

**Joint Comments on
SPP Markets+ Phase One Plan
March 17, 2023**

Submitted via email to marketsplus@spp.org.

Western Resource Advocates (WRA), the Sustainable FERC Project (S-FERC) and Renewable Northwest, the “Joint Commenters,” appreciate the opportunity to provide comments to the Southwest Power Pool (SPP) on the Markets+ Phase One Plan, as represented in the March 2 and March 16, 2023 presentations.¹

A. We do not support the expedited Phase One timeline as proposed.

SPP proposes to condense the Phase One timeline from 21 months to nine months. Pursuant to this plan, SPP would file the Markets+ tariff in late 2023 or early 2024. The key to executing this new plan is to copy SPP’s RTO tariff language wherever possible and postpone some issues, i.e., not include them in the first FERC filing. SPP also proposes to develop the market protocols² while the Markets+ tariff is under review by FERC, i.e., before SPP has an approved tariff. In addition, the process as proposed includes the establishment and operation of three working groups and five task forces in Phase One, each composed of approximately 12 people. This is in addition to the Markets+ Participants Executive Committee (MPEC), the Interim Markets+ Independent Panel (IMIP) and the Markets+ States Committee (MSC). This will be a staff intensive process and will require extra support to ensure stakeholders are able to participate responsibly and the resulting work product reflects a durable market design. The expedited schedule does not include two key elements of the process: 1) the approval process in SPP, Inc.; and 2) the role of the MSC.

In terms of the work that needs to be accomplished in Phase One, it is confusing to call Phase One “tariff development.” Typically tariff development, translating policy into legal tariff provisions, occurs after the policy has been resolved. There are a number of significant Markets+ policies still unresolved. See, for example the issues identified in slides 11-13 of the March 2 Markets+ Update Presentation.³ Presumably, timeliness was a key objective when SPP carefully considered the 21-month schedule. However, based on “requests for an expedited

¹ Southwest Power Pool, Markets+ Update, March 2, 2023, available at: <https://www.spp.org/documents/68917/phase%20one%20update%2020230302.pdf>; Southwest Power Pool, Markets+ Update, March 16, 2023, available at: <https://www.spp.org/documents/68966/phase%20one%20update%20governance%2020230310.pdf>.

² “Protocols” are the SPP equivalent of CAISO’s Business Practice Manual (BPM).

³ See also, *Joint Comments on SPP Markets+ Draft Service Offering (Sept. 30, 2022) Governance and Market Monitoring Sections*, 6-7, October 28, 2022, included in the Combined Comments document at 24-25, available at: <https://www.spp.org/documents/68173/markets%20plus%20draft%20service%20offering%20comments%20combined.pdf>, (“Joint Comments on Draft Service Offering”).

phase one timeline,”⁴ SPP is proposing to shorten the schedule by 12 months. Given the number of policy issues that still need to be resolved⁵ and the true stage of the development process, we are concerned that nine months is not a realistic goal and that the date will drive the scope and quality of the tariff filed, i.e., the Markets+ market design.

SPP also stated at its March 2 meeting that it intends to use existing SPP tariff language to shorten the development timeline, even in areas where that language differs from what is outlined in its final design proposal. While some of the existing language may be relevant and useful, SPP should not disregard elements of the design proposal simply to speed the process up. As evidenced by the numerous work groups, task forces, and outstanding issues, there are a number of characteristics in the West that differ from Eastern markets, which may justify a more prolonged timeline than nine months.

The Joint Commenters support and advocate for increased regional coordination and the expansion of organized markets in the West. This is the key to meeting state clean energy policies and lowering costs for rate payers. We do not object to an ambitious plan. However, we do not agree that this should come at the expense of a complete and thoroughly reviewed tariff filing or the transparent, full and effective stakeholder process necessary to achieve a durable market design.

