Monday, June 15, 2015
1:00 - 3:00 p.m.
Conference Call

1. CALL TO ORDER
2. PRELIMINARY MATTERS
   a. Declaration of a Quorum
3. UPDATES
4. BUSINESS MEETING
5. REPORTS/PRESENTATIONS
   a. Cost Allocation Related to Integration of New Members.................. Jason Chaplin and John Krajewski
      Discuss Draft Scoping Document developed by CAWG.
   b. Capacity Margin Task Force Update......................................................... Rob Janssen
      Discuss Draft SPP Reserve Margin Enforcement Policy and other issues.
   c. Update on RSC Bylaws Revisions.......................................................... Shari Feist Albrecht
      Update on status of revisions to the RSC Bylaws.
   d. July 2015 RSC Draft Meeting Agenda....................................................... Dana Murphy
      Review draft agenda.
   e. Topics for July Retreat............................................................................... Dana Murphy
      Discuss Retreat Topics.
6. OTHER RSC MATTERS
7. ACTION ITEMS
8. SCHEDULING OF NEXT REGULAR MEETINGS, SPECIAL MEETINGS OR EVENTS
   July 26-27, 2015 Retreat – Kansas City, Mo
   July 27, 2015 – Kansas City, MO
   October 26, 2015 – Little Rock, AR
9. ADJOURN
Proposed Scope
New Member Cost Allocation Review Process

1. Identify new member characteristics
   a. Transmission Facilities
   b. Generation and Load Characteristics
   c. Proposed modifications beyond pro forma changes to the Tariff and other governing documents

2. Identify cost allocation and integration approaches used in other similar situations
   a. Existing SPP integration – Nebraska and Integrated System
   b. Other RTO member additions
   c. Non RTO member additions
   d. Mergers of transmission owning companies

3. Develop criteria used to analyze the application of existing cost allocation methodologies for future new members
   a. Rate standard
      i. Public interest
      ii. Just and reasonable
   b. Impact to existing members and new members
   c. Evaluation methodology
      i. Administrative costs
      ii. Production costs
      iii. Transmission costs
      iv. Appropriate benefit / cost measurements
      v. Ensure coordination with SPP
   d. Appropriate effective date for cost-sharing
   e. Appropriate facilities and entities to which cost-sharing to be applied
   f. Practical considerations for implementing cost-sharing

4. Identify other factors that may warrant deviation from established cost allocation criteria
   a. Remote system without direct AC interconnections
   b. System with limited interconnection capability to SPP region
   c. Systems embedded within SPP member transmission system

5. Draft procedures for CAWG/RSC use in future reviews
   a. Schedule for completion
   b. Reporting findings
   c. Action plan

6. Other considerations
   a. Need for uniformity in tariff language relating to cost-sharing
   b. Minimizing administrative burden on SPP
c. Phasing in or delaying of cost allocation for new members  
d. Consideration of special circumstances (ex. Federal Service Exemption)  
e. Ensure that a Goal Statement is included in the final draft of the scope document  
f. Use of third-party analysis versus SPP internal analysis  

7. Other Issues of Interest to the RSC  

Schedule for Completion  

1. Update to the RSC in June  
2. Approval of scope for July 2015 RSC meeting  
3. Possible update on items 2b and 2c– at July 2015 retreat  
4. Review scope items 1, 2, and 3 – October 2015  
5. RSC approval of CAWG review procedures – January 2016
Load Responsible Entity for Reserve Margin Obligation

June 2015
SPP Staff

Southwest Power Pool
### Revision History

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<th>Author</th>
<th>Change Description</th>
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<td>Version 0.0 (November 1, 2014)</td>
<td>Michael Odom</td>
<td>Initial Draft</td>
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<tr>
<td>Version 1.0</td>
<td>Michael Odom</td>
<td>Added draft Attachment AS language and Appendix 1 to Attachment AS</td>
<td></td>
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<tr>
<td>Version 1.2</td>
<td>Michael Odom</td>
<td>Added language for RM Validation and LOLE study</td>
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<tr>
<td>Version 1.3-10</td>
<td>Michael Odom</td>
<td>Removed language deemed unnecessary by the CMTF</td>
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<tr>
<td>Version 1.14</td>
<td>Michael Odom</td>
<td>Updated LRE definition and modified language to reflect new definition</td>
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<tr>
<td>Version 1.15</td>
<td>Michael Odom</td>
<td>Modified language to exclude pseudo tied loads under a FERC/state mandated Reserve Margin</td>
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Background and Introduction

