

**UNITED STATES OF AMERICA  
BEFORE THE  
FEDERAL ENERGY REGULATORY COMMISSION**

---

**SOUTHWEST POWER POOL, INC.,  
WESTERN AREA POWER ADMINISTRATION,  
BASIN ELECTRIC POWER COOPERATIVE,  
HEARTLAND CONSUMERS POWER DISTRICT** |

**DOCKET NO. EL12-60-000  
EL12-60-001**

**SOUTHWEST POWER POOL, INC.** |

**DOCKET NOS. ER12-1586-000  
ER12-1586-001  
ER12-1586-003**

---

**MOTION FOR LEAVE TO ANSWER AND  
ANSWER OF SOUTHWEST POWER POOL,  
WESTERN AREA POWER ADMINISTRATION,  
BASIN ELECTRIC POWER COOPERATIVE AND  
HEARTLAND CONSUMERS POWER DISTRICT  
TO REQUESTS FOR CLARIFICATION AND REHEARING**

Southwest Power Pool, Inc. (“SPP”), Western Area Power Administration (“Western”), Basin Electric Power Cooperative (“Basin Electric”) and Heartland Consumers Power District (“Heartland”) (Western, Basin Electric and Heartland are referred to as the “IS Parties”) hereby request permission to answer, and submit this answer to the Request for Clarification or Rehearing of the Midwest Independent Transmission System Operator, Inc. (“MISO”)<sup>1</sup> and the Request for Rehearing of the MISO Transmission Owners (“MISO TOs”)<sup>2</sup> filed in this proceeding on October 18,

---

<sup>1</sup> Request for Clarification or, in the Alternative, Rehearing of the Midwest Independent Transmission System Operator, EL12-60-001 and ER12-1586-003 (October 18, 2012) (“MISO Clarification/Rehearing Request”).

<sup>2</sup> *Request for Rehearing of the Midwest ISO Transmission Owners*, EL12-60-001 and ER12-1586-003 (October 18, 2012) (“MISO TOs Rehearing Request”).

2012. The Commission should deny the requests for clarification and rehearing because they misstate the impact of the Joint Operating Agreement between SPP and Western (“SPP-Western JOA”) on market-to-market coordination between SPP and MISO, they are based on incorrect interpretations of the provisions of the SPP-Western JOA, and they seek to establish Commission precedent that would be harmful to system reliability and inconsistent with Commission policy.

### **I. MOTION FOR LEAVE TO ANSWER**

SPP and the IS Parties hereby request permission to answer the requests for rehearing of MISO and the MISO TOs. The Commission waives the prohibition against answers to requests for rehearing for good cause shown.<sup>3</sup> Good cause exists to permit this answer because the rehearing requests mischaracterize the key provisions of the SPP-Western JOA and misstate the implications of that JOA for market-to-market coordination between SPP and MISO. This Answer will assist the Commission in its decision-making process, will ensure a complete record, and will provide information that is helpful to the disposition of key issues. In addition, SPP and the IS Parties have the right under the Commission’s rules to respond to MISO’s request for clarification,<sup>4</sup> and MISO’s rehearing request is so integrated with its clarification request that it is impossible to effectively answer the clarification request without also answering the rehearing request. Therefore, good cause exists to grant this motion for leave to answer.

---

<sup>3</sup> 18 C.F.R. § 385.213(a)(2); *Tex. E. Transmission, LP*, 131 FERC ¶ 61,164, at P 1, n.3 (2010); *Cal. Indep. Sys. Operator Corp.*, 129 FERC ¶ 61,241, at P 16 (2009); *Sw. Power Pool, Inc.*, 126 FERC ¶ 61,153, at P 18 (2009).

<sup>4</sup> 18 C.F.R. § 385.213(a)(3).