SPP proposes to postpone some issues to a later date and file a tariff at FERC that does not include these issues. The March 2 Markets+ Update Presentation includes two issues they propose to defer from the outset and a third category --other items that may be identified during the market design review.⁶ It is not clear what process was used to identify the two issues SPP is proposing to defer or who was involved in that process. We are concerned about issues that are not being considered “critical components” and would be postponed to Phase Two and not included in the first FERC filing. These should be carefully considered. Further, we are concerned that the list of noncritical issues will grow and that this will be the result of trying to meet a nine-month timeline rather than the objective application of a thoughtful standard.

Plan B. If SPP decides to adopt the nine-month expedited schedule, SPP should have a Plan B for Phase One in the event that resolving some of the policy issues takes additional time. As stated above, we do not support Plan B being the deferral of hard to resolve issues to a Phase Two. Further, we recommend that SPP adopt some metric or indicator that provides a signal that

⁴ March 2 Markets+ Update Presentation, slide 7.

⁵ For examples of some of the unresolved issues *see, e.g., Id.*, slide 11 (GHG pricing and accounting, transmission usage charge and capability, congestion rent allocation, participation model for hydro resources); Joint Comments on Draft Service Offering at 6-7 (pages 24-25 of the Combined Comments Document) (SPP, Inc.’s, oversight authority; joint issues (market design proposals that impact both Markets+ and SPP, Inc.), both defining the scope of joint issues and articulating how they will be addressed; and better defining the procedures for addressing disputes between the MIP and SPP, Inc. under different circumstances).

⁶ March 2 Markets+ Update Presentation, slide 14.

the expedited process is producing the desirable work product – a durable market design that does not reflect just the preferences of a few large participants. For example, monitor and analyze votes to evaluate the degree of consensus on issues or if there is consistent opposition by certain sectors or coalitions. Consider including in this evaluation comments by nonparticipant stakeholders as well.⁷

Market Protocols Development. SPP also proposes to develop the market protocols while the Markets+ tariff is under review by FERC, i.e., before SPP has an approved tariff. We are concerned this is an inefficient use of resources. The tariff may be challenged at FERC and FERC may, on its own initiative, find deficiencies that require significant changes to the tariff. This may be more likely if the expedited process does not provide for the full vetting and analysis of proposals. We recommend that the development of market protocols is scheduled after the tariff is approved by FERC.

Clarification of Review and Approval Process. We would have more confidence in the accuracy of the Phase One timeline if there was a clear understanding of the review and approval process. For example, will each issue from the working groups and task forces go to the MPEC for a vote on its own timeline? Do proposals from task forces go to a working group for approval before going to the MPEC? What is the process if the MPEC does not approve a proposal? What authority will the MSC have and where do they enter the process? What is the process if the MSC objects a proposal?

To this end, the Joint Commenters also request that SPP provide a schematic that graphically illustrates the stakeholder and decision-making process. In other forums, such as the Western Power Pool’s WRAP, a schematic has proven to be a useful tool to better understand the stakeholder and decision-making process.⁸ We have requested this previously.⁹ It would show the flow of the decision-making process through all of the relevant organizational groups with enough information to understand how decisions are made and the role of stakeholders and the organizational groups in that process. It is difficult to clearly understand the stakeholder and decision-making process through only a narrative.

B. We recommend that SPP’s Market Monitoring Unit (MMU) or an independent expert, possibly both, have an explicit and substantial role in the development process.

SPP is entering the Western Interconnection to offer a new market product that will require the trust and confidence of all stakeholders- market participants with assets, public interest and clean

⁷ “Nonparticipant stakeholders” are those engaged in the process but who have not executed an SPP Markets+ Participant Agreement.

⁸ E.g., NWPP Resource Adequacy Program – Detailed Design, at 43-44 (July 2021) available at: https://www.westernpowerpool.org/private-media/documents/2021-08-30_NWPP_RA_2B_Design_v4_final.pdf.