Reserve Margin is the amount of Deliverable or Prospective Resources minus the Net Internal Demand. The division of this difference by the Net Internal Demand provides a percentage of reserve margin, which is used interchangeably with the term reserve margin. A system possessing a reserve margin has generation capacity in excess of maximum net internal demand. Reserve margin will reduce the risk of not serving all net internal demand in situations where that demand is unusually high in combination with some portion of the generation (capacity) being unavailable. Maintaining an adequate reserve margin will decrease this risk to an acceptably low probability. Capacity margin is the same value, the difference between an entity’s resources and demand. The difference between reserve margin and capacity margin stems from the denominator used in the reserve or capacity margin percentage calculations. Reserve margin has a net internal demand denominator and capacity margin has a resource denominator. Within the electrical industry, a percentage of reserve margin is what is commonly used to determine the amount of reserve margin necessary to be maintained for reliability reasons. Planning Reserve Margin (PRM) is the term used by a majority of North American RTOs/ISOs to describe the reserve margin amount used for planning purposes.

Currently SPP Criteria section 2 specifies that a capacity margin obligation shall be maintained by a Load Serving Member. Load Serving Member, as defined by the SPP Criteria, does not cover all load in the SPP Planning Coordinator footprint. Capacity margin or reserve margin should be calculated as a percentage above all load within a region’s boundary of reliability responsibility in order to provide adequate reliability when needed.

On March 1, 2014, SPP implemented the Integrated Marketplace and became the consolidated Balancing Authority for its region. SPP has been working with the Integrated System and SPP members to develop tariff language and agreements that will expand SPP’s footprint to integrate WAPA, Basin Electric Cooperative and Heartland by October 2015. The implementation of the Integrated Marketplace and the integration of the Integrated System have raised a need to address SPP’s reserve margin requirements in order to ensure continued reliability.

The SPP Balancing Authority area covers Integrated Marketplace resources and load. The SPP BA covers loads represented by both members and non-members of SPP. In addition, some facilities served by the BA are not facilities that have been placed under the functional control of SPP. For reliability reasons, SPP needs a mechanism to ensure the entire load served by the SPP BA is covered by sufficient capacity. Since the SPP Criteria outlines capacity margin requirements that only apply to SPP Load Serving Members, and does not apply to entities that simply have facilities or load registered in the market or non-registered load connected to the Transmission System, but no membership agreement with SPP, SPP has created the concept of a Load Responsible Entity. This entity will have an agreement directly with SPP and will be responsible for ensuring compliance with the reserve margin requirements established in the SPP Tariff.
Load Responsible Entity

Load Responsible Entity (“LRE”) definition:
Any entity that is: (i) an Asset Owner with load asset(s) registered in the Integrated Marketplace, where such load asset(s) is within the metered boundary of the SPP Balancing Authority Area; or (ii) a Transmission Customer or Network Customer with an obligation to serve retail utility load requirements, where such load is interconnected with the Transmission System but not included within the metered boundary of the SPP Balancing Authority Area; or (iii) an entity to which an Asset Owner, Transmission Customer, or Network Customer has delegated obligations under Attachment AS by mutual agreement.

SPP Tariff Definitions

Transmission Customer: Any Eligible Customer (or its Designated Agent) that (i) executes a Service Agreement, or (ii) requests in writing that the Transmission Provider file with the Commission, a proposed unexecuted Service Agreement to receive transmission service under Part II of the Tariff.

Network Customer: An entity receiving transmission service pursuant to the terms of the Transmission Provider's Network Integration Transmission Service under Part III of the Tariff.
**Summary of LRE and SPP responsibilities:**

**LRE Identification**

*SPP*

SPP, in coordination with applicable Market Participants, must identify the Load Responsible Entity(ies).

SPP will have contracts with all identified LREs.

**Reserve Margin**

*LRE*

The LRE will ensure the obligation for reserve margin requirements is met pursuant to new requirements to be established in the SPP Tariff. Pseudo tied loads, subject to reserve margin obligations that are FERC approved or are mandated by a state requirement, will be excluded from this requirement.

