July 21, 2017

VIA ELECTRONIC FILING

The Honorable Kimberly D. Bose
Secretary
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, D.C. 20426

Re: Southwest Power Pool, Inc., Docket No. ER13-1864-000
Fifth Market-to-Market Informational Report

Dear Secretary Bose:


In the January 2015 Order, the Commission conditionally accepted in part and rejected in part revisions to the SPP-MISO JOA to implement Market-to-Market Coordination. In compliance with the January 2015 Order, SPP submitted additional revisions to the SPP-MISO JOA as directed by the Commission. The January 2015 Order also required SPP to submit informational reports beginning six months after issuance of the January 2015 Order regarding two unresolved aspects of Market-to-Market Coordination: Interface Bus Pricing and a Day-Ahead Firm Flow Entitlement exchange process.

This filing responds to the Commission’s directives requiring an informational report for both issues.


\(^2\) The formal name of the SPP-MISO JOA is the “Joint Operating Agreement between the Midcontinent Independent System Operator, Inc. and Southwest Power Pool, Inc.” The SPP-MISO JOA is a FERC-filed rate schedule of both MISO and SPP. The SPP-MISO JOA is designated as MISO’s Rate Schedule FERC No. 6; and as SPP’s Rate Schedule FERC No. 9.
I. INTRODUCTION

The January 2015 Order aptly describes the background and history of Market-to-Market Coordination between SPP and MISO.³ SPP first submitted proposed Market-to-Market Coordination protocols for inclusion in the SPP-MISO JOA on June 28, 2013, requesting an effective date of March 1, 2015, one year following the commencement of the Integrated Marketplace.⁴ The Commission held a technical conference on October 22, 2014 to explore three issues related to SPP’s proposed Market-to-Market Coordination: (1) the methodologies for implementation of Interface Bus Pricing (proposed Section 2 of Market-to-Market Coordination); (2) the Market-to-Market flowgate creation limitation provisions; and (3) the deferred implementation of a day-ahead firm flow entitlement exchange process (proposed Section 4 of Market-to-Market Coordination).⁵

The Commission’s January 2015 Order conditionally accepted in part and rejected in part SPP’s June 28, 2013 compliance filing and required SPP to submit an additional compliance filing to include new Sections 8.4.3 through 8.4.6, as agreed to by SPP and MISO to resolve the issue related to the creation of new Market-to-Market flowgates, and to revise Section 8.1.2⁶ consistent with the directives contained in the January 2015 Order.² Additionally, with regard to the Interface Bus Pricing (Section 2) and Day-Ahead Firm Flow Entitlement exchange process (Section 4), the Commission accepted SPP’s proposed Sections 2 and 4,⁸ with further reporting requirements as detailed infra.

With regard to Section 2 of Market-to-Market Coordination at the Interface Bus Pricing issue, the Commission determined it is appropriate for SPP and MISO to coordinate the methodologies each party will use to calculate interface bus prices.⁹

³ See generally January 2015 Order at PP 2-4.
⁵ See January 2015 Order at P 4.
⁶ Id. at P 1.
² SPP submitted in this docket, its compliance filings in response to the January 2015 Order on February 23, 2015 to include Sections 8.4.3 through 8.4.6 in the SPP-MISO JOA and April 24, 2015 to revise Section 8.1.2 with language agreed upon by SPP and MISO. These compliance filings and the substantive revisions to the SPP-MISO JOA contained therein are not the subject of this Market-to-Market Informational Report.
⁹ See January 2015 Order at P 23.
The Commission did recognize the technical issues facing SPP and MISO to identify appropriate pricing methodologies\(^\text{10}\) and cited the ongoing work between PJM Interconnection, L.L.C. (“PJM”) and MISO on the issue where the parties have yet to reach resolution that is mutually agreeable. The Commission further encouraged SPP, MISO, and PJM to work together to develop an Interface Bus Pricing approach. SPP was directed to submit an informational report every six months from the date of the January 2015 Order, detailing SPP and MISO’s progress in resolving concerns about the implementation methodologies until agreement is reached.\(^\text{11}\)

While accepting Section 4 and the Day-Ahead Firm Flow Entitlement exchange process, the January 2015 Order allowed SPP and MISO to defer the implementation of such process, as requested by SPP and MISO. In granting such deferment, the Commission did recognize the potential value of a Firm Flow Entitlement exchange process to “…aid in the operation and economic efficiency of the day-ahead market and decrease potential financial transmission rights underfunding by reducing unplanned flows in the real-time market.”\(^\text{12}\) However, the Commission directed SPP to continue work with MISO to “assess on an ongoing basis whether the implementation of an [firm flow entitlement] exchange process outweighs its costs.”\(^\text{13}\) The Commission further directed SPP to submit an informational report every six months from the date of the January 2015 Order detailing the ongoing assessments until the exchange process is implemented.\(^\text{14}\) This is SPP’s fifth informational report.\(^\text{15}\)

II. INFORMATIONAL REPORT

In response to the Commission’s reporting requirements contained in the January 2015 Order as described above, SPP submits the following information regarding the status of Interface Bus Pricing and the Day-Ahead Firm Flow Entitlement exchange process:

\(^{10}\) *Id.*

\(^{11}\) See January 2015 Order at P 23. SPP is required to include the agreed-upon methodologies as part of SPP’s final informational report.