⁹ Joint Comments on Draft Service Offering at 7 (page 25 of the Combined Comments Document).

energy advocates, consumer and ratepayer entities and utility regulators. If all of the entities that signed Markets+ Phase One participant agreements as of March 9 become participants in Markets+, this will represent more than 250 TWh of annual load and approximately 40 GW of aggregate peak load.¹⁰ The Markets+ footprint will include five western states and one province and it is expected that the list of participants will grow by the April 1 deadline. This is a substantial undertaking. Yet, the Phase One Plan has no provision for a technical review or analysis by an independent evaluator. As an example to reflect on, in the CAISO EDAM development process two entities provided technical evaluations of proposals throughout the process, the Department of Market Monitoring and CAISO's Market Surveillance Committee. These two entities and a third entity, the EIM Governing Body's Independent Expert, provided an analysis of the final design. We are not suggesting that three entities are necessary for an adequate review of the Markets+ design, however, we highly recommend one or possibly two, SPP's MMU and/or an independent expert.

We recommend the Phase One plan include a well-defined and substantial role in the Phase One development process for the MMU and /or an independent expert. This role should include, but not be limited to:

- attending and participating in meetings,
- reviewing and analyzing proposals, including the Phase One tariff,
- providing technical analysis as needed on specific questions,
- providing public comments verbally in meetings and in written analyses.

C. We make the following specific recommendations for the stakeholder process.

As described above there will be three working groups and five task forces operating in parallel along with the MPEC, IMIP and MSC. Further, multiple design efforts are underway in the Western Interconnection and many stakeholders, such as public interest organizations, have limited resources. Stakeholder processes should not only assist stakeholders in their efforts to be educated and informed, but also encourage this.

We are pleased that SPP has committed to all meetings being open and all voting being public and on the record and that SPP will apply the standards and procedures included in the governance sections of the Service Offering,¹¹ such as 15 days advance written notice of meetings for all Markets+ organizational groups¹² and posting agendas seven days prior to meetings for the IMIP and MPEC.¹³

¹⁰ March 2 Markets+ Update Presentation, slide 4.

¹¹ *A Proposal for Southwest Power Pool's Western Day-Ahead Market and Related Services*, November 30, 2022, available at: <https://www.spp.org/documents/68340/spp%20markets%20plus%20proposal.pdf>, ("Service Offering").

¹² Service Offering §2.3.2.4 (MIP), §2.3.3.1.3 (MPEC), §2.3.4.1.2 (working groups), §2.3.5.2 (task forces).

¹³ Service Offering §2.3.2.4 (MIP), §2.3.3.1.3 (MPEC).

Given the aggressive schedule SPP is proposing, it is even more important to include additional steps to ensure true transparency and that stakeholders can intelligently and effectively engage in the process. We have included these suggestions in prior comments and continue to advocate for these policies:¹⁴

- Apply the standard of posting meeting agendas seven days prior to meetings to all Markets+ organizational groups (not just the IMIP and MPEC);
- For all Markets+ organizational groups, post meeting materials at least five business days prior to meetings and ten business days prior to meetings for more significant or complex documents;
- Provide a sufficient period of time to develop comments on work products;
- Provide virtual access to all meeting;
- Record all meetings and provide access to the recordings on a public website;
- Maintain a well-organized and easy to use website with up-to-date information;
- Provide a user-friendly application to submit and review stakeholder comments; and
- Include in written proposals summaries of stakeholder comments and the basis for the recommendations made in the proposals.

These resources and policies will help enable stakeholders in such a condensed process to track the progress of Markets+. Further, these recommendations should not be viewed as burdensome or unreasonable. At least one market operator, the CASIO, takes these measures.

D. We do not support any overlapping meetings of the Markets+ organizational groups and recommend giving priority to diversity of membership.

