



# SIR16 HITTR1 R2 STUDY & IMPLEMENT ERS & ORS COMPENSATION MODELS

MARKET DESIGN

MARCH 18, 2020

*Helping our members work together to keep  
the lights on... today and in the future.*



SouthwestPowerPool



SPPorg



southwest-power-pool

# SIR16 HITTR1\_R2 STUDY & IMPLEMENT ERS & ORS COMPENSATION MODELS

- **Purpose:**

- SPP should perform a comprehensive ERS/ORS study to help identify all ERS and ORS needed to maintain reliability into the future. The results can assist with gaining a better understanding of the most cost-effective and efficient ways for the region to economically maintain reliability for the benefit of consumers and with a preference for market-based solutions.
- Development of such a compensation model should include a determination as to whether SPP has a product/service for all identified ERS and ORS and if the current compensation model for that service is appropriate and meets SPP's needs. If a missing product/service is identified, a determination should be made regarding whether it should be developed. The results of the study in Reliability Recommendation # 1 should contribute to answering key questions about a compensation model for ERS and ORS services. Services expected to be analyzed as part of this effort include, but are not limited to, voltage, inertia, and frequency response.

- **Potential Benefit:**

- Quantification of the SPP Integrated Marketplace's need for Essential and Other Reliability services will ensure that, moving forward, SPP and the grid have awareness for and implementing policies to ensure the availability of the needed Resource characteristics to serve the footprint. Creating Market Products for these services will ensure that the SPP Integrated Marketplace incents and compensates Resource that have the characteristics needed in the SPP Integrated Marketplace.

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- **Initiative Update 10/26/2021:**

- Based on the results of R1 the MWG has decided to focus on researching the development of a product/compensation for Primary Frequency Response. The Primary Frequency Response portion of the R1 report recommended SPP research a market product or compensation mechanism for PFR. There are several other markets that employ similar compensation methods for PFR and SPP/MWG believes this route will be the most fruitful.
- SPP Market Design has begun efforts to research frequency response events (NERC standards, inertia, PFR....etc) via a variety of white papers and discussions with both SPP reliability staff and external entities.

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- **Potential System / Process Impacts**

- API/MUI, CMT, DA, EMS, MCE, MDB, MKTNET, MMU Processes, MOI, RUC, SCADA, Settlements, RTBM

- **Potential MCE Performance Impact**

- Medium

- **Potential Complexity**

- Design: Medium
- Implementation: Medium

- **Market Philosophy Impacts:**

- Price Formation, Market Transparency, Market Reliability

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- **SPP MMU Comments**

- The MMU supports a comprehensive study of the reliability challenges and generation mix, as well as the identification of needed, essential reliability services and other reliability services.