The LRE will ensure the necessary data is provided to calculate the LRE reserve margin and to model the LRE for Loss Of Load Expectation (LOLE) analysis.

*SPP*

SPP will validate the LRE reserve margin compliance through discrete calculations based upon LRE submitted data.

SPP will compile LRE reserve margin calculations and provide a report of the findings to the LREs and SPP Stakeholders before and after the summer peak period.

**Demand Data Reporting**

*LRE*

The LRE will ensure that demand values reported for the reserve margin calculation are accurately reflective of the LRE’s system peak responsibility pursuant to requirements to be established in the SPP Tariff.

*SPP*

SPP will validate that the demand values submitted for reserve margin requirements against the previous year(s) forecasts.

**Capacity Data Reporting**

*LRE*

The LRE will ensure that resources used to meet the reserve margin requirement are properly accredited and tested per the SPP Criteria. The Criteria testing procedures could be replicated in Attachment AS in order for the Tariff to have a self-contained set of requirements.

*SPP*
SPP will validate that the resource MW values used for reserve margin requirements are accredited properly per the latest unit testing results conducted in accordance with the SPP Criteria (or Attachment AS if the procedures are replicated there).

**Compliance**

**LRE**

An LRE enforcement policy will establish guidelines and actions for the LRE to abide by in order to ensure that reserve margin requirements are met. Circumstances in which the LRE Enforcement policy is applicable:

- LRE fails to submit to SPP the data necessary for reserve margin calculation
- LRE fails to meet reserve margin obligation as specified by the Tariff

**Obligation and Performance**

**LRE – SPP**

LRE has a signed contract with SPP and submits necessary reserve margin data directly to SPP. LRE maintains reserve margin and performance obligation. SPP performs data validation and reserve margin calculation.
Appendix

Attachment AS Outline

LOAD RESPONSIBLE ENTITY REQUIREMENTS

I. Identification of Load Responsible Entities and Filing of LRE Contracts

SPP to identify each Load Responsible Entity with information provided by Market Participants.

a. Each Market Participant to provide names and contact information for all Asset Owners it represents with load registered in the Integrated Marketplace.

b. SPP to review the information provided by the Market Participants as well as its existing information regarding transmission customers and Asset Owners in order to develop a list of potential Load Responsible Entities.

c. With the assistance of Asset Owners with load registered in the Integrated Marketplace, SPP to identify any third party entities that are delegated as an LRE by agreement.

d. SPP to seek executed LRE contracts (Appendix 1 to Attachment AS) with all entities identified in the previous steps.

e. SPP to file the executed contracts with FERC and, if necessary, unexecuted contracts for any identified Load Responsible Entities that are unwilling to sign.

II. Reserve Margin Requirements

a. Applicable to all LREs

b. Specify a percentage reserve margin based on some measure of load (e.g., 1-CP, 4-CP)
c. Establish criteria for the capacity to qualify for purposes of meeting the reserve margin requirement
d. Establish any penalty/enforcement provisions for those that fail to comply

III. Administration and Monitoring

a. SPP to collect information from each LRE on the projected load and capacity for the coming year and actual load and capacity for the previous year
   i. Collect information in off-peak season (Fall or Spring)
   ii. For LREs that are former Balancing Authorities, clarify that the reported load should include only that for which the company is performing LRE responsibilities
b. SPP to review response data for completeness and consistency
c. SPP to issue penalties if authorized under the Tariff and if any LREs fail to meet the minimum threshold
Appendix 1 to Attachment AS

AGREEMENT BETWEEN SOUTHWEST POWER POOL, INC. AND LOAD RESPONSIBLE ENTITY CONCERNING RELIABILITY OF THE TRANSMISSION SYSTEM

This Agreement between Southwest Power Pool, Inc. and Load Responsible Entity Concerning Reliability of the Transmission System (“Agreement”) is entered into on the ____ day of _____________, _____, by and between Southwest Power Pool, Inc. (“SPP”) and ________________________________ (“Load Responsible Entity” or “LRE”), collectively referred to herein as “Parties” or singularly as “Party.”

