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October 28, 2011

Honorable Kimberly D. Bose
Secretary
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, D.C. 20426

Re: *Southwest Power Pool, Inc.*, Docket No. ER12-____
Submission of Revision to Attachment AE of the Southwest Power Pool, Inc. Open Access Transmission Tariff

Dear Secretary Bose:

Pursuant to section 205 of the Federal Power Act ("FPA"), 16 U.S.C. § 824d, and Part 35 of the regulations of the Federal Energy Regulatory Commission ("FERC" or "Commission"), 18 C.F.R. § 35, Southwest Power Pool, Inc. ("SPP"), as authorized by its independent Board of Directors, proposes to revise Attachment AE of its Open Access Transmission Tariff ("OATT" or "Tariff") to extend the deadline to post notice for corrections to Locational Imbalance Prices ("LIP") in SPP's Energy Imbalance Service ("EIS") Market from one calendar day to four calendar days. SPP requests an effective date of December 28, 2011, for the Tariff modifications.

I. Background

SPP is a Commission-approved Regional Transmission Organization ("RTO"). It is an Arkansas non-profit corporation with its principal place of business in Little Rock, Arkansas. SPP currently has 64 members, including 14 investor-owned utilities, 11 municipal systems, 12 generation and transmission cooperatives, 4 state agencies, 7 independent power producers, 10 power marketers, and 6 independent transmission companies. As an RTO, SPP provides open access transmission service over more than 50,000 miles of transmission lines in 8 states – Arkansas, Kansas, Louisiana, Missouri, Nebraska, New Mexico, Oklahoma, and Texas. Relevant to this filing, SPP also administers the EIS Market in the SPP Region pursuant to Attachment AE of the Tariff.

The EIS Market provides pricing and settlement of the market for scheduling and dispatching responsibilities for three time frames: the Day-Ahead Period, the Hour-Ahead Period, and the Real-Time Period. For the Real-Time Period, SPP calculates LIPs as the market clearing price at each Meter Settlement Location "based on the security constrained economic dispatch, the Dispatchable Resource Offer Curve prices and resource characteristics submitted by Market Participants."[1] Under the Real-Time Period, every five minutes throughout the Operating Day ("OD"), SPP performs a security constrained economic dispatch ("SCED") for the SPP region to determine the least costly means of obtaining energy to serve the next increment of load based on the system at that moment.[2] SPP also calculates "an Adjusted Net Scheduled Interchange for each Control Area in the SPP Region to account for the Dispatchable Resource dispatch instructions, including any Manual Dispatch Instructions, reserve sharing schedules, and inadvertent interchange payback schedules and communicate[s] this Adjusted Net Scheduled Interchange to the Control Areas for implementation."[3] Based on these calculations and analyses, the LIP should reflect the least costly means of obtaining energy to serve load, as determined by SPP every five minutes, taking into account the status of the SPP region at that time.[4]

In the event software or data input errors alter the calculation of LIPs in the Real-Time Period, the Tariff and SPP Market Protocols provide for mechanisms to correct LIPs. Specifically, the Tariff allows SPP to recalculate LIPs provided that SPP gives notice to Market Participants and the public that "a price correction may be required."[5] SPP has until "5:00 PM on the Calendar Day following the day in which the hour occurs for which [LIPs] would be affected" to give notice of its intent to make a price correction.[6]

The Tariff further provides that, if SPP "identifies software or data input errors requiring a price correction, but does not (a) post a notice of price correction or (b) post a description of the proposed price correction within the required time periods, [SPP] shall request Commission approval prior to making the necessary price correction."[7] Essentially, the Tariff provides that SPP must seek Commission approval to make a price correction if it fails to post notice of the correction within one day of the pricing error. In such a case, the SPP Market Protocols provide that SPP must: (1) review with the appropriate SPP organizational group the need for the price correction and the schedule

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1 *See* Tariff at Attachment AE, § 4.4.

2 *See id*. at Attachment AE, § 4.1(a)(i).

3 *See id*. at Attachment AE, § 4.1(a)(v).

4 This 5 minute snapshot of the SPP region used to determine LIPs is effectuated by the "SPP Real-Time SCED model."

5 Tariff at Attachment AE, § 4.5(a).

6 *Id*.

