to have five phases:

1. Scenario Analysis
2. Study Set Up
3. Technical Studies
4. Cost Benefit Analysis
5. Report and Recommendations

SPP's proposed work plan also contemplates a significant amount of stakeholder involvement and, therefore, includes a proposed stakeholder process. Given the planned level of stakeholder involvement, SPP expects the study to take about nine months.
During the study process, as shown in the proposed work plan, SPP intends to work closely with EGSI and ERCOT, as well as interested stakeholders. SPP does, however, intend to maintain the independence expected of an independent organization in performing these activities, as ERCOT did in its Phase II Study. SPP’s study results will, therefore, reflect a balance of input from all parties and SPP’s unique perspective. SPP will endeavor to make this study as similar to ERCOT’s study as practical; however, differences in SPP’s system and markets will, of course, entail some differences in SPP’s study. SPP plans to note these differences in its final report.

As requested by Commissioner Parsley at the Open Meeting on October 2, 2007, SPP also plans to file, as part of its report and recommendation, a proposed timeline showing the steps needed for SPP to support retail open access in the EGSI Texas service area. Finally, in order for the Commission to track the progress of SPP’s study activities, SPP proposes to file written reports regarding study activities to the Commission in this docket every other month.

On November 1, SPP received a letter from EGSI requesting performance of the study and identifying elements of the expected study scope. On November 2, SPP provided a copy of its proposed work plan and timeline to EGSI and ERCOT for review. On November 5, SPP and EGSI engaged in a conference call to review SPP’s proposed work plan and EGSI’s letter in detail. Both ERCOT and EGSI have indicated that SPP’s proposal is acceptable. SPP and EGSI also concurred that SPP’s proposal meets the objectives of EGSI’s letter.

SPP has reviewed EGSI’s motion for reconsideration filed on October 31, 2007 and East Texas Cooperatives’ (ETC) response to this motion filed on November 5, 2007. SPP does not oppose EGSI’s motion requesting that ERCOT update its studies. SPP generally does not oppose ETC’s motion; however, SPP is concerned that ETC’s requested relief of limiting filing to only the required studies could be interpreted to prevent SPP from filing testimony, timelines and documentation supporting its study activities. SPP, therefore, suggests that ETC’s request be narrowly construed, if granted.
II. Request for Commission Order

So that SPP may proceed with certainty in its study activities, SPP respectfully requests that the Commission issue an order clarifying its Abatement Order by either specifying that SPP’s proposed work plan, including the proposed stakeholder process, and timeline meets the Commission’s expectations or, if not, specifying the additional (or different) activities SPP should undertake. Without such a definitive order, SPP is concerned that the resulting uncertainty could lead to disagreement among interested parties which could delay the completion of the various steps of the study. SPP plans to begin implementation of its work plan upon issuance of an order from the Commission; therefore, SPP requests that the Commission take action as soon as is practical on this motion. Additionally, SPP requests that if the Commission desires more or less frequent reporting than that proposed by SPP, the Commission note the requested frequency in its order.

III. Cost Recovery for Study Work

The performance of the study activities outlined in the attached Exhibit represents a departure from SPP’s typical transmission planning role. As such, these activities are outside the scope of tasks identified in SPP’s annual budget. Additionally, SPP understands that EGSI compensated ERCOT for its earlier integration study activities, and SPP will now be performing a study of similar scale. SPP, therefore, respectfully requests that the Commission clarify that EGSI will be responsible for compensating SPP for the cost of performing these study activities.

Conclusion

Accordingly, for the foregoing reasons, SPP requests that the Commission issue an order as described herein.
Respectfully submitted,

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ATTORNEYS FOR SOUTHWEST POWER POOL, INC.

CERTIFICATE OF SERVICE

I hereby certify that, on November 7, 2007, a copy of this document will be served on all parties of record in this proceeding in accordance with P.U.C. PROC. R.22.74.

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Shari Heino
SPP QPR Study Proposed Work Plan

SPP has been requested to perform an analysis similar to the ERCOT Phase II EGSI-TX Integration Report prepared by ERCOT. SPP has begun analyzing the requirements to perform such a study. The purpose of this discussion paper is to document SPP's current thinking with respect to the study's scope and process for completing the study.