WHEREAS, SPP is a Regional Transmission Organization (“RTO”) as established by the Federal Energy Regulatory Commission (“Commission”) with functional control of electric transmission facilities in its region, administers the terms and conditions for transmission service under the SPP Open Access Transmission Tariff (“Tariff”), performs the roles of Reliability Coordinator and Planning Coordinator as defined by the North American Electric Reliability Corporation (“NERC”) Functional Model and as required by NERC Reliability Standards, operates the Energy and Real-Time Balancing Markets (“Integrated Marketplace”), and operates as the Balancing Authority within the region served by the Integrated Marketplace;

WHEREAS, ________________________________ has a responsibility for service to electrical load in the Integrated Marketplace where such load is included in the SPP Balancing Authority Area (“BAA”) or has load interconnected with the SPP Transmission System; and

WHEREAS, this Agreement sets forth terms and conditions necessary to describe the Parties’ respective obligations related to reliable operation of transmission facilities utilized to serve
customers with load included in the SPP BAA or load interconnected with the SPP Transmission System.

NOW, in consideration thereof, the Parties agree as follows:

1. **Term, Termination, and Amendment**

   This Agreement shall become effective on [month] [date], [year] or on such other date as accepted or approved by the Commission. It shall remain in effect for two (2) years from the effective date and shall remain in effect from year to year thereafter unless terminated through an order of the Commission or a successor agency with proper jurisdiction. Neither Party shall submit a filing with the Commission to request termination of this agreement unless twelve (12) months prior written notice of such filing has been provided to the other Party. Neither Party shall submit a filing with the Commission to request amendment of this Agreement unless six (6) months prior written notice of such filing has been provided to the other Party or unless such filing is authorized by the SPP Board of Directors.

2. **Facilities and Operations Reliability**

   The LRE shall meet the requirements as set forth in this Section 2.

   a. The LRE shall comply with the instructions of SPP in its role as Reliability Coordinator. Furthermore, the LRE shall follow the instructions of SPP in its role as Reliability Coordinator or as administrator of the Tariff to effectuate curtailment of load.

   b. The LRE shall maintain capacity resources sufficient to achieve or exceed reserve margin requirements in accordance with Attachment AS of the SPP Tariff.

   c. The LRE shall maintain its transmission facilities, if any, in accordance with Good Utility Practice.
d. The LRE shall obtain ancillary services from SPP or make alternative comparable arrangements to satisfy its ancillary services requirements.

4. **Facilities Access**

   The LRE shall allow SPP escorted access to any of its transmission facilities as necessary for SPP to perform its obligations under this Agreement. Such access shall be at reasonable times and under reasonable conditions, with adequate notice provided by SPP.

5. **Information and Confidentiality**

   The LRE shall provide such information to SPP as is necessary for SPP to perform its obligations under this Agreement and the Tariff, including planning and operational purposes. Such information shall be treated as confidential when so designated provided that such designation is reasonable.

6. **Governing Provisions**

   6.1 Integrated Marketplace transactions and transmission service furnished by SPP shall be in accordance with the terms and conditions of the Tariff. Capitalized terms not herein defined shall be interpreted consistently with the Tariff.

6.2 Disputes between the Parties shall be resolved in accordance with the dispute resolution procedures contained in Section 12 of the Tariff.

6.3 **LIABILITY AND INDEMNIFICATION.**

   6.3.1 SPP shall not be liable for money damages or other compensation to the LRE for actions or omissions by SPP in performing its obligations under this Agreement, except to the extent such act or omission by SPP is found to result from its gross negligence or intentional wrongdoing. The LRE may not seek to enforce any claims against the directors, members, shareholders, officers, employees or agents of the SPP or a Transmission Owner or Affiliate of either solely by reason of their status as directors, members, shareholders,
officers, employees or agents of SPP or a Transmission Owner or Affiliate of either. In no event shall SPP or any Transmission Owner be liable for any incidental, consequential, punitive, special, exemplary or indirect damages, loss of revenues or profits, arising out of, or connected in any way with the performance or non-performance under this Agreement.