## II. ANSWER

In their requests for clarification and rehearing, MISO and the MISO TOs misstate purposes of the SPP-Western JOA's Sections 5.4-5.6 and misinterpret the capacity sharing limitations as providing for unauthorized compensation for loop flows. MISO has confused the concepts of loop flow and unauthorized use of the transmission system. As SPP and the IS Parties have previously explained, the SPP-Western JOA does not provide compensation for loop flows.<sup>5</sup> Additionally, MISO introduces a red herring by stating that future market-to-market coordination between SPP and MISO will be impaired by the SPP-Western JOA. This is patently incorrect. As will be discussed in more detail later in this answer, it is not appropriate to address or negotiate in this docket any potential terms of market-to-market coordination between SPP and MISO because those issues are addressed in the Commission's Docket No. ER12-1179-000, wherein SPP submitted tariff revisions to implement SPP's Integrated Marketplace.<sup>6</sup> Nonetheless, SPP does believe it is important to refute some of MISO's more egregious assertions that either lack merit or are incorrect because of the possibility that those assertions could impact the Commission's decision in these proceedings.

### **A. THE SPP-WESTERN JOA WILL HAVE NO IMPACT ON MARKET-TO-MARKET COORDINATION BETWEEN SPP AND MISO.**

Simply put, the SPP-Western JOA will not impair market-to-market coordination between SPP and MISO. As the Commission has properly recognized, the SPP-Western

---

<sup>5</sup> See Answer of Southwest Power Pool, Inc., et al., ER12-1586-000 (May 29, 2012); Answer of Southwest Power Pool, Inc., et al. to Protests, EL12-60-000 (June 12, 2012); Answer of Southwest Power Pool, Inc., et al., ER12-1586-000 and ER12-1586-001 (August 27, 2012); and Letter from Southwest Power Pool, Inc., Docket No. ER12-1586-000, July 19, 2012 (Deficiency Response).

<sup>6</sup> *Submission of Tariff Revisions to Implement SPP Integrated Marketplace*, Docket No. ER12-1179-000 (February 29, 2012).

JOA provisions apply to SPP and Western exclusively and do not affect the rights and provisions contained in any other contract or agreement. Further, the sections of the SPP-Western JOA that MISO challenged merely document practices already in place today between SPP and SPP's neighbors, with the exception of MISO. The SPP-Western JOA does not create new constraints or restrictions that will impact the effectiveness or efficiency of market-to-market coordination between MISO and SPP. Moreover, the SPP-Western JOA will not affect or diminish MISO's rights in any manner or form. For example, SPP and MISO under a market-to-market coordination protocol similar to the one in place between MISO and PJM Interconnection, L.L.C. ("PJM") may determine that SPP could redispatch generation more economically than MISO to solve congestion on MISO's system. The SPP-Western JOA does not consider this redispatch of SPP an "exchange" of energy between SPP and Western or between SPP and a third party. Even with the SPP-Western JOA in place, SPP could redispatch its generation to the extent it did not exceed its own physical or contractual limitations and could effectively perform its obligations under a market-to-market protocol. Further, contrary to MISO's assertions, no reasonable interpretation of the SPP-Western JOA would require MISO to reserve transmission service with Western to allow SPP to redispatch its own generation to manage congestion on MISO's flowgates. MISO's assertions are simply incorrect and unsupported by anything in the SPP-Western JOA.

MISO's arguments are, in addition, premature. MISO has proffered an unreasonable and incorrect assumption of how market-to-market coordination between SPP and MISO would occur even before SPP and MISO have made good faith attempts to negotiate changes to the SPP-MISO JOA. Any economic issues at the SPP/MISO seam could be dealt with by the market-to-market coordination provisions negotiated by

SPP and MISO and contained within their JOA, and would have nothing to do with physical or contractual limitations between Western and SPP under the SPP-Western JOA.

