

188 FERC ¶ 61,053  
FEDERAL ENERGY REGULATORY COMMISSION  
WASHINGTON, DC 20426

July 25, 2024

In Reply Refer To:  
Southwest Power Pool, Inc.  
Docket No. ER24-1775-000

Southwest Power Pool, Inc.  
201 Worthen Drive  
Little Rock, AR 72223

Attention: Emon O. Mahony  
Attorney for Southwest Power Pool, Inc.

Dear Mr. Mahony:

1. On April 17, 2024, Southwest Power Pool, Inc. (SPP) filed, pursuant to section 205 of the Federal Power Act<sup>1</sup> and section 35.13 of the Commission's regulations,<sup>2</sup> proposed revisions to Attachment AE of the SPP Open Access Transmission Tariff (Tariff) to implement congestion hedging improvements.<sup>3</sup> In this order, we accept SPP's proposed Tariff revisions and direct SPP to submit an informational filing notifying the Commission of the actual effective date of the Tariff revisions no less than 30 days prior to the date the Tariff revisions are to be implemented, as requested, as discussed below.
2. SPP's Integrated Marketplace includes mechanisms that provide market participants with financial tools to hedge congestion costs, termed

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<sup>1</sup> 16 U.S.C. § 824d.

<sup>2</sup> 18 C.F.R. § 35.13 (2023).

<sup>3</sup> See Appendix for eTariff records.

Transmission Congestion Rights (TCR)<sup>4</sup> and Auction Revenue Rights (ARR).<sup>5</sup> SPP verifies the amount of firm transmission service for each customer, awards ARRs to firm transmission customers that nominate (i.e., request to receive) those rights in an allocation process, and holds TCR auctions to allow ARR holders to convert their ARRs into TCRs and to allow market participants to buy and sell TCRs.<sup>6</sup> SPP also annually awards Long-Term Congestion Rights (LTCR)<sup>7</sup> and Incremental Long-Term Congestion Rights (ILTCR)<sup>8</sup> that convert to TCRs.

3. SPP explains that SPP transmission rights holders have three avenues to receive revenue based on grid congestion: (1) revenues from the auction of TCRs from awarded ARRs; (2) ownership of TCRs that settle in the day-ahead market, either from converted LTCRs, ILTCRs, or ARRs; and (3) excess auction revenue paid out to those entities that have the right to nominate ARRs.<sup>9</sup> SPP states that, to distribute these revenues, it has processes for verifying who is eligible, determining rights allocations through nominations and feasibility testing, and holding auctions to sell TCRs. SPP explains that market participants with firm transmission rights may nominate those rights in the

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<sup>4</sup> TCRs are financial instruments entitling the holder to a stream of revenues or charges based upon the difference between the hourly day-ahead marginal congestion component of the locational marginal price at the source and sink settlement locations associated with the TCR. TCRs are obtained in TCR auctions, either through purchase or self-conversion of ARRs, or through secondary sales of TCRs. *Sw. Power Pool, Inc.*, 141 FERC ¶ 61,048, at n.330 (2012).

<sup>5</sup> ARRs are rights that entitle the holder to a share of the auction revenues generated in the applicable TCR auctions. Eligible entities may either self-convert awarded ARRs into TCRs or hold the ARR to receive a share of the revenue SPP collects from auction purchasers of TCRs. SPP, Tariff, attach. AE, § 1.1 A (Definitions A) (5.0.0).

<sup>6</sup> *Sw. Power Pool, Inc.*, 154 FERC ¶ 61,121, at P 2 (2016).

<sup>7</sup> LTCRs are long-term (i.e., a period of more than one year) TCRs. SPP, Tariff, attach. AE, § 1.1 L (Definitions L) (4.0.0).

<sup>8</sup> An ILTCR is an instrument that entitles an upgrade sponsor to a TCR that results from the incremental available transfer capability created from the portion of an upgrade for which there is a directly assigned upgrade cost, which is awarded during SPP's annual LTCR allocation process. SPP, Tariff, pt. 1, § 1.I (Definitions I) (4.0.0).

