

188 FERC ¶ 61,182
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Willie L. Phillips, Chairman;
Mark C. Christie, David Rosner,
Lindsay S. See and Judy W. Chang.

Southwest Power Pool, Inc.

Docket No. ER24-2570-000

ORDER ACCEPTING TARIFF REVISIONS

(Issued September 19, 2024)

1. On July 22, 2024, pursuant to section 205 of the Federal Power Act (FPA)¹ and section 35.13 of the Commission's Rules of Practice and Procedure,² Southwest Power Pool, Inc. (SPP) submitted proposed revisions to Attachment AE of its Open Access Transmission Tariff (Tariff) to allow make-whole payments for incremental energy costs for offers impacted by the incremental energy offer caps instituted by Order No. 831,³ regardless of the resource's reason for commitment.⁴ In this order, we accept SPP's filing, effective October 16, 2024, as requested.

I. Background

2. In Order No. 831, the Commission revised its regulations to address incremental energy offer caps by requiring each regional transmission organization (RTO)/ independent system operator (ISO) to: (1) cap each resource's incremental energy offer at the higher of \$1,000/MWh or that resource's verified cost-based incremental energy offer; and (2) cap verified cost-based incremental energy offers at \$2,000/MWh when calculating locational marginal prices (LMP).⁵

¹ 16 U.S.C. § 824d.

² 18 C.F.R. § 35.13 (2024).

³ *Offer Caps in Mkts. Operated by RTOs & ISOs*, Order No. 831, 157 FERC ¶ 61,115 (2016), *order on reh'g and clarification*, Order No. 831-A, 161 FERC ¶ 61,156 (2017). *See infra* P 2.

⁴ *See* Appendix for eTariff records.

⁵ Order No. 831, 157 FERC ¶ 61,115 at P 1.

3. Although Order No. 831 caps offers at \$2,000/MWh for purposes of calculating LMPs, resources are permitted to submit offers above \$2,000/MWh to the RTO/ISO.⁶ Verified offers greater than \$2,000/MWh are capped at \$2,000/MWh for purposes of calculating LMP, and the resources submitting such offers are eligible for uplift payments up to the submitted verified cost-based incremental energy offer.⁷ In SPP, energy offers between \$1,000/MWh and \$2,000/MWh are eligible to set the LMP, so long as the SPP Market Monitoring Unit (Market Monitor) verifies the offers in advance.⁸ For any energy offer above \$1,000/MWh, the Market Monitor must verify whether the offer reasonably reflects that resource's actual or expected costs prior to using that offer to calculate LMPs.⁹

4. In Order No. 831, the Commission found that, if a resource's incremental energy offer above \$1,000/MWh is not verified but that resource is nonetheless dispatched, then that resource would be eligible to receive an uplift payment to recover its verified costs.¹⁰ The Commission determined that the basis of the uplift payment would be the difference between a given resource's energy market revenues and that resource's actual short-run marginal costs, as verified after-the-fact by the RTO/ISO or the Market Monitor. The Commission found that such uplift payments are necessary given the challenges associated with the verification processes, to ensure that resources have an incentive to offer into RTO/ISO energy markets and to ensure that resources are compensated for the service they provide.¹¹

II. SPP's Filing

5. SPP states that, during conditions in which Order No. 831 is in effect, the LMP paid to a resource may be less than the resource's verified incremental energy costs and that, under certain circumstances, these resources are not eligible to receive uplift payments.¹² SPP explains that there are three situations when such an outcome occurs

⁶ *Id.* P 77.

⁷ *Id.* P 78; Order No. 831-A, 161 FERC ¶ 61,156 at P 39.

⁸ SPP Tariff, attach. AF, § 3.2 (1.0.0), § 3.2(K) (Mitigation Measures for Energy Offer Curves).

⁹ *Id.*

¹⁰ Order No. 831, 157 FERC ¶ 61,115 at P 146.