There is no merit to MISO's attempt to dismiss the Commission's reference to the discontinued Seams Operating Agreement between MISO and the Mid-Continent Area Power Pool ("MAPP") ("MISO-MAPP SOA") and MISO's Seams Service as demonstrating that the SPP-Western JOA is consistent with Day 2 markets. The crux of MISO's argument is that neither set of procedures was developed or used in a market-to-market coordination context.<sup>7</sup> However, MISO's argument is invalid because it does not recognize that since the SPP-Western JOA is between market and non-market entities,<sup>8</sup> the Commission's reference to the MISO-MAPP SOA and MISO Seams Service is relevant and dispositive of the issue. MISO recognized that its MISO-MAPP SOA was a typical market-to-non-market coordination document,<sup>9</sup> and that the MISO's Seams Service contained no market-to-market coordination procedures.<sup>10</sup> Therefore, MISO's insistence that the SPP-Western JOA will impair market-to-market coordination is inconsistent with its previous actions.

MISO's assertions concerning the impairment of market-to-market coordination also are disproven by the history of its coordination with PJM. MISO has had market-to-

---

<sup>7</sup> MISO Clarification/Rehearing Request at 10.

<sup>8</sup> SPP currently operates a security-constrained, bid-based economic dispatch market that dispatches all generation within its market footprint every 5 minutes and as such is a "market-based operating entity" as that term is defined in the SPP-Western JOA and the SPP-MISO JOA. As a market-based operating entity, SPP calculates market flow values and sends those values every 15 minutes to the Interchange Distribution Calculator (IDC) in a fashion similar to MISO and PJM.

<sup>9</sup> MISO Clarification/Rehearing Request at 10.

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

market coordination with PJM for several years. However, MISO never asserted that its market-to-market coordination with PJM was impaired under the MISO-MAPP SOA or the MISO Seams Service. In fact, MISO has not previously insisted that SPP engage in market-to-market coordination despite the fact that SPP has operated its security-constrained, bid based Energy Imbalance Service market since 2007 and is already engaged in a “market-to-market JOA” with MISO. MISO has only recently shown interest in establishing market-to-market coordination protocols with SPP. Consequently, it seems clear that market-to-market coordination between MISO and PJM has not been impaired by MISO’s own operating agreements with third parties that did not contain contract capacity sharing arrangements. The Commission recognized this fact in the Order on SPP’s Integrated Marketplace when it stated that “MISO’s Day 2 market operated despite the contract path capacity limitation in some of its agreements.”<sup>11</sup> Therefore, contrary to MISO’s assertions, whether the SPP-Western JOA will impair potential market-to-market coordination between SPP and MISO is not an “important aspect of the problem”<sup>12</sup> that needs to be considered in the Commission’s decision in this proceeding. In fact, there is no problem at all. The SPP-Western JOA is typical of market-to-non-market coordination agreements and the Commission recognized it as such in the September 18 Order.<sup>13</sup>

It is inappropriate to negotiate or dictate any terms of potential market-to-market coordination between SPP and MISO in this docket. The Integrated Marketplace Order

---

<sup>11</sup> *Sw. Power Pool, Inc.*, 141 FERC ¶ 61,048 (2012) at P 365 (“Integrated Marketplace Order”).

<sup>12</sup> MISO Clarification/Rehearing Request at 5-6.

<sup>13</sup> *Sw. Power Pool, Inc.*, 140 FERC ¶ 61,199 (2012).

provided ample guidance on the issue of market-to-market coordination between SPP and MISO once SPP's Integrated Marketplace is implemented in 2014. The Commission required SPP to "begin negotiations with MISO on developing a market-to-market coordination process for managing congestion across the seam of MISO and SPP."<sup>14</sup> The Commission correctly recognized that this level of "Phase 2" coordination would be memorialized in an agreement between SPP and MISO<sup>15</sup> and rightly determined that the provisions of the SPP-Western JOA are not inconsistent with Day 2 markets.<sup>16</sup> SPP expects to enter into negotiations with MISO to implement market-to-market coordination in the SPP-MISO JOA consistent with the Integrated Marketplace Order; and expects MISO to negotiate the terms of market-to-market coordination in good faith in accordance with the terms of the SPP-MISO JOA. The market-to-market coordination issues simply have no place in this proceeding.

