

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

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

**MOTION FOR LEAVE TO ANSWER  
AND ANSWER OF  
SOUTHWEST POWER POOL, INC.**

Pursuant to Rules 212 and 213 of the Federal Energy Regulatory Commission's ("Commission") Rules of Practice and Procedure, 18 C.F.R. §§ 385.212 and 385.213, Southwest Power Pool, Inc. ("SPP") moves to answer,<sup>1</sup> and answers the "Motion for Leave to File Answer and Answer of the Midwest Independent Transmission System Operator, Inc. to Request of Southwest Power Pool, Inc. for Rehearing and/or Clarification of Commission Order," ("MISO Answer") filed on December 4, 2012, in this proceeding. In support, SPP states as follows:

**I. BACKGROUND**

This proceeding involves SPP's proposal, filed February 29, 2012, as amended May 15, 2012, to implement its Integrated Marketplace, effective March 1, 2014. By order issued October 18, 2012, the Commission conditionally accepted SPP's proposal,

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<sup>1</sup> SPP seeks leave to submit this answer to assist the Commission's decision-making process and clarify the issues. The Commission regularly allows answers for such purposes. *See, e.g., Sw. Power Pool, Inc.*, 135 FERC ¶ 61,223, at P 27 (2011) (accepting answers that aided the Commission's decision-making); *Sw. Power Pool, Inc.*, 132 FERC ¶ 61,042, at P 28 (2010) (same), *reh'g denied*, 136 FERC ¶ 61,050 (2011); *Sw. Power Pool, Inc.*, 131 FERC ¶ 61,252, at P 19 (2010) (same), *order on reh'g*, 137 FERC ¶ 61,075 (2011); *Sw. Power Pool, Inc.*, 128 FERC ¶ 61,018, at P 15 (2009) (same); *Sw. Power Pool, Inc.*, 126 FERC ¶ 61,153, at P 18 (2009) (same).

but directed SPP to submit a series of compliance tariff revisions.<sup>2</sup> As relevant here, the Commission required SPP to begin negotiations with the Midwest Independent Transmission System Operator, Inc. (“MISO”) and to file revisions to the SPP/MISO Joint Operating Agreement (“JOA”) reflecting new market-to-market (“M2M”) mechanisms that would govern coordination and congestion management across the SPP/MISO seam.<sup>3</sup> The Commission directed the JOA revisions to be filed by June 30, 2013, which, in the Commission’s view, “. . . should [afford] ‘sufficient time to ensure that all issues are addressed prior to the commencement of SPP’s markets.’”<sup>4</sup>

On November 19, 2012, SPP sought clarification or, in the alternative, rehearing of the October 18 Order with respect to the M2M compliance directive. Specifically, SPP asked the Commission to confirm that implementation of M2M could be deferred until one year after market start-up. SPP explained that, contrary to the inferences invited in the October 18 Order, there was no pre-existing obligation requiring M2M between SPP and MISO and that, in fact, the parties had operated adjacent markets for years with the shared recognition, and acceptance by the Commission, that M2M was not necessary for reliable operation across the seam. SPP nonetheless confirmed its willingness to pursue M2M negotiations with MISO, but demonstrated its need for an additional year to implement M2M, given the system changes and resource demands associated with such effort. SPP offered the sworn testimony of Mr. Bruce Rew, the company’s Vice-President of Operations, who described the likely delay, and the consequent loss of

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<sup>2</sup> *Sw. Power Pool, Inc.*, 141 FERC ¶ 61,048 (2012) (“October 18 Order”).

<sup>3</sup> *Id.* at P 364.

<sup>4</sup> *Id.* (quoting *Sw. Power Pool, Inc.*, 109 FERC ¶ 61,008, at P 34 (2004)).

millions of dollars of market benefits, if M2M implementation was imposed as a condition to market start-up.

On December 4, 2012, MISO answered SPP's clarification/rehearing request, arguing that (1) M2M was required by virtue of prior Commission orders, and (2) that SPP's request for deferred implementation of M2M should be denied as unsupported. As explained below, the MISO Answer offers no valid arguments for the Commission to deny SPP's clarification/rehearing request on the M2M implementation issue.