7 *See id*. at Attachment AE, § 4.5(b).

for fixing the Market Software and Data Input Error causing the need for the price correction; (2) seek approval from the SPP Board of Directors ("SPP Board") for filing a price correction tariff waiver request with the Commission; and (3) file with the Commission the price correction tariff waiver request.[8] Recently, SPP sought, and the Commission granted, waiver to correct LIPs outside of the Tariff-prescribed notice period.[9]

II. SPP Stakeholder Process and Approval of Proposed Tariff Revisions

In this filing, SPP submits Tariff amendments that extend the deadline for posting notices of corrections to LIPs in the EIS Market. These revisions were developed and fully vetted through SPP's stakeholder process. The initial responsibility for developing the revisions was delegated to the Market Working Group ("MWG").[10] On April 18, 2011, the MWG unanimously approved the revisions and forwarded the revisions to the Regional Tariff Working Group ("RTWG") for approval.[11] On May 5, 2011, the RTWG approved the proposed Tariff revisions, with minor modifications, and forwarded them to the Operating Reliability Working Group ("ORWG").[12] On May 11, 2011, the ORWG unanimously approved the Tariff revisions finding that the revisions would result in no

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8 *See* Southwest Power Pool, EIS Market Protocols (Revision 28.0) § 13.3.2.3 (published Aug. 1, 2011) ("SPP Market Protocols"), *available at* http://www.spp.org/section.asp?group=327&pageID=27.

9 *See Sw. Power Pool*, *Inc*., 135 FERC ¶ 61,032 (2011).

10 The MWG is responsible for the development and maintenance of the market protocols that define SPP administered wholesale market(s), including energy, congestion management and market power mitigation consistent with direction from the Market and Operations Policy Committee ("MOPC"), as well as proposing changes to the Tariff to implement suggested market changes.

11 The RTWG is responsible for the development, recommendation, overall implementation, and oversight of SPP's regional Tariff.

12 The ORWG maintains, coordinates and implements Criteria related to the reliable and secure operation of the bulk electric system operated by the members of SPP. The ORWG ensures these operating criteria are consistent with NERC and Regional Reliability Standards. ORWG coordinates the review, comments on and proposes changes to, and implementation of NERC or Regional standards related to operational reliability. The ORWG provides oversight and direction for the Reliability Coordinator function of the SPP and assigned SPP working groups. The ORWG also provides policy input to the MOPC and the SPP Board and its committees, if requested.

reliability impacts. The MOPC[13] reviewed the revisions and on July 12, 2011, unanimously voted to recommend to the SPP Board that the revisions be approved. At its July 26, 2011 meeting, the SPP Board approved the Tariff revisions submitted in this filing.[14]

III. Description of Tariff Revisions

To facilitate the implementation of the extended deadline for posting notices of corrections to LIPs, SPP proposes amendments to Section 4.5 of Attachment AE. The proposed Tariff revisions extend the deadline for providing notice to Market Participants of corrections to LIPs in the EIS Market from one calendar day to four calendar days. Specifically, Section 4.5(a) of Attachment AE is revised to replace the phrase "on the Calendar Day" with the phrase "on the fourth (4th) Calendar Day." As a result, the deadline to post notice for repricing LIPs will be extended until 5pm on the fourth calendar day following the OD in which the hour occurs for which LIPs would be affected by the contemplated price correction.

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[13] The MOPC reports to the SPP Board. The representatives to the MOPC consist of an officer or employee of each SPP member. Among its responsibilities, the MOPC reviews proposed Tariff changes developed through the stakeholder process and endorses/approves those changes and recommends them to the SPP Board for approval.

[14] The Commission has previously recognized that provisions approved through the stakeholder processes of RTOs and ISOs are due deference. *See Sw. Power Pool, Inc.*, 127 FERC ¶ 61,283, at P 33 (2009) (noting how the Commission "accord[s] an appropriate degree of deference to RTO stakeholder processes"); *New Eng. Power Pool*, 105 FERC ¶ 61,300, at P 34 (2003) (Commission approving transmission cost allocation proposal based upon the extensive and thorough stakeholder process); *Policy Statement Regarding Regional Transmission Groups*, 1991-1996 FERC Stats. & Regs., Regs. Preambles ¶ 30,976, at 30,872 (1993) ("RTG Policy Statement") (the Commission will afford an appropriate degree of deference to the stakeholder approval process). The Commission's deference to RTO stakeholder processes has been upheld by the courts. *See Pub. Serv. Comm'n of Wis. v. FERC*, 545 F.3d 1058, 1062-63 (D.C. Cir. 2008) (noting how the Commission often gives weight to a proposal that is the position of the majority of a stakeholder group of the RTO) (*quoting Am. Elec. Power Serv. Corp. v. Midwest Indep. Transmission Sys. Operator, Inc.*, 122 FERC ¶ 61,083, at P 172 (2008)).