¹¹ *Id.*

¹² Filing at 5.

under its existing Tariff: (1) if SPP clears a resource in the day-ahead market at an amount greater than the resource's self-commitment; (2) if a resource self-commits or is committed by SPP in the day-ahead market and is later dispatched in the real-time balancing market (RTBM) for more than its day-ahead market commitment; and (3) if a resource self-commits in the reliability unit commitment (RUC) process and is later committed in the RTBM for more than its RUC self-commitment.¹³ SPP further explains that, in each of these scenarios, the resource's energy offer is either above \$1,000/MWh and is not verified by the Market Monitor prior to market clearing, or is above the \$2,000/MWh cap.¹⁴ Moreover, SPP states that, in each circumstance, there is the potential that a resource's verified, actual costs will exceed the applicable LMP. SPP further states that, under its Tariff, resources are not eligible for make-whole payments when they self-commit and generally are not eligible for make-whole payments for energy in excess of their day-ahead market commitments.¹⁵

6. SPP states that if market participants cannot be made whole when Order No. 831 conditions are in effect, they are less likely to offer their resources into the market.¹⁶ SPP contends that this is inconsistent with Order No. 831's aim to "ensure that resources have an incentive to offer into RTO/ISO energy markets, and to ensure that resources are compensated for the service they provide."¹⁷ Accordingly, SPP states that it proposes to revise Attachment AE of its Tariff to allow make-whole payments for unverified energy offers above \$1,000/MWh or any offer above \$2,000/MWh, regardless of the reason for commitment.¹⁸ SPP explains that the proposed revisions to its Tariff will apply only when Order No. 831 conditions are in effect.¹⁹

7. SPP proposes to add a definition for "Desired Dispatch" to its Tariff.²⁰ SPP explains that this term is currently defined in SPP's Integrated Marketplace Protocols but

¹³ *Id.*

¹⁴ *Id.*

¹⁵ *Id.*

¹⁶ *Id.* at 6.

¹⁷ *Id.* (quoting Order No. 831, 157 FERC ¶ 61,115 at P 146).

¹⁸ *Id.* at 1.

¹⁹ *Id.* at 6.

²⁰ *Id.* Desired Dispatch is defined as "[a] MW value calculated from a Resource's RTBM Energy Offer Curve between the minimum operating limit and the maximum operating limit that first exceeds the DLMP at the Resource. A Dispatchable Variable

that SPP proposes to include this definition in the Tariff because certain other proposed revisions use the term.²¹

8. SPP also proposes to add the following new sections to Attachment AE of its Tariff, establishing make-whole payments in three categories: section 8.5.31 (Day-Ahead Self-Incremental Energy Make Whole Payment Amount) for market participants who self-commit in the day-ahead market at their minimum operating limit and are later cleared by SPP in the day-ahead market at a greater amount than their self-commitment;²² section 8.6.35 (Real-Time Incremental Energy Make Whole Payment Amount) for resources cleared in the RTBM for more than their day-ahead market commitment;²³ and section 8.6.36 (Reliability Unit Commitment Self-Incremental Make Whole Payment) for resources cleared in the RTBM for more than their RUC self-commitment.²⁴ In all three cases, SPP explains that the proposed make-whole payments are equal to the difference between incremental eligible costs and incremental eligible revenues.²⁵ SPP also details the costs and revenues eligible for inclusion in the make-whole payment calculation for each proposed section.²⁶ SPP explains that the proposed sections concerned with resources clearing in the RTBM also contain “Cost Disallowances” subsections with provisions reducing the make-whole payment amounts according to specific circumstances in which resources’ actual output may differ from their dispatch amount.²⁷

Energy Resource’s Desired Dispatch will be no greater than the Resource’s Real-Time Capability, if available, or the lesser of the maximum operating limit and the Transmission Provider output forecasted for that Resource.” SPP, Proposed Tariff, attach. AE (MPL), § 1.1 (Definitions D) (6.0.1).

²¹ Filing at 6-7.

²² *Id.* at 7-9; SPP, Proposed Tariff, attach. AE (MPL), § 8.5.31 (Day-Ahead Self-Incremental Energy Make Whole Payment Amount) (0.0.0).

²³ Filing at 9-12; SPP, Proposed Tariff, attach. AE (MPL), § 8.6.35 (Real-Time Incremental Energy Make Whole Payment Amount) (0.0.0).

²⁴ Filing at 12-14; SPP, Proposed Tariff, attach. AE (MPL), § 8.6.36 (Reliability Unit Commitment Self-Incremental Make Whole Payment) (0.0.0).

²⁵ Filing at 7, 9, 12.

²⁶ *Id.* at 8-10, 13.

²⁷ *Id.* at 10-14.

III. Notice of Filing and Responsive Pleadings

9. Notice of SPP's filing was published in the *Federal Register*, 89 Fed. Reg. 61,110 (July 30, 2024), with interventions and protests due on or before August 12, 2024. Timely motions to intervene were filed by 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.; Calpine Corporation; Evergy Kansas Central, Inc., Evergy Metro, Inc., and Evergy Missouri West, Inc. (subsidiaries of Evergy, Inc.); Oklahoma Gas and Electric Company; Public Citizen, Inc.; and Sunflower Electric Power Corporation. The Market Monitor filed a timely motion to intervene and comments.