6.3.2 The LRE shall at all times indemnify, defend, and save SPP harmless from, any and all damages, losses, claims, including claims and actions relating to injury to or death of any person or damage to property, demands, suits, recoveries, costs and expenses, court costs, attorney fees, and all other obligations by or to third parties, arising out of or resulting from SPP's performance of obligations under this Agreement on behalf of the LRE, except in cases of gross negligence or intentional wrongdoing by SPP.

6.3.3 SPP shall not be liable for damages arising out of services provided under this Agreement including, but not limited to any act or omission that results in an interruption, deficiency or imperfection of service, occurring as a result of conditions or circumstances beyond the control of SPP, as applicable, or resulting from electric system design common to the domestic electric utility industry or electric system operation practices or conditions common to domestic electric utility industry. Transmission Owner(s) shall not be liable for acts or omissions done in compliance or good faith attempts to comply with directives of SPP.

6.3.4 To the extent that SPP is required to pay any money damages or compensation or pay amounts due to its indemnification of the LRE, SPP shall be allowed to recover any such amounts (subject to crediting all amounts recovered by SPP through insurance or through any indemnification it receives) consistent with Section 10.5 of the Tariff.

6.4 An event of Force Majeure means any act of God, labor disturbance, act of the public enemy, war, insurrection, riot, fire, storm or flood, explosion, breakage or accident to machinery or
equipment, any Curtailment, order, regulation or restriction imposed by governmental military or lawfully established civilian authorities, or any other cause beyond a Party's control. A Force Majeure event does not include an act of gross negligence or intentional wrongdoing. Neither SPP, nor the LRE will be considered in default as to any obligation under this Agreement if prevented from fulfilling the obligation due to an event of Force Majeure. However, a Party whose performance under this Agreement is hindered by an event of Force Majeure shall make all reasonable efforts to perform its obligations under this Agreement.

6.5 This Agreement shall inure to the benefit of and be binding upon the Parties and their respective successors and assigns permitted hereunder, but shall not be assignable by a Party, by operation of law or otherwise, without the approval of the other Party. Such approval shall not be unreasonably withheld.

6.6 No amendments or changes to this Agreement shall be binding unless made in writing and accepted by the Commission or a successor agency with proper jurisdiction.

6.7 This Agreement constitutes the entire agreement between the parties with respect to the subject matter hereof, and supersedes any and all prior or contemporaneous written or oral communications between the parties. All other rights and remedies not specifically referenced in this Agreement are reserved by the Parties.

6.8 GOVERNING LAW. This Agreement shall be governed by and construed in accordance with the laws of Arkansas, without regard to conflicts of law provisions.

6.9 NO AGREEMENT TO JURISDICTION. By entering into this Agreement, and notwithstanding any provision in this Agreement, the LRE is not in any way agreeing individually that their activities under this Agreement are subject to Commission jurisdiction. In addition, nothing in this Agreement shall be construed (a) to confer Commission jurisdiction over an LRE that is not a public utility as defined by the Federal Power Act, or (b) as a consent or waiver with respect to such
jurisdiction, or (c) to cause a non-public utility to take any action or participate in any filing or appeal that would confer Commission jurisdiction over a non-public utility or require a non-public utility to comply with any Order or Rule issued by the Commission.

6.10 This Agreement may be executed in counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one and the same instrument.
INUITION WHEROF, the Parties have caused this Agreement to be executed by their duly authorized representatives.

SOUTHWEST POWER POOL, INC.

By: ______________________________
Name: ______________________________
Title: ______________________________
Date: ______________________________

[LOAD RESPONSIBLE ENTITY]

By: ______________________________
Name: ______________________________
Title: ______________________________
Date: ______________________________
SPP Reserve Margin Enforcement Policy

February 2015

Enforcement Policy Small Group
## Revision History

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<td><strong>Version 0.0</strong>&lt;br&gt;January 6th, 2015</td>
<td>Rob Janssen/Chris Haley</td>
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<td>CMTF Small Group/Chris Haley</td>
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<td><strong>Version 12.0</strong>&lt;br&gt;May 8th, 2015</td>
<td>CMTF Small Group/Chris Haley</td>
<td>Updated Language</td>
<td>Added CONE Payment language</td>
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<td><strong>Version 14.0</strong>&lt;br&gt;May 26th, 2015</td>
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<td>Updated Language</td>
<td>Added LRE to GO and Load Sharing Backstop language</td>
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  Planning Reserve Margin Deficiency Payment Guidelines .................................................................5
  Planning Reserve Margin Timeline .......................................................................................................8
Existing Enforcement