IV. Justification for Tariff Revisions

The proposed Tariff revisions are just and reasonable because they will benefit EIS Market customers by easing the administration of the EIS Market and ensuring timely correction of pricing errors.

First, the Tariff revisions will align the deadline for posting notices of corrections to LIPs with the timeline that SPP follows for settling the EIS Market. For each OD, Market Participants must, within four days of the OD, submit load, resource, and interconnection meter data.[15] SPP uses this data "to produce the initial statements for each Market Participant for the given OD" and "[i]nitial statements will be created at the end of the seventh (7th) calendar day following the" OD.[16] The Tariff revisions will allow the notice of LIP corrections to be on the same day that Market Participants submit their data, i.e., four days after the OD. Aligning the deadline for posting notices of LIP corrections with the data submission for market settlement allows the maximum amount of time for SPP to post notices of LIP repricing and make the necessary corrections without interfering with the processing of initial settlement statements.

Second, the current window of one calendar day from the OD for posting notices of LIP corrections has proven to be too stringent. As explained above, under the current process, at times it has proven difficult for SPP to adhere to the current one calendar day deadline, which results in a time-consuming stakeholder process and filings with the Commission to obtain Commission approval for LIP pricing corrections.[17] However, SPP's experience indicates that most of these errors could be detected and resolved within a four calendar day window. Allowing SPP additional time to post notices of corrections will reduce the need for SPP to engage in the time consuming stakeholder and Commission filing process when corrections are necessary. As a result, the administration of the EIS Market will be more efficient.

Finally, the proposed Tariff revisions will benefit customers in the EIS market because the extended deadline will ensure that, when necessary, the LIPs paid by customers are posted and corrected timely, thereby adding certainty in the EIS Market. As explained above, the four calendar day time period will reduce the need to engage in a lengthy stakeholder and Commission process when LIP corrections are required; thus also reducing the potential need for SPP to recalculate prices months after the original settlement of the market, once that process has concluded, and upsetting settled expectations.

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[15] SPP Market Protocols at 2.1.

[16] *See* SPP Market Protocols at 11.6.1.

[17] *See supra* note 9.

For these reasons, the Commission should accept the Tariff revisions as just and reasonable because they will improve the efficiency of the EIS Market, benefit EIS Market customers, and are just and reasonable.

V. Effective Date

SPP requests that the Commission accept the Tariff revisions proposed in this filing with an effective date of December 28, 2011.

VI. Additional Information

A. Information Required by Section 35.13 of the Commission's Regulations, 18 C.F.R. § 35.13:[18]

1. Documents submitted with this filing:

In addition to this transmittal letter, the following items are included: (a) clean and redline Tariff revisions under the Sixth Revised Volume No. 1.

2. Effective date:

As discussed in this filing, SPP requests that the Commission accept the proposed Tariff revisions with an effective date of December 28, 2011.

3. Service:

SPP has served a copy of this filing on all its members and customers. A complete copy of this filing will be posted on the SPP web site at www.spp.org, and is also being served on all affected state commissions.

4. Requisite agreements:

SPP's Board of Directors approved this filing at its meeting on July 26, 2011.

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[18] Because the revisions to the Tariff submitted herein do not involve any change in rates, the use of the abbreviated filing procedures as set forth in 18 C.F.R. § 35.13(a)(2)(iii) is appropriate.

5. Specifically assignable facilities installed or modified:

There are none.

B. Communications:

Correspondence and communications with respect to this filing should be sent to, and SPP requests the Secretary to include on the official service list, the following:

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VII. Conclusion

For all of the foregoing reasons, SPP respectfully requests that the Commission accept the Tariff revisions submitted in this filing, with an effective date of December 28, 2011.