**B. THE SPP-WESTERN JOA DOES NOT PROVIDE FOR COMPENSATION FOR LOOP FLOW AND THE COMMISSION'S ORDER DOES NOT CONTRAVENE COMMISSION PRECEDENT.**

The latest pleadings of MISO and the MISO TOs have mischaracterized the provisions of the SPP-Western JOA in an attempt to mislead the Commission into concluding that the JOA provides for compensation for loop flow. Sections 5.5 and 5.6 of the SPP-Western JOA do not "authorize loop flow compensation for the signatory parties" as MISO and the MISO TOs claim.<sup>17</sup> Nor do they provide that "a charge is

---

<sup>14</sup> Integrated Marketplace Order at P 364.

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

<sup>16</sup> September 18 Order at P 105.

<sup>17</sup> MISO Clarification/Rehearing Request at 12; *see also* MISO TOs Rehearing Request at 8.

imposed at the other Party's tariff rate for such 'excess use.'" Sections 5.5.2 and 5.6.2 simply provide that SPP and Western will not provide transmission service in excess of their contract path capacity and that transmission service in excess of that capacity must be obtained from another transmission provider. Since the SPP-Western JOA does not provide for compensation for loop flow, but instead only requires SPP and Western to respect their own contract path capacity when providing transmission service, all of MISO's and the MISO TOs' assertions concerning the Commission's loop flow policy are irrelevant.

MISO's assertion that Section 5.5 addresses "exchanges within a Party causing flows on the other Party" and that Section 5.6 addresses "energy exchange with a Third Party"<sup>18</sup> mischaracterizes those sections. MISO claims that "in both cases a charge is imposed at the other Party's tariff rate for such "excess use."<sup>19</sup> In other words, MISO is asserting that the SPP-Western JOA provides that in *every* instance in which *any* flow occurs on the other party, compensation must be paid. However, that is not what the sections provide. Sections 5.5.2 and 5.6.2 provide that the user must obtain additional contract path capacity *only* if SPP or Western does not have sufficient contract path capacity to provide the service itself. In other words, the sections clearly distinguish between loop flows – flows on another system that result from appropriately-procured transmission service within a party's system capability, for which no additional transmission service must be obtained; and excess use – flows on another system caused

---

<sup>18</sup> MISO Clarification/Rehearing Request at 12.

<sup>19</sup> *Id.*

by transmission service deliveries in excess of the transmission provider's capability and for which the customer must obtain additional transmission capacity.

The invalidity of MISO's assertions concerning the JOA can be shown by a simple example. If Western were to transmit 100 MW of power to a third party over an interface that has 200 MW of contract path capacity, and 30 MW of that power actually flows on SPP's lines, the JOA would not require Western to obtain 30 MW of additional contract path capacity for that transaction. The 30 MW flowing on SPP's lines constitutes loop flow, and nothing in the JOA requires Western to pay any compensation or to obtain additional transmission capacity. Therefore, MISO's assertion that the SPP-Western JOA provides for compensation for loop flow is wrong. If the facts were changed, and Western were to seek to transmit 100 MW of power to a third party over an interface that has only 70 MW of capacity, the 30 MW of excess use would constitute unauthorized use in the absence of appropriate transmission arrangements with another transmission provider that does have sufficient capacity. However, even in that situation the SPP-Western JOA does not provide for compensation; all it does is require that sufficient transmission service be obtained from another transmission provider.

