

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

<b>Fast-Start Pricing in Markets Operated</b>	)	<b>Docket No. RM17-3-000</b>
<b>by Regional Transmission Organizations</b>	)	
<b>and Independent System Operators</b>	)	
	)	

**COMMENTS OF SOUTHWEST POWER POOL, INC.**

In response to the Federal Energy Regulatory Commission’s (“Commission”) Notice of Proposed Rulemaking, issued on December 15, 2016 (“NOPR”),<sup>1</sup> and in addition to the comments submitted by the ISO-RTO Council in response to this same NOPR, Southwest Power Pool, Inc. (“SPP”) respectfully submits these comments<sup>2</sup> specific to the SPP Integrated Marketplace.

**I. INTRODUCTION AND BACKGROUND**

In the NOPR, the Commission proposes that all regional transmission organizations (“RTO”) and independent system operators (“ISO”) amend their market rules to adopt five requirements regarding the definition and pricing of fast-start resources.<sup>3</sup> SPP appreciates and supports the Commission’s goal of ensuring that all Resources, including Resources with fast-start capabilities, are compensated based on the value that they provide to the market. Appropriately valuing all Resources will both incentivize efficient investment decisions and

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<sup>1</sup> *Fast-Start Pricing in Markets Operated by Regional Transmission Organizations and Independent System Operators*, 81 FR 96391 (December 30, 2016), 157 FERC ¶ 61,213 (2016).

<sup>2</sup> SPP’s silence in these comments on any proposed rule or request for comment should not be construed as SPP’s agreement with any such proposed rule or issue.

<sup>3</sup> The NOPR proposes to define “fast-start” resources as those that are capable of starting up within ten minutes or less, have a minimum run time of one hour or less, and submit economic energy offers to the market.

avoid unnecessary uplift payments. SPP is generally in agreement with the underlying theory and rationale of the NOPR.

## II. COMMENTS

### A. **SPP Proposes that Fast-Start Pricing Only Apply in Instances Wherein a Fast-Start Resource is Committed Because Of Its Special Characteristics**

Throughout the NOPR, the Commission indicates that start-up and no-load costs for fast-start resources should impact the Locational Marginal Price (“LMP”) because the fast-start resources are committed in near real-time, and, as such, those commitment costs are a part of the marginal cost to serve the next MW of demand.<sup>4</sup> The Commission further proposes requiring RTOs/ISOs to incorporate fast-start pricing in both the Day-Ahead and Real-Time Markets and preliminarily finds that so doing provides a more accurate price signal in the Day-Ahead Market and supports price convergence between the Day-Ahead and Real-Time Markets.

SPP proposes that fast-start pricing not be applied in instances wherein a fast-start resource is not being committed because of its special attributes, i.e., when a fast-start resource is committed on the same basis as any other Resource, rather than in response to unforeseen real-time conditions that only the fast-start resource can resolve. Fast-start resource pricing should be based on how a Resource is used rather than on the Resource’s physical capabilities given that those physical capabilities may not be applicable to the situation. To do otherwise will cause fast-start resources to appear uneconomic when committing for known conditions in advance of real-time, e.g., in the Day-Ahead Market and Intra-Day Reliability Unit Commitments.

SPP could create logic for the Day-Ahead Market to include fast-start pricing. The difficulty lies in the fact that the special characteristics of a fast-start resource are used sub-

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<sup>4</sup> See, for example, NOPR at PP 39, 41, 48.

hourly but the Day-Ahead Market is an hourly market. Therefore, all price spikes would be applicable for and affect an entire hour, even during situations wherein a five-minute Real-time issue could be identified. This could result in a significant economic impact to both Load and Resources of a Day-Ahead hourly price that converges only in a single five-minute Real-Time price causing a Day-Ahead position that cannot financially be met in the Real-Time. With the presumption that the fast-start resources' special LMP impacts are due to their capability to resolve sub-hourly reliability issues, the inclusion of the special LMP impact in the Day-Ahead Market prices will create divergence between those prices and Real-time prices.

