

FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, DC 20426

OFFICE OF ENERGY MARKET REGULATION

In Reply Refer To:
Southwest Power Pool, Inc.
Docket No. ER12-1179-024

February 2, 2018

Southwest Power Pool, Inc.
Attention: Joseph W. Ghormley
201 Worthen Drive
Little Rock, AR 72223

Reference: Demand Response Compliance Filing

Dear Mr. Ghormley:

On May 24, 2016, Southwest Power Pool, Inc. (SPP) submitted a filing in compliance with directives in an April 1, 2014 Commission order.¹ The Compliance Order conditionally accepted Open Access Transmission Tariff (Tariff) provisions applicable to SPP's Integrated Marketplace consistent with Order No. 745.² Please be advised that SPP's submittal is deficient and that additional information is necessary to process the filing. Please provide the following information:

- (1) SPP explains that no load-reduction demand response activity has occurred since the March 1, 2014 commencement of the Integrated Marketplace, and it is thus unable to evaluate the need for adjustments to various aspects of the demand response provisions in its Tariff.³ If load-reduction demand response activity has

¹ *Sw. Power Pool, Inc.*, 147 FERC ¶ 61,001 (2014) (Compliance Order).

² *Demand Response Compensation in Organized Wholesale Energy Markets*, Order No. 745, FERC Stats. & Regs. ¶ 31,322, *order on reh'g and clarification*, Order No. 745-A, 137 FERC ¶ 61,215 (2011), *reh'g denied*, Order No. 745-B, 138 FERC ¶ 61,148 (2012), *vacated sub nom.* Elec. Power Supply Ass'n v. FERC, 753 F.3d 216 (D.C. Cir. 2014), *rev'd & remanded sub nom.* FERC v. Elec. Power Supply Ass'n, 136 S.Ct. 760 (2016).

³ SPP May 2016 Filing at 4-5.

occurred in the subsequent years of Integrated Marketplace operation, please respond to the following questions:

- (a) Please describe the amount and nature of any load-reduction demand response activity that has occurred in the subsequent years of Integrated Marketplace operation.
 - (b) Please explain whether SPP now has sufficient data to determine whether SPP's cost allocation mechanism continues to comply with Order No. 745 requirements.⁴ In particular, given that the SPP footprint has expanded since the October 1, 2015 integration of the Integrated System Parties,⁵ please explain whether it remains appropriate to allocate the costs for compensating demand response resources on a system-wide basis.
 - (c) Please explain whether SPP's existing measurement and verification provisions continue to ensure that appropriate baselines are set and that demand response continues to be adequately measured and verified as necessary to ensure demand response resource performance consistent with Order No. 745 requirements.⁶
- (2) SPP states that it has performed a net benefits test on a monthly basis since the commencement of the Integrated Marketplace and has utilized data from the Integrated Marketplace for this test since it became available.⁷ Given the availability of this Integrated Marketplace data, please explain whether the

⁴ Order No. 745, FERC Stats. & Regs. ¶ 31,322 at PP 100, 102.

⁵ The Integrated System Parties are the Western Area Power Administration – Upper Great Plains Region, Basin Electric Power Cooperative, and Heartland Consumers Power District.

⁶ On June 1, 2015, in Docket No. ER12-1179-000, SPP filed its 15-month informational report on the Integrated Marketplace and stated that there had been no cleared or reported output from demand response resources in the SPP Integrated Marketplace; therefore, SPP asserted, it had no operational experience with demand response resources to indicate that demand response measurement and verification provisions would not set appropriate baselines or adequately measure demand response.

⁷ SPP May 2016 Filing at 4.

following aspects of SPP's net benefits test methodology remain appropriate within the context of a day-2 market design, as opposed to the context of SPP's former Energy Imbalance Service Market:

- (a) In its current net benefits test methodology, SPP uses price information from the peak hour of each day when constructing supply curves for the identification of the cost-effectiveness threshold price, termed the Net Benefits Threshold in SPP's Tariff.⁸ As the Commission noted in the Compliance Order, limiting net benefits test analysis to peak hours may not yield the sole representation of available supply in a day-2 market with day-ahead and real-time must-offer requirements.⁹ Please explain whether it remains appropriate to exclude non-peak hours from the development of supply curves for the identification of the cost-effectiveness threshold in the Integrated Marketplace day-2 market design.
- (b) SPP's current net benefits test methodology calls for the smoothing of individual hourly supply curves, determining the threshold price at which elasticity falls below one for each supply curve, and computing the average of the threshold prices to determine the cost-effectiveness threshold for the month.¹⁰ As the Commission noted in the Compliance Order, smoothing supply curves individually, prior to averaging the curves together, may affect the outcome of the net benefits test, and using this approach in the context of a day-2 market may be inappropriate.¹¹ Please explain whether SPP's current methodology remains appropriate in the context of the Integrated Marketplace day-2 market design, rather than averaging the curves together, smoothing the average curve, and determining the cost-effectiveness threshold from the smoothed, averaged curve.

This letter is issued pursuant to 18 C.F.R. § 375.307 (2017) and is interlocutory. This letter is not subject to rehearing pursuant to 18 C.F.R. § 385.713 (2017), and a response to this letter must be filed within 30 days of the date of this letter. For your

⁸ See SPP Tariff, Attachment AE § 3.9.

⁹ Compliance Order, 147 FERC ¶ 61,001 at P 18.

¹⁰ See SPP Tariff, Attachment AE § 3.9.

¹¹ Compliance Order, 147 FERC ¶ 61,001 at P 18.

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response, use Type of Filing Code 80, Compliance Filing. In addition, please submit an electronic version of your response to Ms. Yasmine Jamnejad at yasmine.jamnejad@ferc.gov.

Failure to respond to this letter within the time period specified may result in an order rejecting your filing.

Sincerely,

Penny S. Murrell, Director
Division of Electric Power
Regulation - Central

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