MISO's assertion that the SPP-Western JOA's provision for SPP to require a customer to pay the "full tariff rate of another transmission provider ... for loop flow service...." is inconsistent with Commission precedent<sup>20</sup> misstates both the facts and the law. The SPP-Western JOA does not require the customer to pay the "full tariff rate" of a third party; all it requires is that the customer obtain the transmission service from another transmission provider. Moreover, the principle that a transmission provider can

---

<sup>20</sup> MISO Clarification/Rehearing Request at 14.

only provide the transmission service that it is physically capable of providing is an integral part of the Commission's Open Access Transmission Tariff.<sup>21</sup> It is self-evident that if a customer is denied transmission service from one transmission provider, it can obtain the service from any other provider who has the capability to provide it. That is all that the SPP-Western JOA requires.

MISO's request that the Commission hold that the SPP-Western JOA impermissibly provides for compensation for loop flow would result in bad precedent that could impair system reliability. At base, MISO is asking the Commission to hold that a transmission provider may provide transmission service without regard to its actual system and contractual capability, so long as some other transmission provider in the region has the capability to provide the service, on the ground that all flows on another system constitute loop flows that are only compensated in extraordinary situations. Essentially, MISO is seeking a policy that allows one transmission provider to hijack any other transmission providers' transmission capacity that is not already being used. Such a policy would make a mockery of the transfer capability determinations of transmission providers because each provider could disregard its own capability when it grants transmission service, and it would also be at risk of having its transfer capability consumed by adjacent transmission providers who disregard their own capability determinations.

---

<sup>21</sup> See Sections 18-21, 32 of the *pro forma* tariff.

**C. THE SPP-WESTERN JOA DOES NOT PROVIDE FOR IMPERMISSIBLY VAGUE CHARGES FOR TRANSMISSION SERVICE OR UNLAWFULLY RESTRICT TRANSMISSION SERVICE WITHIN SPP.**

The Commission should deny MISO's request that the Commission "clarify" that energy sourced in MISO will not be subject to the limitations of the JOA.<sup>22</sup> As SPP and the IS Parties explained in their October 18, 2012 Request for Clarification, the JOA's requirement that SPP and Western respect their own contract path capacity when providing transmission service applies regardless of where the energy originates. If this were not the case, SPP and Western would provide undue preferential service because they could exceed the contract path capacity on their systems when delivering energy received from third parties, while respecting their contract path capacity when delivering energy sourced within SPP or Western. Of course, nothing in the JOA affects how MISO or other third parties determine their capability to provide transmission service on their own systems; all the JOA addresses is transmission service on the systems of SPP, Western and transmission owners within their systems.

The MISO TOs' assertion that the JOA is unreasonably vague because it does not identify who will determine "excess use"<sup>23</sup> ignores the plain language of the SPP-Western JOA. Sections 5.4, 5.5 and 5.6 clearly provide that the Parties may exchange energy with each other, within their systems and with third parties, up to their contract path capacity. Obviously, the Party who is asked for transmission service must determine its own contract path capacity, just as all transmission providers have been doing since the inception of transmission service, and in particular since the promulgation of Order

---

<sup>22</sup> MISO Clarification/Rehearing Request at 16.

<sup>23</sup> MISO TOs Rehearing Request at 7.

No. 888 in 1996. The portion of any request for service that exceeds contract path capacity is “excess” and must be obtained from a third party.

MISO’s assertion that the SPP-Western JOA imposes excess use charges that are impermissibly vague because it does not specify how the excess use will be determined<sup>24</sup> is invalid. The JOA provides in Section 5.5.1 that the contract path capacity within a transmission owner’s system is limited to the sum of the capacity of the transmission facilities owned by the transmission owner and any contractual transmission agreements. Section 5.6.1 of the JOA contains a comparable provision with respect to transmission to third parties. Since all transmission service by SPP and Western is provided pursuant to each party’s Open Access Transmission Tariff (“OATT”), the contract path capacity of each party will be determined pursuant to that party’s OATT. Consequently, there is no need for the JOA to specify a methodology for determining transmission capacity or pricing it.

MISO’s assertion that the SPP-Western JOA does not specify which entity will obtain transmission service from a third party if SPP or Western does not have sufficient contract path capability to provide the service<sup>25</sup> does not make the JOA unjust or unreasonable. The obligation of transmission customers, rather than transmission providers, to obtain any necessary third party transmission service should be self-evident.