<sup>9</sup> Transmittal at 6.

allocation process and that SPP awards rights based on the results of a simultaneous feasibility test that is intended to prevent over-awarding congestion rights.<sup>10</sup>

4. SPP asserts that “although firm transmission rights are equivalent for scheduling transmission service, these equivalent rights do not equate to equivalent access to congestion rights.”<sup>11</sup> SPP explains that some market participants currently receive a much higher LTCR/ARR award rate than others and that a more equitable outcome would be a more even distribution of the LTCR/ARR award rate. SPP states that it seeks to improve the equity and fairness of access to congestion rights and surplus auction revenues to eligible entities.

5. To accomplish this, SPP proposes to revise sections 7.1.1(1)(a)(i) and 7.1.1(2)(a)(i) of Attachment AE to better align the network models SPP uses in the simultaneous feasibility test with the studies it uses to grant transmission service.<sup>12</sup> SPP explains that it currently allows transmission service reservations with settlement locations not tied to resources in SPP’s commercial model to be verified and used for LTCR and ARR nominations.<sup>13</sup> SPP explains that, as a result, some transmission paths may not capture all congestion, and other paths may look feasible but do not offset the congestion experienced by load. SPP proposes to exclude transmission service reservations that do not source at a resource or a resource hub in the commercial model from being verified and used for LTCR and ARR nominations. SPP also proposes to apply the same exclusion when assessing grandfathered agreement transmission rights. SPP states that transmission service reservation holders will be allowed to update the source of existing transmission service to a specific resource or resource hub in the commercial model without triggering an aggregate transmission service study process if there is no change in path.<sup>14</sup> SPP argues that this change will better allow the

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<sup>10</sup> *Id.* The simultaneous feasibility test is “a test for a state in which each set of injections and withdrawals associated with [LTCRs, ARRs, and TCRs] would not exceed any thermal, voltage, or stability limits within the Transmission System under normal operating conditions or for monitored contingencies.” SPP, Tariff, attach. AE § 1.1 S (Definitions S) (9.0.1).

<sup>11</sup> Transmittal at 7.

<sup>12</sup> *Id.* at 8, 14.

<sup>13</sup> *Id.* at 8.

<sup>14</sup> *Id.* at 8-9.

simultaneous feasibility test to return results that limit the awarded congestion rights to those that are truly feasible.<sup>15</sup>

6. SPP also proposes to revise sections 7.2.2, 7.2.3, 7.3.2, and 7.3.3 of Attachment AE to change the process for awarding LTCRs/ILTCRs and the annual allocation of ARRs. SPP states that, in the second round of the LTCR allocation, SPP uses a two-step, one-round process, whereas the annual ARR allocation uses a three-round process.<sup>16</sup> Currently, during the first round of SPP's annual ARR allocation, an eligible entity is allowed to nominate 50% of the sum of an entity's ARR Nomination Cap<sup>17</sup> less the LTCRs it was already awarded (i.e.,  $.5(\text{ARR Nomination Cap} - \text{LTCRs awarded})$ ).<sup>18</sup> SPP proposes instead that, during the first round of SPP's annual ARR allocation, the eligible entity would be allowed to nominate 50% of its ARR Nomination Cap that is reduced by the LTCRs awarded (i.e.,  $.5(\text{ARR Nomination Cap}) - \text{LTCRs awarded}$ ).<sup>19</sup> SPP explains that, with this proposed change, those entities that receive a higher number of LTCR awards will nominate fewer ARRs in the first round of the ARR allocation, which SPP claims will make the distribution of ARRs more equitable.