## II. ANSWER

### A. **There Is No *Per Se* Requirement for M2M Coordination Between SPP and MISO on the Date of Implementation of the Integrated Marketplace**

MISO contends that M2M coordination is required for the implementation of the Integrated Marketplace based on prior Commission orders. In support, MISO cites an October 2004 order in which the Commission ordered SPP and MISO to “execute a Phase 2 JOA . . . prior to commencement of SPP's markets.”<sup>5</sup> In MISO's view, this 2004 directive remains controlling and applicable to SPP's proposed Integrated Marketplace, and any contrary view constitutes a collateral attack on the Commission's prior order.<sup>6</sup>

MISO's argument has no merit. SPP's Energy Imbalance Services (“EIS”) Market and MISO's energy market have operated successfully side-by-side since 2007 without M2M protocols in place. As SPP explained in its rehearing request, in

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<sup>5</sup> See MISO Answer at 8 (quoting *Sw. Power Pool, Inc.*, 109 FERC ¶ 61,008, at P 34 (2004)).

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

furtherance of the Commission's 2004 directive regarding a "Phase 2 JOA," SPP and MISO considered M2M coordination prior to the implementation of SPP's EIS Market, but mutually determined – *and so informed the Commission* – that no changes were needed to the existing JOA.<sup>7</sup> In fact, two years later, SPP and MISO reevaluated whether more comprehensive seams coordination was needed, including M2M, and again mutually agreed that no further enhancements were necessary. The parties specifically informed the Commission that they were abandoning pursuit of M2M coordination, even though both parties were then operating "Markets," as defined in section 2.2.30 of the JOA, and were considered "Market-Based Operating Entities," as defined in section 2.2.31 of the JOA, operating in a "market-to-market" environment.<sup>8</sup>

Predictably, MISO's Answer largely ignores this history, arguing instead that there will be a greater need for M2M coordination in the Integrated Marketplace and that enhanced coordination will improve market efficiencies.<sup>9</sup> But these arguments have nothing to do with whether SPP is under a *pre-existing* M2M compliance obligation.

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<sup>7</sup> See Submission of Tariff Revisions to Incorporate Energy Imbalance Market and Market Monitoring Procedures of Southwest Power Pool, Inc., Docket No. ER06-451-000 (Jan. 4, 2006) at Prepared Direct Testimony of Carl A. Monroe on Behalf of Southwest Power Pool, Inc. at 11 (noting that SPP and MISO had not identified any required changes to the JOA and Congestion Management Process to facilitate M2M operations).

<sup>8</sup> See Submittal of Midwest Independent Transmission System Operator, Inc. and Southwest Power Pool, Inc., Docket No. ER09-468-000, at 2 (Dec. 19, 2008) ("Based on the results of that analysis indicating limited opportunity and the differences between the two markets *the RTOs have decided not to move forward with implementation of [M2M]*") (emphasis added).

<sup>9</sup> See MISO Answer at 11-12.

Indeed, given SPP's confirmed willingness to pursue M2M negotiations with MISO, the relevant, critical issue before the Commission is timing. SPP has acknowledged that there is potential value in developing enhanced M2M procedures for the Integrated Marketplace and has recently sought to initiate the negotiations prescribed by the Commission's October 18 Order. But as next discussed, additional time is required to implement M2M and nothing in MISO's Answer provides any basis to deny SPP's request for a one-year deferral.

**B. MISO Has Offered No Credible Justification to Deny SPP's Request for a One-Year Deferral of M2M**

MISO opposes SPP's request for a one-year deferral of M2M. MISO asserts that a template currently exists, in the form of the MISO/PJM Interregional Coordination Process ("ICP"), which could readily be adopted for M2M across the SPP/MISO seam.<sup>10</sup> Without any evidentiary support, MISO simply asserts that to the extent there are specific features of the ICP requiring adjustment, there is sufficient time in the period provided in the October 18 Order, for the parties to negotiate necessary revisions and for SPP to design, order, test, and implement any required software changes.<sup>11</sup> MISO speculates that SPP "[a]t some point . . . apparently made a decision to proceed [with the Integrated Marketplace] without M2M" and that such decision should not now serve as grounds to delay M2M implementation.<sup>12</sup> MISO characterizes the Rew Affidavit – offered by SPP to document the costs/benefits, system changes, resource demands, and time

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<sup>10</sup> *Id.* at 12.