Study Assumptions and Requirements

The primary assumptions of the analysis are:
1. The study will use the most up-to-date information available with respect to input parameters such as the transmission topology, planned upgrades, fuel prices and so on. To be clear, it is likely that certain input information used in the SPP study will differ from the Phase II Study simply because better information is available today.
2. EGSI-TX will participate in the SPP markets.
3. The EGSI-TX transmission facilities will be placed under the SPP Open Access Transmission Tariff and all existing long term firm transmission system contracts will be honored.
4. Existing ERCOT protocols related to ROA will be used as much as possible.

The primary requirements of the study are to:
1. Meet the combined SPP and EGSI-TX load reliably.
2. Assess the potential savings of economic upgrades to serve this combined load.
3. Propose appropriate market power mitigation measures necessary to meet the requirements for allowing ROA in the EGSI-TX region.
4. Assess the implementation and ongoing costs necessary to support ROA in the EGSI-TX region.
5. Assess the net benefits (or net costs) to support ROA in the EGSI-TX region.

Work Plan

SPP has developed a proposed work plan for completing the analysis. Figure 1 shows the timing of the five phases and the major tasks associated with each phase. We believe the study can be completed in approximately nine months assuming prompt response to data requests and feedback from the stakeholders involved. The remainder of this section provides a brief discussion of each phase.

Phase 1 – Scenario Analysis

This phase can be thought of as the scoping or design phase. The work in this phase will be conducted through the first few months of the project. The main objective is to set a clear vision
for the analysis that must be performed in order to achieve the desired outcomes. In addition, it is during this phase SPP will assess the market power mitigation requirements and identify the mitigation options available necessary to support ROA in the region.

Phase 2 – Setup

As its name implies, the tasks in this phase are all related to getting the basic data and models organized to support the technical studies conducted in Phase 3. This work can begin as soon as specific resources are assigned to the project.

Phase 3 – Technical Studies

The bulk of the analysis related to integrating the EGSI-TX system into the SPP transmission system is conducted in this phase. The reliability and economic assessment studies are performed in this phase. The study scenarios identified in Phase 1 will be modeled and analyzed. Similar to the ERCOT Phase II Study, there are two types of upgrades that will be evaluated. The first is to assess the transmission upgrades necessary to reliably integrate the EGSI-TX system into the SPP region. During the economic assessment, SPP will attempt to identify if there are potential savings that could be achieved through economic upgrades. Similarly, transmission upgrades necessary to support market power mitigation will be analyzed during this phase.

Once the various combination of transmission upgrades have been identified, the production cost analysis can be completed. Similar to the ERCOT Phase II Study, SPP will conduct the analysis using an expected fuel price forecast and an alternative fuel price forecast to determine the sensitivity of the results to this input parameter.

Phase 4 – Cost Benefit Analysis

The tasks in this phase of the project focus on assessing all the costs and benefits for supporting ROA in the EGSI-TX region. During this phase, SPP will assess the various costs necessary to implement ROA within the region. These costs include both systems and personnel support costs. Costs of the reliability and economic upgrades will also be determined using the same methodology from the prior study. In addition, SPP will identify how these transmission upgrade costs will be allocated between the existing SPP footprint and EGSI-TX. Similarly, SPP will assess the production cost savings determined in the technical studies and any other benefits identified during the analysis. The final outcome of this phase will be the overall assessment of the net benefits or costs of the proposal.

Phase 5 – Report & Recommendations

SPP will prepare the necessary reports and testimony required to support filing the study with the PUCT.
Stakeholder Participation

SPP believes the quality of this study will greatly benefit from the input of key stakeholders. However, we must also balance this desired participation with the need to complete the analysis in a timely manner. Our proposal to achieve this balance is outlined below:

- For interested stakeholders, SPP will conduct a regular bi-monthly review session to update attendees on progress, obtain feedback and input on key study assumptions and alternatives being considered and answer any questions stakeholders may have at that time.
- For the PUCT, SPP will provide progress reports and additional updates as requested to do so.
- With ERCOT, SPP plans to coordinate efforts to achieve as much consistency in process and analysis methodology as possible.
- With EGSI-TX, SPP plans to conduct a regular bi-monthly review session with EGSI-TX. We expect there may be more regular interaction between the technical teams as the transmission studies are being performed or as questions arise concerning data or other modeling information. Similarly, as EGSI-TX is required to file our report with the PUCT, SPP will also work with EGSI-TX in interpreting the results of the report and understanding the assumptions made in the studies.

This stakeholder input is essential for SPP to conduct a thorough analysis. We believe the proposed approach outlined here strikes a reasonable balance of participation by the various stakeholders and of maintaining the project schedule.