Current mechanisms to ensure timely, reliable enforcement of reserve margin requirements in SPP are inadequate. Currently identified mechanisms are:

- NERC reliability standard penalty provisions in SPP’s Attachment AP
- Potential revocation of membership under SPP Membership Agreement

Both of these existing, identified enforcement options are either too extreme or occur too late to be adequate enforcement. An appropriate enforcement mechanism should ensure compliance in a timely manner and should result in compensation to the parties potentially impacted by non-compliant parties. That is, if a Load Responsible Entity (LRE) of SPP is short on capacity and relies on the capacity of other parties in SPP who have excess generating capacity to meet its obligations, then the parties providing the capacity necessary to cover the LRE capacity deficiency should be the ones receiving compensation through the enforcement mechanism. With existing enforcement options, penalties or payments are either not anticipated or would not compensate parties with capacity in excess of the margin requirements in SPP.
Future Enforcement Options

Enforcement Principles
Any new future reserve margin enforcement mechanism should be designed based on the following principles:

- Enforcement should be timely, preferably by determining the Load Responsible Entities (LREs) potential lack of compliance in advance and allowing the LRE to potentially take corrective action, if available.
- Enforcement should consist of a payment to those parties with excess capacity in SPP on which the LRE is depending to achieve compliance.
- The amount of the payment should economically incent LREs to address their planning reserve margin capacity deficiency.
- The receipt of the payment may be allocated to the appropriate parties in a manner reflecting the potential impact of the LRE’s non-compliance.

Proposed Guidelines
Consistent with these principles, the Capacity Margin Task Force recommends that the following principles be adopted regarding the enforcement of reserve margin in the SPP region:

- An effective enforcement mechanism in the SPP region would utilize payments to provide compensation from LREs who are short on capacity to those in the SPP region who are long on capacity. This mechanism may only be used to pay LREs and non LRE capacity resources in the SPP region.

- The status of each LRE’s compliance would be established in advance of the monitored peak season(s) by SPP Staff based on weather normalized load and accredited capacity data provided by each LRE and Staff’s independent review of such data to ensure accuracy and compliance with SPP’s planning reserve margin calculation requirements.

- Prior to the start of the peak season(s), each LRE that is short on capacity has the option to take any appropriate action under the terms of the SPP Criteria, including entering into a bilateral contract for capacity or demand response from any Generation Owner or demand response provider, including another LRE, that is long on capacity in the SPP region. The arrangements for the bilateral contract will need to meet the terms of the SPP Criteria.

(Table this bullet point until the Dev. study requirements are detailed.)

- Currently, capacity from a third party is considered firm if it is provided as firm under the bilateral contract and delivered using firm transmission on SPP’s system.
Finally, if an LREs reserve margin is not compliant with the SPP Criteria prior to the start of the peak season(s) then that LRE shall make a planning reserve margin deficiency payment to those in SPP that provide the excess capacity on which the LRE effectively relies to meet its obligations.

Planning Reserve Margin Deficiency Payment Guidelines

The amount of the planning reserve margin deficiency payment shall be based on the Cost of New Entry (CONE) for new generation in SPP. The CONE figures for each year shall be developed and published by SPP as part of the compliance enforcement process and shall be based on publicly available information, such as that from the Energy Information Administration (EIA) for the SPP region. The sliding scale shall be:

- When the planning reserve margin is equal to the minimum SPP reserve margin plus 8% (currently 21.6%) or greater, then the CONE would be based on 125% of the estimated annual capital and fixed operating costs of a new natural gas-fired peaking facility.

- When the planning reserve margin is equal to the minimum SPP reserve margin plus 3% (currently 16.6%) or greater, but less than the regional minimum reserve margin plus 8% (currently 21.6%), then the CONE would be based on 150% of the estimated annual capital and fixed operating costs of a new natural gas-fired peaking facility.

- When the planning reserve margin is less than the minimum SPP reserve margin plus 3% (currently 16.6%), then the CONE would be based on 200% of the estimated annual capital and fixed operating costs of a new natural gas-fired peaking facility.