**B. SPP Does Not Want to Incent the Creation and Development of Block Loaded Fast-Start Resources to the Detriment of Flexible Dispatchable Fast-Start Resources**

The Commission proposes the modification of fast-start pricing to relax the economic minimum operating limit of fast-start resources and treat them as dispatchable from zero to the economic maximum operating limit for the purpose of calculating prices.<sup>5</sup>

The context of the proposal appears to be relevant only to block loaded fast-start resources. SPP has very few block loaded fast-start resources. The vast majority of current fast-start resources in the SPP market are fully dispatchable between economic minimum and economic maximum, and there is a strong preference not to incent the future building of block loaded fast-start resources. There is no reason to consider a Resource dispatchable from zero if it is the type of fast-start resource in SPP. SPP prefers to develop rules that will incent the creation and development of flexible dispatchable fast-start resources.

The Commission found that “some current RTO/ISO practices may fail to accurately reflect the marginal cost of serving load because fast-start resources are inappropriately prevented from setting prices” and further stated that “[f]ast-start resources often have little or no

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<sup>5</sup> NOPR at P 44.

dispatch range (i.e., their economic minimum operating limit equals their economic maximum operating limit.)”<sup>6</sup>

This is not an issue at SPP because the very vast majority of our fast-start resources are not block loaded, nor is there any requirement for the economic minimum MW and economic maximum MW to be the same. SPP does not agree that an RTO/ISO should ignore a dispatchable fast-start resource’s economic minimum when setting prices. This is not done for other Resources.

SPP requests clarification as to whether it is the Commission’s intent to employ the relaxed minimums only for block loaded Resources when setting price. That is, is the intent only to relax the minimum when setting prices for a Resource that has equal economic minimum MW and economic maximum MW (economic minimum MW = economic maximum MW)?

**C. SPP Foresees Challenges Associated With Relaxing the Economic Minimum Operating Limit for a Pricing Run**

The Commission found that it is appropriate to include both dispatchable fast-start resources and block-loaded fast-start resources in the definition of a fast-start resource.<sup>7</sup> The Commission also sought comment on whether there are challenges associated with relaxing the economic minimum operating limit for the pricing run, and whether there are any over-generation concerns.<sup>8</sup>

SPP takes the position that the examples in paragraph 47 of the NOPR may be theoretically correct if constrained to a single fast-start resource that is setting price below minimum while it serves the last MW of demand.

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<sup>6</sup> NOPR at P 37.

<sup>7</sup> NOPR at P 47.

<sup>8</sup> NOPR at P 55.

However, in practice, a number of fast-start resources could be clearing below minimum based on the expanded minimum to zero; the logical result would be that either no Resources come online because the dispatch is below the operating minimum or a substantial number of Resources come online (supplying more generation than reflected in the clearing process). Neither of these actions are reflective of the price.

Additionally, this can result in either the inappropriate use of Regulation capacity to offset an artificially induced over-production or the reduction in dispatch of other more economic Resources to offset the fast-start resources exceeding the desired dispatch.

SPP has developed and deployed logic within our current clearing engine that allows for the dispatch of a fast-start resource to respect the economic minimum at all times. This logic requires multiple iterations with the clearing engine to determine if the fast-start resource is economic above minimum. If that is the case, the fast-start resource is deployed. SPP believes this logic solves both the issue of over-production and the issue of a block loaded resource not setting price that are detailed by the Commission in the NOPR.

**D. Offline Units Should Not Set Price Unless the Shortage is Related to Contingency Reserve Capacity**

In regards to offline units setting price, SPP believes this might be feasible when the shortage is related to Contingency Reserve capacity; however, for Energy and Regulation, SPP believes shortages in those products require power to resolve, requiring the Resources to be online. Additionally, SPP requests clarification as to whether the Commission intends the offline units to mitigate the scarcity pricing logic.

**E. Impact on Market Monitoring and Mitigation Should be Considered**

SPP also asks the Commission to consider the impact on market monitoring and mitigation rules of a fast-start resource. SPP requests clarification as to whether a fast-start

resource only offering into the Real-Time Balancing Market will be considered physical withholding.

### **III. CONCLUSION**

SPP respectfully requests that the Commission accept and consider the comments and information provided herein.

Respectfully submitted,

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