\(^{12}\) January 2015 Order at P 39.

\(^{13}\) *Id.*

\(^{14}\) *Id.*

\(^{15}\) SPP has previously submitted reports in this docket dated July 22, 2015; January 22, 2016; July 22, 2016; and January 23, 2017.
A. Interface Bus Pricing

SPP continues its examination of the Interface Bus Pricing issues between Regional Transmission Organizations (“RTO(s)”). Since SPP’s last informational report filed on January 23, 2017, SPP and MISO staff have conducted monthly conference calls to discuss progress made in the joint analysis of the interface pricing data. MISO and SPP have been collaborating on joint analyses in an effort to 1) determine whether an issue exists with how interface pricing is currently performed, and 2) to the extent an issue does exist, evaluate the impact of implementing potential solutions to the identified issue. On May 31, 2017 SPP and MISO presented the results of Phase 1 of this joint analysis to stakeholders at a MISO-SPP joint stakeholder meeting.16

The analysis was performed on M2M constraints between March 2015 and March 2016. For this analysis, SPP and MISO agreed to represent congestion under the assumption that only one Entity had charged for the congestion in order to achieve the “ideal” solution.17 The purpose of the “ideal” solution is to identify any overlapping congestion charges between one Entity charging for congestion and congestion that is charged today by both Entities. The study results demonstrate that there is an average overlap of approximately 1.85 times the “ideal” solution due to MISO’s and SPP’s current respective interface modeling practices.18

The scope of the initial study did not evaluate the merits of potential options to resolve the overlap; therefore, MISO and SPP will need to collaborate on additional analyses to determine an appropriate solution. SPP suggests a second phase of the study is needed to determine an appropriate solution for the MISO-SPP interface. SPP expects to work with MISO to complete Phase 2 of the analysis by the end of 2017 and to properly vet any identified solution through MISO’s and SPP’s various stakeholder groups.

B. Day-Ahead Firm Flow Entitlement Exchange Process

As described in the last informational report, SPP has been working with MISO to enhance the Real-Time Market-to-Market Coordination procedures and

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17 An “ideal” solution is an assumed theoretically perfect solution for purposes of the study but does not necessarily reflect the practical outcome of any particular solution which SPP or MISO may actually implement.

18 May 31 Presentation at Slides 2 and 19.
continues to assess the value of developing and implementing a Day-Ahead Firm Flow Entitlement exchange process. SPP and MISO have reached agreement to certain enhancements to the Real-Time Market-to-Market Coordination procedures and documented these enhancements through a Memorandum of Understanding (“MOU”). Pursuant to the MOU, implementation of these enhancements will require additional software development and filings under Section 205 of the Federal Power Act (potential JOA and tariff changes) at the Commission as needed. Additionally, the MOU identified areas where SPP and MISO believe further discussions may be mutually beneficial to improve Market-to-Market Coordination Procedures. While SPP remains dedicated to continuing discussions with MISO regarding a Day-Ahead Firm Flow Entitlement exchange process, it is SPP’s opinion that enhancements to the Real-Time Market-to-Market Coordination procedures pursuant to the bilaterally negotiated MOU should be a priority over the establishment of a Day-Ahead Firm Flow Entitlement exchange process.

Additionally, MISO and SPP continue to discuss other opportunities to improve the Real-Time Market-to-Market Coordination procedures that were not resolved through the MOU negotiations. MISO, SPP, and PJM, along with other participants in the Congestion Management Process (“CMP”), continue to make progress on modifications to the CMP that are likely to change the dynamics of how Firm Flow Entitlements are calculated and allocated. Additional analysis is needed to evaluate the impact of these potential design changes on the Real-Time Market-to-Market Coordination procedures and the potential costs and benefits of implementing a Day-Ahead Firm Flow Entitlement exchange process.

SPP has held discussions with both MISO and PJM regarding their implemented Day-Ahead Firm Flow Entitlement exchange process. As SPP noted in previous informational reports, data and information regarding the benefits and effectiveness of the MISO and PJM process would be instrumental in assessing whether a similar process would be beneficial to SPP’s market participants. SPP continues to monitor the MISO and PJM process and review potential impacts or relevance to the SPP-MISO Market-to-Market Coordination Procedures and will update the Commission on any further developments.

III. ADDITIONAL INFORMATION

SPP has electronically served a copy of this filing on all individuals listed on the service lists compiled by the Commission’s Secretary in Docket No. ER13-1864. SPP has also electronically served a copy of this filing on all its Members,

19 PJM and MISO implemented their Day-Ahead Firm Flow Entitlement exchange process in Dockets ER15-2613 and ER15-2616, respectively.
Transmission Customers, and Market Participants. A complete copy of this filing will be posted on the SPP web site, www.spp.org, and is also being served on all affected state commissions.

IV. CONCLUSION

SPP respectfully requests the Commission accept this informational filing as responsive to its reporting requirements contained in the January 2015 Order. SPP will file its next informational report on these topics six months from the submission of this informational report.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon each person designated on the official service lists compiled by the Secretary in Docket No. ER13-1864.

Dated at Little Rock, AR, this 21st day of July, 2017.

Michelle Harris
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