

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

Southwest Power Pool, Inc.) Docket Nos. ER12-1179-000
ER12-1179-001

**STATUS REPORT OF
SOUTHWEST POWER POOL, INC.**

Pursuant to the Federal Energy Regulatory Commission’s (“FERC” or “Commission”) “Order Conditionally Accepting Tariff Revisions to Establish Energy Markets,” issued on October 18, 2012,¹ Southwest Power Pool, Inc. (“SPP”) files this informational report on the status of SPP’s efforts to identify the grandfathered agreements (“GFA”) for which integration into the Integrated Marketplace has not been resolved, and on SPP’s negotiations with parties to these remaining GFAs regarding integrating the agreements into the market.

I. BACKGROUND

On February 29, 2012, SPP submitted to the Commission proposed revisions to its Open Access Transmission Tariff (“Tariff”) to implement the SPP Integrated Marketplace in March 2014.² As proposed, the Integrated Marketplace includes Day-Ahead and Real-Time Energy and Operating Reserve Markets and Transmission Congestion Rights (“TCR”) markets aimed at maximizing the cost-effective utilization of Energy Resources and the regional transmission system.

¹ See *Sw. Power Pool, Inc.*, 141 FERC ¶ 61,048 (2012) (“October 18 Order”).

² Submission of Tariff Revisions to Implement SPP Integrated Marketplace of Southwest Power Pool, Inc., Docket No. ER12-1179-000 (Feb. 29, 2012) (“Integrated Marketplace Filing”).

In designing the Integrated Marketplace, SPP and its stakeholders sought to accommodate existing contractual arrangements to the extent possible, rather than requiring that the parties abrogate or modify them. To that end, SPP proposed to treat GFAs comparable to other firm reservations by extending to all firm transmission service – regardless of whether it is conventional Tariff service or service subject to a GFA – the same right to receive auction revenue rights (“ARR”). Market Participants with GFAs can convert the ARR associated with their transmission service to a TCR in the same manner as other Market Participants.

In the October 18 Order, the Commission conditionally accepted SPP’s proposed treatment of GFAs. The Commission described SPP’s proposal as “well-reasoned,” noting that it largely resolved the complex issue of GFA integration.³ However, the Commission also recognized that certain GFA parties had protested SPP’s proposal, and directed SPP “to address all GFAs within the Integrated Marketplace construct” before market launch.⁴ The Commission accordingly instructed SPP to negotiate with the protesting GFA parties to attempt to resolve issues concerning integration of their GFAs into the new market. It further ordered SPP “to file an informational report due 90 days after the issuance of this order explaining the status of the negotiations and identifying the remaining GFAs that are not integrated into the market.”⁵

³ See October 18 Order at P 309.

⁴ *Id.*

⁵ *Id.* at P 317.

As directed, this status report provides an update of the discussions held to date between SPP and the GFA parties. SPP requests additional time to allow for the continuation of negotiations. On or before March 15, 2013, SPP will provide an additional status report concerning efforts to integrate the GFAs in the Integrated Marketplace.

II. STATUS REPORT

The following GFA parties filed protests concerning the integration of GFAs within the Integrated Marketplace: Omaha Public Power District (“OPPD”), Nebraska Public Power District (“NPPD”), Basin Electric Power Cooperative (“Basin”). Missouri River Energy Services & Heartland Consumers Power District (“MRES/Heartland”) also filed a protest but are not a party to any NPPD GFA.⁶ Lincoln Electric System (“LES”) did not protest SPP’s Integrated Marketplace filing, but subsequently contacted SPP regarding the treatment of certain GFAs to which it is a party.

SPP has initiated discussions with the GFA parties. What has become clear in these preliminary discussions is that there are unique facts and issues associated with each of these parties’ GFAs; hence, no single, uniform resolution is likely feasible or

⁶ SPP intends to address all such GFAs together, upon receipt of additional information from NPPD. In addition, American Public Power Association (“APPA”) filed comments urging FERC to carve-out GFAs from the Integrated Marketplace. Motion to Intervene and Comments of the American Public Power Association, Docket No. ER12-1179-000, at 4-8 (Mar. 30, 2012). APPA is not a party to any GFA within SPP, but filed its comments on behalf of its member companies, some of whom, presumably are parties to GFAs within SPP. APPA indicates that its SPP members were actively involved in the SPP stakeholder process leading to the development of the Integrated Marketplace tariff revisions. SPP has not initiated any discussions with APPA on the assumption that any APPA members who are parties to GFAs within SPP have separately raised issues and are among the parties with whom SPP has commenced negotiations.

appropriate. For example, in the case of the OPPD GFAs, before it joined SPP, OPPD was able to use the GFAs to provide transmission service from OPPD to SPP Members such as Westar and Missouri Public Service Company. These SPP Members then were able to deliver energy within SPP using SPP network service.

These “partial path” reservations, as the Commission described them,⁷ present challenging questions regarding their implementation in the Integrated Marketplace, particularly as they relate to OPPD’s request for corresponding ARRs. SPP has had discussions with OPPD and is currently evaluating the financial impacts, and potential precedential implications, of creating a “pseudo” Settlement Location at or near the former SPP/OPPD border that could serve as the basis for determining ARRs for these paths. SPP intends to schedule additional discussions with OPPD within the next several weeks.

In the case of the NPPD GFAs, including the GFA to which Basin is a party, the discussions to date have identified a need for additional facts. NPPD has indicated that its initial list of GFAs, as reflected in Exhibit No. NPPD-2 to NPPD’s March 30, 2012 Protest in this docket, needs to be refreshed. NPPD intends to revise its list of GFAs requiring carve-out in light of the criteria announced in the October 18 Order and that such revisions will remove some GFAs on the original list and add others. NPPD has agreed to furnish SPP an updated list of GFAs together with certain additional information requested by SPP. Meanwhile, SPP is exploring other options, short of

⁷ October 18 Order at P 310 & n.475.

carve-out, that would address NPPD's concerns, as well as the concerns of Basin and MRES/Heartland, regarding the proper assignment of congestion and loss charges.

Finally, LES initiated contact with SPP regarding certain GFAs to which LES is a party. While LES did not protest the treatment of GFAs in this docket, it has indicated a desire to be protected from congestion and other costs that may result from implementation of the Integrated Marketplace. SPP intends to seek additional information from LES and continue discussions in an effort to resolve LES's GFA issues.

CONCLUSION

SPP requests that the Commission accept this status report and allow SPP to continue negotiations with the GFA parties on possible resolution of the issues arising under these agreements. SPP commits to provide the Commission a further update on or before March 15, 2013, and will promptly notify the Commission if the negotiations with respect to any of the identified GFAs become hopelessly gridlocked.

Respectfully submitted,

/s/ Barry S Spector
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January 16, 2013

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon each person designated on the official service list compiled by the Secretary in this proceeding.

Dated at Washington, D.C., this 16th day of January, 2013.

/s/ Jeffrey G. DiSciullo
Jeffrey G. DiSciullo

**Attorney for
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