<sup>11</sup> *Id.*

<sup>12</sup> *Id.* at 13-14.

commitments associated with M2M implementation – as having “little evidentiary value” and objects to the introduction of any such new evidence on rehearing.<sup>13</sup>

These assertions, addressed below, do not justify denial of SPP’s deferral request. At the outset, however, it seems plain that MISO’s pleading is more noteworthy not for what it says, but for what it omits. Nowhere does MISO allege any specific harm to itself if M2M is deferred to 2015. MISO suggests that the adjacent markets may be “less efficient” but provides absolutely no empirical support for that claim. To the contrary, MISO concedes that the current JOA “is sufficient to address reliable operation of the seam between the two RTOs.”<sup>14</sup> And, while MISO may quibble with the precise numbers, there is ample evidence – acknowledged by the Commission and not directly challenged by MISO – that every month the Integrated Marketplace is delayed translates into millions of dollars in lost net benefits.<sup>15</sup>

As to MISO’s specific assertions – which are clearly designed to imply foot-dragging on SPP’s part – none provides any basis for denying SPP’s request. Regarding the potential use of the MISO/PJM ICP as the model for developing M2M protocols between SPP and MISO, SPP generally agrees that the ICP can serve as the appropriate starting point for M2M negotiations. MISO’s contrary suggestion notwithstanding, SPP has never argued otherwise. SPP’s rehearing request merely cautioned against any

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

<sup>14</sup> *Id.* at 5.

<sup>15</sup> *See* October 18 Order at P 2 (Commission recognizes the importance of timely action to ensure start-up of Integrated Marketplace by target date) and PP 30-32 (describing anticipated economic and operational benefits of Integrated Marketplace).

presumption that seams coordination was susceptible to a “one-size-fits-all” approach across any/all markets. Thus, while the ICP may provide a useful framework for developing SPP/MISO M2M protocols, certain customized modifications will undoubtedly be required. MISO’s Answer concedes as much.<sup>16</sup>

As to MISO’s assertion that ample time exists to negotiate and implement appropriate M2M revisions prior to March 2014, the calendar belies such claim. Even assuming that the parties could finalize and file M2M protocols by the Commission’s June 30, 2013 compliance date, it is likely to take at least two months, and perhaps longer, for the Commission to act on any filing. If the Commission requires changes to the filed protocols, those too would need to be submitted and approved. Until such time as the Commission determines the final M2M terms and conditions to be adopted – likely, late third quarter or early fourth quarter, 2013 – SPP cannot know the specific software and system changes to submit to its vendors. That would leave approximately six months, perhaps less, to design, develop, install, test, modify and implement system changes for a fundamental modification of the management of the SPP/MISO seam. MISO offers no evidence to indicate that this is sufficient time, given the magnitude of changes likely to be required. Indeed, Mr. Rew’s affidavit, which relied in part on experience-based representations from PJM, squarely refutes any notion that six months would be adequate time to implement these changes.<sup>17</sup>

There is similarly no merit to MISO’s claim that SPP’s deferral request should be denied because it arises as a result of SPP’s own inaction – *viz.*, SPP’s “apparent[]

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<sup>16</sup> MISO Answer at 12.

<sup>17</sup> Rew Affidavit ¶ 13.

... decision” to proceed with the development of the Integrated Marketplace “without M2M.” The dispositive response to this claim is that, from the early developmental stages, SPP evaluated the need for M2M as part of the Integrated Marketplace design, but did not consider it critical to the start-up of market operations. As noted above, that view was shared by MISO, at least prior to the Spring of 2011, when Entergy announced its plan to join MISO.<sup>18</sup> Only then did MISO raise the need for M2M redispatch. In fact,

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<sup>18</sup> SPP notes that the issue of whether Entergy will be authorized to join MISO has only recently been substantively addressed by Entergy’s retail regulators. *See In Re: Joint Application of Entergy Louisiana, LLC and Entergy Gulf States, L.L.C Regarding Transfer of Functional Control of Certain Transmission Assets to the Midwest Independent Transmission System Operator, Inc., Regional Transmission Organization, for an Accountiny Order Deferring Related Implementation Costs and Requests for Timely Treatment.*, Louisiana Public Service Commission, Docket No. U-32148, Order No. U-32148 (July 10, 2012); *In the Matter of a Show Cause Order Directed to Entergy Arkansas, Inc. Regarding Its Continued Membership in the Current Entergy System Agreement, or Any Successor Agreement Thereto, and Regarding the Future Operation and Control of Its Transmission Assets*, Arkansas Public Service Commission, Docket No. 10-011-U, Order No. 72, (Oct. 26, 2012); *Application of Entergy Texas, Inc. for Approval to Transfer Operational Control of its Transmission Assets to the MISO RTO*, Public Utility Commission of Texas, Docket No. 40346, Order (Oct. 26, 2012); *Initiating Investigation of the Potential Costs and Benefits of Entergy New Orleans, Inc. and Entergy Louisiana, LLC Joining a Regional Transmission Organization Versus the Continuation of the Entergy Independent Coordinator of Transmission with Enhancements*, Council of the City of New Orleans, Docket No. UD-11-01, Resolution R-12-439 (Nov. 15, 2012); *In Re: Joint Application of Entergy Mississippi, Inc. and the Midwest Independent Transmission System Operator, Inc. for Transfer of Functional Control of Entergy Mississippi’s Transmission Facilities to MISO*, Mississippi Public Service Commission, Docket No. 2011-UA-376, Order (Nov. 15, 2012).