7. SPP also proposes to break the simultaneous feasibility test performed during the second round of the LTCR/ILTCR allocation and the first round of the annual ARR allocation into five, equal sub-rounds.<sup>20</sup> SPP explains that, because breaking the simultaneous feasibility test into smaller increments makes it less likely that large portions of awards will go to a single entity, LTCR/ILTCR and annual ARR awards will be allocated more broadly, thereby increasing the equity of the process.

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<sup>15</sup> *Id.* at 9.

<sup>16</sup> *Id.* at 9, 14-16.

<sup>17</sup> An Auction Revenue Right Nomination Cap (ARR Nomination Cap) is a cap on the maximum total amount of ARRs that an Eligible Entity may nominate in each month and season in the annual ARR allocation process and the monthly ARR allocation process. SPP, Tariff, attach. AE, § 1.1 A (Definitions A) (5.0.0).

<sup>18</sup> *See* SPP, Tariff, attach. AE, § 7.3.2 (Auction Revenue Rights Allocation) (3.0.0).

<sup>19</sup> *See* Transmittal at 9, 15-16.

<sup>20</sup> *Id.* at 10.

8. Finally, SPP proposes revisions to sections 8.5.15 and 8.7.6 of Attachment AE to modify the distribution of surplus auction revenues.<sup>21</sup> SPP explains that, when SPP auctions TCRs from ARR positions that were not nominated, the resulting payments are included in calculating any surplus.<sup>22</sup> SPP states that, currently, these surplus auction revenues are distributed based on the capped MW of an eligible entity's transmission rights, regardless of its ARR/TCR positions.<sup>23</sup> SPP proposes instead to award excess auction revenues in greater proportions to eligible entities that received a lower proportion of LTCRs and ARRs tied to firm transmission service. SPP proposes to phase in this new approach by implementing it halfway into the first year (i.e., 2025-2026), to reduce the impact of revenue shifts. SPP asserts that these proposed revisions will increase the equity of revenue distribution by allocating additional excess auction revenue to entities that receive proportionally lower allocations of LTCRs and ARRs.

9. SPP requests a placeholder effective date of 12/31/9998 for its proposed Tariff revisions.<sup>24</sup> SPP requests waiver of the Commission's notice requirements because the expected effective date of its proposed Tariff revisions is January 2025, which is more than 120 days after filing. SPP states that good cause exists to grant this waiver because it provides SPP the time it needs to develop, test, and implement software changes. SPP states that it will submit a filing with the Commission specifying a precise effective date when that date is known and not less than 30 days before that requested effective date.<sup>25</sup>

10. Notice of SPP's filing was published in the *Federal Register*, 89 Fed. Reg. 31,196 (Apr. 24, 2024), with interventions and protests due on or before May 8, 2024. The following entities submitted timely motions to intervene: American Electric Power Service Corporation, on behalf of its affiliates Public Service Company of Oklahoma, Southwestern Electric Power Company, AEP Oklahoma Transmission Company, Inc., and AEP Southwestern Transmission Company, Inc.; Evergy Kansas Central, Inc., Evergy Metro, Inc., and Evergy Missouri West, Inc.; Kansas Electric Power Cooperative, Inc.; Lincoln Electric System; Midwest Energy, Inc.; Missouri River Energy Services; Omaha Public Power District; Public Citizen, Inc.; Western Farmers Electric Cooperative; and Xcel Energy Services Inc., on behalf of its utility operating company affiliate

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<sup>21</sup> *Id.* at 11, 16-20.

<sup>22</sup> *Id.* at 11.

<sup>23</sup> *Id.* at 12.

<sup>24</sup> *Id.* at 20.

<sup>25</sup> *Id.* at 22.

Southwestern Public Service Company. The SPP Market Monitoring Unit (SPP MMU) filed a timely motion to intervene and comments.