As represented in the March 16 Markets+ Update Presentation, SPP is proposing to have three working groups and five task forces established and operating in Phase One.¹⁵ This is in addition to the MPEC and the MIP. One option being considered is to have these groups conduct meetings at the same time. We do not support this option. Few, if any organizations, will have separate staff assigned to each Markets+ organizational group (whether as a voting member of the group or participating as a general stakeholder). Further many organizations have limited resources and are spread thin, including SPP staff. The opportunity to participate in real time provides participants the means to enter and influence the conversation and ask questions to ensure an accurate understanding of the issues and proposed recommendations. Given the pace suggested by the proposed schedule this is essential. Further, under the proposed expedited plan for Phase One, it will be a challenge for the Markets+ stakeholders to maintain a level of

¹⁴ E.g., Joint Comments on Draft Service Offering at 7 (page 25 of the Combined Comments Document).

¹⁵ March 16 Markets+ Update Presentation, slide 28.

knowledge and information to participate responsibly in the process; having overlapping meetings will likely make this impossible for many organizations. Transparency requires a process that, in actuality, provides stakeholders the opportunity to engage in a meaningful way. At a minimum, the meetings should not overlap. In addition, we ask SPP to consider additional policies to support this condensed effort. (See section C.)

Pursuant to the Service Offering, SPP staff will solicit interest for Working Group and Task Force membership. Staff then recommends members to the MPEC and the MPEC approves the membership. The only selection criteria provided are expertise and geographic location.¹⁶ We recommend that SPP staff and the MPEC prioritize diversity. This includes not only geographic diversity but also sector, subsector, perspective and experiential diversity.

E. The following summarizes the Joint Commenters' recommendations.

1. We do not support the expedited Phase One timeline as proposed.
 - a. SPP intends to use existing SPP tariff language to shorten the development timeline, even in areas where that language differs from what is outlined in its final design proposal. While some of the existing language may be relevant and useful, elements of the design proposal should not be disregarded simply to speed the process up.
 - b. We are concerned about issues that are not being considered “critical components” and would be postponed to Phase Two and not included in the first FERC filing. These should be carefully considered.
 - c. We are concerned that the list of noncritical issues will grow and that this will be the result of trying to meet a nine-month timeline rather than the objective application of a thoughtful standard.
2. If SPP decides to adopt the nine-month expedited schedule, SPP should have a Plan B for Phase One in the event that resolving some of the policy issues takes additional time. We do not support Plan B being the deferral of hard to resolve issues to a Phase Two.
3. We recommend that SPP adopt some metric or indicator that provides a signal that the expedited process is producing the desirable work product – a durable market design that does not reflect just the preferences of a few large participants. For example, monitor and analyze votes to evaluate the degree of consensus on issues or if there is consistent opposition by certain sectors or coalitions.
4. We recommend that the development of market protocols is scheduled after the tariff is approved by FERC.

¹⁶ Service Offering §2.3.4.1.1 (working groups), § 2.3.5.1 (task forces).

5. We recommend that SPP clearly articulate the review and approval process, including a schematic that graphically illustrates the stakeholder and decision-making process. Further, two key elements of the process not yet explained are: 1) the approval process in SPP, Inc.; and 2) the role of the MSC.
6. We recommend that SPP's MMU or an independent expert, possibly both, have an explicit and substantial role in the development process.
7. We recommend eight specific policies and procedures for the stakeholder process. (See section C.)
8. We do not support any overlapping meetings of the Markets+ organizational groups.
9. We recommend giving priority to diversity of membership on working groups and task forces. This includes not only expertise and geographic diversity, but also, sector, subsector, perspective and experiential diversity.

Regardless of the timeline, the Joint Commenters support the recommendations in these comments. However, if SPP decides to adopt the nine-month schedule, this would elevate the importance of the recommendations in these comments so to foster trust and constructive engagement in the design of first-ever day-ahead energy market by SPP in the Western Interconnection.

The Joint Commenters appreciate this opportunity to provide comments on SPP's Markets+ Phase One Plan.

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