The CONE multiplier of the enforcement mechanism discussed above provides increasing incentives consistent with the potential for reduced reliability in the SPP region. The CONE multiplier mechanism also reflects the increased reliability value of capacity as planning reserve margins diminish in the SPP region.

The total planning reserve margin deficiency payment made by an LRE shall cover the annual capital and fixed operating costs as defined in the enforcement mechanism.

Referencing the most recent EIA report on Updated Capital Cost Estimates for Utility Scale Electricity Generation Plants, SPP will annually determine the appropriate CONE value based on an appropriate natural gas peaking technology. The CONE value most appropriately only reflects costs and shall not include the anticipated net revenue from the sale of capacity, Energy or Ancillary Services.

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1 The CT unit cost used is the Frame 7FA 05 which is labeled Advanced CT in the U.S. Energy Information Administration’s Updated Capital Cost Estimates for Utility Scale Electricity Generating Plants
The results shown were derived by SPP based, in part, upon data supplied by the EIA in year 2013 dollars, which were inflation-adjusted (1.72%) using data from the Bureau of Labor Statistics in order to convert EIA cost data from 2013 dollars into 2015 dollars. In order to produce the annualized CONE value for the LREs from these cost numbers, SPP assumed: a 50/50 debt to equity ratio; a 20-year project life and loan term; a 5.25 percent debt interest rate; and a 11 percent after tax internal rate of return on equity a 38.9 percent combined effective federal and state tax rate; a calculated weighted average cost of capital based on a combination of debt and equity financing (8.1%); SPP along with stakeholders will continue to examine these factors annually in order to determine if any modifications are needed. These factors and assumptions are comparable to those used by other RTOs in the development of CONE estimates\(^2\).

**Combustion Turbine Plant, 2015 Results**

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<td>Fixed O&amp;M Costs, $/kw-yr</td>
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<td>Total Fixed Expenses, $/kw-yr</td>
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</tr>
<tr>
<td>Total Fixed Expenses, $/MW-yr</td>
<td>85,605.58</td>
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<tr>
<td>Total Fixed Expenses, $/MW-yr (125%)</td>
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</tr>
<tr>
<td>Total Fixed Expenses, $/MW-yr (150%)</td>
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<td>Total Fixed Expenses, $/MW-yr (200%)</td>
<td>171,211.16</td>
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</table>

The LREs who are found to be deficit in meeting their planning reserve requirements as determined by this enforcement policy are subject to the payment based on the applicable CONE. The LRE is responsible to make an enforcement payment for the necessary reserves to raise their reserves to the SPP planning reserve requirement. The enforcement payment shall be made to SPP and SPP shall distribute to all the LREs who have surplus reserves above the SPP planning reserve requirement. The allocation of the payment to each of these LREs shall be based on the following: the LRE’s contribution on a MW share to the total SPP Region’s MW above the planning reserve requirement. Therefore in combination all the LREs who are above the SPP Planning Reserve requirement will receive 100% of the enforcement payment.

\(^2\) The assumptions made in the CONE calculation are consistent with the EIS Market Offer Cap calculation that was FERC approved and are similar to MISO’s methodology.
In the situation where the total of all MW in the SPP region in which LREs are deficit is greater than the total of all MW LREs have in surplus of their the planning reserve requirement, the following allocation of remaining MW shall occur. The portion of MW (and corresponding CONE payment) will be distributed to all LREs who have surplus reserves as stated above. The remaining MW will be allocated to any generator owners who have SPP accredited resources with excess capacity that is not already committed to a LRE’s reserve requirements based on the non LRE capacity resources contribution to the total of all such non LRE capacity resources MW. As a final backstop and to provide continuing incentives, if there are not adequate accredited resources to meet the entire remaining MW then any MW left will be distributed to non deficient SPP LREs on their SPP load ratio share.