11. SPP MMU supports SPP's proposed Tariff revisions.<sup>26</sup> SPP MMU states that SPP's filing will create more equity in the allocation of ARRs, LTCRs, and ILTCRs, as well as more equitable distribution of surplus auction revenue among market participants who own firm transmission rights. SPP MMU states that SPP's proposed Tariff revisions to align network models used in the simultaneous feasibility test with studies used to grant transmission service requests should more accurately allocate transmission capacity and increase the allocation of LTCRs and ARRs to load-serving entities.<sup>27</sup> SPP MMU further states that SPP's proposal to restrict the transmission capacity available to be awarded to LTCR and ILTCR holders in round one of the annual ARR allocation process will create equity by making that capacity available to load-serving entities with limited or no LTCRs or ILTCRs. SPP MMU adds that SPP's proposal to divide nominations, analyses, and awards in round two of the LTCR allocation and round one of the ARR allocation processes into five parts will increase the equitable access to congestion hedges.<sup>28</sup> SPP MMU also supports SPP's proposed revisions to its method of distributing surplus auction revenues.

12. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2023), the timely, unopposed motions to intervene serve to make the entities that filed them parties to this proceeding.

13. We find that SPP's proposed Tariff revisions are just and reasonable and not unduly discriminatory or preferential and therefore accept them. We find that the proposed revisions will improve market participants' ability to hedge congestion costs by allowing SPP's models to reflect congestion more accurately; allocating LTCRs, ILTCRs, and ARRs more broadly and equitably among eligible entities; and distributing surplus auction revenues more equitably.

14. We grant SPP's request for waiver of the Commission's 120-day notice requirement for good cause shown<sup>29</sup> and accept the proposed Tariff revisions, subject to SPP making an informational filing notifying the Commission of the actual effective date

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<sup>26</sup> SPP MMU Comments at 1.

<sup>27</sup> *Id.* at 3.

<sup>28</sup> *Id.* at 4, 5.

<sup>29</sup> 18 C.F.R. § 35.3(a)(1) (2023).

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no less than 30 days prior to the date the proposed Tariff revisions are to be implemented, as requested.<sup>30</sup>

By direction of the Commission. Commissioner See is not participating.  
Commissioner Chang is not participating.

Debbie-Anne A. Reese,  
Acting Secretary.

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<sup>30</sup> SPP should use the following eTariff Type of Filing Code: 150 Data Response/ Supplement the Record.

### Appendix – eTariff Records

- Southwest Power Pool, Inc., Open Access Transmission Tariff, Sixth Revised Volume No. 1, Attachment AE (MPL), Attachment AE Integrated Marketplace (19.0.0).
- Southwest Power Pool, Inc., Open Access Transmission Tariff, Sixth Revised Volume No. 1, Att. AE (MPL) 7.1.1, Attachment AE (MPL) Section 7.1.1 (7.0.0).
- Southwest Power Pool, Inc., Open Access Transmission Tariff, Sixth Revised Volume No. 1, Att. AE (MPL) 7.2.2, Attachment AE (MPL) Section 7.2.2 (4.0.0).
- Southwest Power Pool, Inc., Open Access Transmission Tariff, Sixth Revised Volume No. 1, Att. AE (MPL) 7.2.3, Attachment AE (MPL) Section 7.2.3 (4.0.0).
- Southwest Power Pool, Inc., Open Access Transmission Tariff, Sixth Revised Volume No. 1, Att. AE (MPL) 7.3.2, Attachment AE (MPL) Section 7.3.2 (4.0.0).
- Southwest Power Pool, Inc., Open Access Transmission Tariff, Sixth Revised Volume No. 1, Att. AE (MPL) 7.3.3, Attachment AE (MPL) Section 7.3.3 (2.0.0).
- Southwest Power Pool, Inc., Open Access Transmission Tariff, Sixth Revised Volume No. 1, Att. AE (MPL) 8.5.15, Attachment AE (MPL) Section 8.5.15 (2.0.0).
- Southwest Power Pool, Inc., Open Access Transmission Tariff, Sixth Revised Volume No. 1, Att. AE (MPL) 8.7.6, Attachment AE (MPL) Section 8.7.6 (2.0.0).



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