Respectfully submitted,

/s/ Tyler R. Brown
Carrie L. Bumgarner
Tyler R. Brown

Attorneys for
Southwest Power Pool, Inc.

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4.5 Locational Imbalance Price Corrections

If Locational Imbalance Price corrections are required due to software errors and/or data input errors, the Transmission Provider shall impose corrective measures and take immediate action to remedy such errors in accordance with the following and shall recalculate Locational Imbalance Prices in accordance with the following procedures.

(a) Notice to Market Participants and the public

In any Operating Hour for which the Transmission Provider reasonably believes that a software error or data input error will require correction of one or more Locational Imbalance Prices, the Transmission Provider shall post on its OASIS and website as soon as reasonably practicable a notice that a price correction may be required for that Operating Hour. When the Transmission Provider is aware in advance that a price correction will be required for an Operating Hour, the Transmission Provider shall post a notice of a proposed correction, and if possible a description of the proposed action, prior to the deadline for Resource Plan and Offer Curve submittal for such Operating Hour. If the circumstances do not permit advance notice, the Transmission Provider shall post a notice no later than 5:00 p.m. on the fourth (4^{th}) Calendar Day following the day in which the hour occurs for which Locational Imbalance Prices would be affected by the contemplated price correction.

Prior to making a price correction, if reasonably possible, SPP must post on its OASIS and website a description of its proposed price correction. In any event, the Transmission Provider must post a description of the proposed price correction within five Calendar Days after the date on which a notice of a price correction is posted. If a description of the proposed price correction is not posted within such period, the notice of proposed price correction shall be deemed to be withdrawn. If the Transmission Provider determines that a price correction is not necessary, it shall withdraw the notice of possible price correction from its OASIS and website as soon as reasonably practicable.

(b) Price Corrections Identified After the End of the Notice Period

If the Transmission Provider identifies software or data input errors requiring a price correction, but does not (a) post a notice of price correction or (b) post a description of the proposed price correction within the required time periods, the Transmission Provider shall request Commission approval prior to making the necessary price correction.

(c) Process for Recalculating Prices

The Transmission Provider shall recalculate Locational Imbalance Prices in a manner that reflects, as closely as reasonably practicable, the Locational Imbalance Prices that would have resulted but for the software or data input error, and such recalculated Locational Imbalance Prices shall serve as the basis for settlement.

(d) Market Participant Compensation

If recalculated Locational Imbalance Prices result in Locational Imbalance Prices for Dispatchable Resources that are less than that Market Participant's Offer Curve price for those Dispatchable Resources and Imbalance, the Transmission Provider shall calculate an affected Market Participant's Recalculated LIP Credit for each affected Dispatchable Resource with negative Imbalance Energy as follows:

Recalculated LIP Credit = Resource Imbalance Energy * (Offer Curve price – recalculated Locational Imbalance Price)

If recalculated Locational Imbalance Prices result in Locational Imbalance Prices for Dispatchable Resources that are greater than that Market Participant's Offer Curve price for those Dispatchable Resources and the actual output of such Dispatchable Resources is less than it otherwise would have been absent the price correction, the Transmission Provider shall calculate an affected Market Participant's Recalculated LIP Credit as follows:

Recalculated LIP Credit = maximum of [(Adjusted Dispatch – actual output), 0] * (Offer Curve price – recalculated Locational Imbalance Price), where the Adjusted Dispatch equals the lesser of the Dispatchable Resource's Scheduled

Generation or its projected output level at the recalculated Locational Imbalance Price.

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Prior to making a price correction, if reasonably possible, SPP must post on its OASIS and website a description of its proposed price correction. In any event, the Transmission Provider must post a description of the proposed price correction within five Calendar Days after the date on which a notice of a price correction is posted. If a description of the proposed price correction is not posted within such period, the notice of proposed price correction shall be deemed to be withdrawn. If the Transmission Provider determines that a price correction is not necessary, it shall withdraw the notice of possible price correction from its OASIS and website as soon as reasonably practicable.

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Recalculated LIP Credit = maximum of [(Adjusted Dispatch – actual output), 0] * (Offer Curve price – recalculated Locational Imbalance Price), where the Adjusted Dispatch equals the lesser of the Dispatchable Resource's Scheduled

Generation or its projected output level at the recalculated Locational Imbalance Price.