SPP shall create a voluntary process for non LRE capacity resources in the SPP Balancing Authority, as referenced above, to participate in the Enforcement Policy consistent with the LREs timeline of submitting the EIA-411 data request to SPP.
Planning Reserve Margin Timeline

For clarity, after the determination of peak season reserve margin compliance (approximately 15 calendar days prior to the start of the applicable peak season for an LRE), a LRE’s intermittent failure to maintain the availability of its resources, including demand response and purchased capacity, such that it maintains its planning reserve margin at all times shall not indicate that it is non-compliant with the reserve margin enforcement process. The planning reserve margin itself is intended to provide for reliable operations of the SPP system and the ability to satisfy LREs' load under reasonably anticipated circumstances, and it should be expected that at certain times, any LRE may need to use the resources comprising its planning reserve margin for that purpose, resulting in available resources less than 113.6% of the LRE’s peak load.

The reserve margin planning process is intended to ensure that each LRE enters the peak season with its planning reserve margin intact and ready to meet peak load conditions, and this shall be the determining factor of whether compliance with these policies is met for the peak season after the determination of compliance has been made. During the peak season, it is expected that each LRE will at all times maintain the availability of its owned or contracted resources to meet its daily load and operating reserves obligations, per the SPP criteria at a minimum. However, compliance with that requirement shall be monitored and assessed by the ORWG separately from this planning reserve margin compliance process.

Post season analysis would be completed to compare actual vs. planning forecast. Enforcement would not be based on the post season analysis, although SPP may refer cases of potential violations of the reserve margin enforcement rules to the Markets and Operations Policy Committee for further investigation. Post season analysis would be used to evaluate LRE planning forecasts consistency and develop further improvements for the reserve margin enforcement process.
1. CALL TO ORDER
2. PRELIMINARY MATTERS
   a. Declaration of a Quorum
   b. Adoption of Minutes from April 27, 2015 and June 15, 2015
3. UPDATES
   a. RSC Second Quarter Financial Report
   b. SPP
   c. FERC
4. BUSINESS MEETING
   a. RSC Audit Report, Related Letters and Form 990 [Voting Item]
5. CAWG REPORT AND VOTING ITEMS
   a. CAWG Report……………………………………………………………………………………………..Jason Chaplin
      This report provides an update on CAWG activity.
   b. Revisions to RSC Bylaws………………………………………………………………………………..[TBD]
      This voting item will include the consideration of proposed changes to the RSC Bylaws.
   c. Capacity Margin Task Force [Possible Voting Item]………………….Rob Jansen / Lanny Nickell
      This item will provide an update on the activities of the CMTF and include a potential voting item on
      the Enforcement Policy and other matters.
   d. SPC New Member Task Force [Tentative – Possible Voting Item]……………..[TBD]
      This item will provide an update on the activities of the SPC New Member Task Force.
6. REPORTS/PRESENTATIONS
   a. EPA Rule 111(d) Update……………………………………………………………………………………………..Lanny Nickell
      This report will update and provide for discussion from the RSC on SPP’s state-by-state analysis related to
      proposed Rule 111(d).
   b. Seams Update………………………………………………………………………………………………………Carl Monroe
      This report will provide an update on the pending matters at FERC related to SPP’s seams.
   c. Integrated Marketplace Update…………………………………………………………………………………..Bruce Rew
      This report will update the RSC on the Integrated Marketplace.
7. OTHER RSC MATTERS
8. ACTION ITEMS
9. SCHEDULING OF NEXT REGULAR MEETINGS, SPECIAL MEETINGS OR EVENTS

RSC Meetings:
October 26, 2015 – Little Rock, AR
January 25, 2016 – Oklahoma City, OK
April 25, 2016 – Santa Fe, NM
July 25, 2016 – Rapid City, SD
October 24, 2016 – Little Rock, AR

10. ADJOURN

* NOTE: ADDITIONAL INFORMATIONAL MATERIAL ATTACHED

Attached to the RSC’s meeting agenda and background material is additional material that is either for informational or reporting purposes.
1. RSC Bylaws Proposed Revisions
2. SPP Overview of Cost Allocation and Rates
   • This presentation will include an overview of the cost allocation for each of the SPP Planning Processes (GI, Ag Study, ITP and HPILS) with examples for each project type
3. Project Reevaluation Overview
   • This presentation will provide information on how reevaluations are initiated, as well as the impact of load forecasting on project reevaluations
4. Overview of SPP Working Group Structure
   • This presentation will provide an overview of the SPP Working Group Structure
5. Update on SPP Website
   • This presentation will provide an update on the status of the SPP Website