MISO asserts that the JOA’s requirement that the SPP-Western JOA unreasonably restricts transmission service because it provides that if SPP or Western cannot provide transmission service, the service must be obtained from a third party transmission

---

<sup>24</sup> MISO Clarification/Rehearing Request at 16; *see also* MISO TOs Rehearing Request at 7.

<sup>25</sup> MISO Clarification/Rehearing Request at 16-17; *see also* MISO TOs Request at 7.

provider.<sup>26</sup> MISO's assertion is illogical. Each transmission provider must respect its own system's capability when evaluating requests for transmission service, and each provider is not restricted from making system upgrades as allowed under its OATT to increase its own system's capability to accommodate requests for transmission service. If denying transmission service on the ground that the transmission provider does not have the capability to provide it is an unreasonable restriction on transmission service, then no transmission provider would be able to deny service, and the ATC provisions of OATTs would be meaningless.

MISO's assertion that SPP and Western should absorb any third party transmission service charges that result from their denial of service on their own systems<sup>27</sup> simply defies logic. What MISO is proposing is that if a transmission provider determines that it cannot provide transmission service on its own system, it should be obligated to obtain that service on a third party's system and absorb the cost of that service instead of having the customer obtain and pay for the service itself. If MISO's proposal were adopted, transmission customers would flood transmission providers with requests for transmission service that they know the transmission providers cannot provide because the transmission providers would have to obtain the service from other providers and socialize the cost of the third party service. Such a policy would quickly create chaos throughout the entire country. MISO does not absorb and socialize the cost of transmission service on third party transmission systems if it cannot provide the

---

<sup>26</sup> MISO Clarification/Rehearing Request at 16; *see also* MISO TOs Rehearing Request at 7.

<sup>27</sup> MISO Clarification/Rehearing Request at 16.

service itself, and there is no reason to “clarify” that SPP and Western should absorb such costs when they determine they cannot provide service on their own systems.

#### **IV. CONCLUSION**

Wherefore, SPP and the IS Parties request that the Commission grant their motion for leave to answer the rehearing requests of MISO and the MISO TOs; deny the requests for rehearing and clarification by MISO and the MISO TOs; and affirm its order of September 18, 2012 in this docket with the clarifications that SPP and the IS Parties requested in their Request for Clarification of October 18, 2012.

Respectfully submitted,

/s/ Matthew Harward  
Matthew Harward  
Attorney  
Southwest Power Pool, Inc.  
201 Worthen Drive  
Little Rock, AR 72223

/s/ Ronald J. Klinefelter  
Ronald J. Klinefelter  
Attorney  
Office of General Counsel  
Western Area Power Administration  
12155 W. Alameda Parkway  
P. O. Box 281123  
Lakewood, CO 80228-8213

/s/ Thomas L. Blackburn  
Thomas L. Blackburn  
Bruder, Gentile & Marcoux, L.L.P.  
1701 Pennsylvania Avenue, N.W.  
Suite 900  
Washington, D.C. 20006-5807  
Telephone: 202/296-1500  
Facsimile: 202/296-0627

Counsel for Basin Electric Power  
Cooperative

/s/ Jeffrey C. Genzer  
Jeffrey C. Genzer  
Thomas L. Rudebusch  
Duncan, Weinberg, Genzer  
& Pembroke, P.C.  
1615 M Street, NW  
Suite 800  
Washington, DC 20036

Counsel for Heartland Consumers Power  
District

November 2, 2012

## **CERTIFICATE OF SERVICE**

I hereby certify that I have served this day copies of the foregoing on the official service list compiled by the Office of the Secretary in accordance with Rule 2010 of the Commission Rules of Practice and Procedure.

Dated at Little Rock, AR this 2nd day of November, 2012.

/s/ Matthew Harward  
**Matthew Harward**