Because Entergy’s planned spin-off of its operating companies’ transmission assets is still pending, the scope and nature of any SPP-MISO M2M arrangements may yet be affected by the outcome of these state regulatory proceedings. *See In the Matter of an Application of Entergy Arkansas, Inc., Mid South Transco LLC, ITC Midsouth LLC, Transmission Company Arkansas, LLC, and ITC Holdings Corp. to Enter Transactions Resulting in a Certificate of Public Convenience and Necessity for a New Arkansas Utility to Own EAI’s Electric Transmission Facilities*, Arkansas Public Service Commission, Docket No. 12-069-U; *Joint*  
(cont’d ...)

during the initial comment and intervention period following the filing of SPP's Integrated Marketplace proposal, MISO offered not a single word regarding the need for M2M, submitting its M2M arguments only a week before the Commission issued its October 18 Order just two months ago.

MISO's substantive and procedural objections to the Rew Affidavit likewise miss their mark. In terms of substance, Mr. Rew provided a detailed, albeit non-exclusive, list of the system and software modifications anticipated for M2M implementation and the associated resource commitments they would entail. As a senior officer of SPP, with responsibility over system operations, Mr. Rew is eminently qualified to evaluate the personnel, equipment, and time requirements for M2M. His sworn testimony, which also relies in part on information obtained from PJM regarding M2M implementation, is clearly probative and not undercut by MISO's dismissive, but entirely unsupported, contrary characterizations.

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*Application of Entergy Louisiana, LLC, Entergy Gulf States, L.L.C., Mid South Transco LLC, Transmission Company Louisiana I, LLC, Transmission Company Louisiana I, LLC and ITC Holdings Corp., ITC Midsouth LLC for Approval of Change of Ownership of Electric Transmission Businesses, for Certain Cost-Recovery Adjustments, and for Related Relief, Louisiana Public Service Commission, Docket No. U-32538; In Re: Joint Application of Entergy Mississippi, Inc., Transmission Company Mississippi, LLC, Mid South Transco LLC, ITC Midsouth LLC, and ITC Holdings Corp. for the Transfer of Ownership and Control of Entergy Mississippi's Transmission Facilities and Assets Together with Related Certificates, Franchises and Other Property Rights to Transmission Company Mississippi, LLC and Approval of Subsequent Transfers of Ownership and Control, Mississippi Public Service Commission, Docket No. 2012-UA-358; Investigation of the Proposed Divestiture of the Transmission Assets of Entergy New Orleans, Inc. and Entergy Louisiana, LLC to ITC Holdings Corp., Council of the City of New Orleans, Docket No. UD-12-01.*

MISO's procedural objection – and, specifically, its claim that submitting the Rew Affidavit on rehearing is impermissible – ignores the fact that MISO submitted its comments on M2M more than six months after the intervention/comment deadline established in the proceeding and only one week before the Commission's order. SPP was afforded no chance to respond. Had MISO filed its comments timely, issues regarding M2M would have been joined earlier and SPP would not have been required to respond as part of its rehearing request. The Commission should see through MISO's objections and reject them.

### **III. CONCLUSION**

For the reasons set forth above, SPP requests that the Commission reject the MISO Answer submitted in this proceeding and grant SPP's request for rehearing and/or clarification.

Respectfully submitted,

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**Attorneys for  
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December 19, 2012

**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 19th day of December, 2012.

/s/ Jeffrey G. DiSciullo  
Jeffrey G. DiSciullo

**Attorney for  
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Document Content(s)

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