A. Market Monitor Comments

10. The Market Monitor states that it supports SPP's proposal, contending that there are currently gaps in the SPP make-whole payment construct that may impede the opportunity for generator owners to receive full cost reimbursements under conditions considered in Order No. 831.²⁸ The Market Monitor asserts that these gaps can incentivize generators to take actions during extreme conditions to reduce their financial risks that may be harmful to the market. According to the Market Monitor, the Commission in Order No. 831 intended for resources following SPP dispatch instructions to have an opportunity to recover their short-run marginal costs.

11. The Market Monitor asserts that SPP's proposed Tariff revisions would close three gaps, which were identified following Winter Storm Uri in February 2021, where short-run marginal costs are not fully reimbursable when offers are capped per Order No. 831.²⁹ The Market Monitor states that when resources self-commit, they forgo cost reimbursement guarantees. The Market Monitor states that resources that self-commit in the day-ahead market provide the market with a resource operating at its minimum operating limit at a zero-dollar cost. The Market Monitor states that these resources' only guaranteed revenues are the day-ahead market revenues for cleared energy and ancillary services. The Market Monitor asserts that SPP's proposal will allow self-committed resources to have their short-run marginal costs associated with incremental energy cleared above the minimum operating limit reimbursed when their offer prices are capped per Order No. 831. The Market Monitor contends that without the opportunity for cost reimbursement, resource owners are incentivized to take actions to avoid the risk of incurring losses, which could impact market efficiency and

²⁸ Market Monitor Comments at 1.

²⁹ *Id.* at 1-2.

reliability.³⁰ The Market Monitor argues that the proposed Tariff revisions will help ensure resources provide accurate operating parameters and follow dispatch instructions during extreme events by providing the opportunity for cost reimbursement consistent with Order No. 831.³¹

IV. Discussion

A. Procedural Matters

12. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2024), the timely, unopposed motions to intervene serve to make the entities that filed them parties to this proceeding.

B. Substantive Matters

13. We find SPP's proposed Tariff revisions to be just and reasonable and not unduly discriminatory or preferential, and we therefore accept them, effective October 16, 2024, as requested. As SPP explains, without the proposed revisions, when under certain conditions, the LMP paid to resources that self-commit, and are cleared or committed at an amount greater than their day-ahead or RUC self-commitment, may be less than the resource's verified incremental energy costs. We find that SPP's proposed revisions provide an opportunity for cost recovery, thereby ensuring that such resources have an opportunity to recover their incremental energy costs, and an incentive to provide accurate operating parameters and to follow SPP dispatch instructions during Order No. 831 conditions.

The Commission orders:

SPP's proposed Tariff revisions are accepted, effective October 16, 2024, as discussed in the body of the order.

By the Commission.

(S E A L)

Debbie-Anne A. Reese,
Acting Secretary.

³⁰ *Id.* at 2, 5.

³¹ *Id.* at 5.

Appendix – eTariff Records

- Southwest Power Pool, Inc., Open Access Transmission Tariff, Sixth Revised Volume No. 1, Attachment AE (MPL), Attachment AE Integrated Marketplace (23.0.0)
- Southwest Power Pool, Inc., Open Access Transmission Tariff, Sixth Revised Volume No. 1, Att. AE (MPL) 1.1 D, Attachment AE (MPL) Section 1.1 D (6.0.1)
- Southwest Power Pool, Inc., Open Access Transmission Tariff, Sixth Revised Volume No. 1, Att. AE (MPL) 8.5.10, Attachment AE (MPL) Section 8.5.10 (7.0.0)
- Southwest Power Pool, Inc., Open Access Transmission Tariff, Sixth Revised Volume No. 1, Att. AE (MPL) 8.5.31, Attachment AE (MPL) Section 8.5.31 (0.0.0)
- Southwest Power Pool, Inc., Open Access Transmission Tariff, Sixth Revised Volume No. 1, Att. AE (MPL) 8.6.7, Attachment AE (MPL) Section 8.6.7 (10.0.0)
- Southwest Power Pool, Inc., Open Access Transmission Tariff, Sixth Revised Volume No. 1, Att. AE (MPL) 8.6.35, Attachment AE (MPL) Section 8.6.35 (0.0.0)
- Southwest Power Pool, Inc., Open Access Transmission Tariff, Sixth Revised Volume No. 1, Att. AE (MPL) 8.6.36, Attachment AE (MPL) Section 8.6.36 (0.0.0)

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