

**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

Southwest Power Pool Corporation)

Docket No. ER24-1658-000

PROTEST OF PUBLIC INTEREST ORGANIZATIONS

I. Introduction

Pursuant to Rule 211 and 214 of the Federal Energy Regulatory Commission’s (“FERC” or “Commission”) Rules of Practice and Procedure,¹ Earthjustice, Natural Resources Defense Council, NW Energy Coalition, Sierra Club, Sustainable FERC Project, Western Grid Group, and Western Resource Advocates (together “Public Interest Organizations” or “PIOs”) respectfully submit this protest in the above-captioned proceeding on the Southwest Power Pool’s (“SPP”) proposed tariff filing (“Tariff”) for the establishment of a new centralized day-ahead and real time unit commitment dispatch market in the Western Interconnection, known as Markets+.

In the West, a rapidly evolving resource mix, a rise in electricity demand, and increasing impacts from climate change pose challenges to the status quo but create opportunities to effectively harness the geographic and resource diversity of the region with day-ahead market services. A day-ahead market could offer benefits to help address these issues. However, the Markets+ Tariff, as filed, does not contain sufficient detail in certain places for market participants to understand the rates, terms, and conditions of service. In fact, SPP has acknowledged that certain aspects of these issues need to be addressed before the Markets+ Tariff can become effective by placing them on a “parking lot” list and indicating that they need to be addressed before “Go-Live.” Simply put, the Tariff is not sufficiently complete for FERC to determine if it is just and reasonable.

¹ 18 C.F.R. §§ 385.211 and 385.214.

PIOs were engaged fully in the stakeholder process of Markets+ and have provided feedback, written comments, and proposed amendments to SPP at several junctures throughout the Markets+ development process, including participating in and voting on the Markets+ Participant Executive Committee (“MPEC”), Markets+ Seams Working Group (“MSWG”), Markets+ Design Working Group, Markets+ Greenhouse Gas Task Force, Markets+ Rates Task Force, and Markets+ Resource Adequacy Task Force (“MRATF”). Those comments and votes have shaped our views, and we build upon them in the following protest. PIOs generally do not believe that SPP has sufficiently supported the proposals in the Tariff. We do not address every issue raised in the Tariff and do not intend to signal full support or opposition for the sections of the Tariff we do not address. We focus our comments on four areas of primary concern: (1) Greenhouse Gas Tracking and Reporting, (2) High Priority Transfers, (3) Governance, and (4) Seams Management. Ultimately, PIOs respectfully request the Commission to consider our protest in its review of the Tariff and recommend the Commission reject the Tariff without prejudice so that SPP can take the time necessary to work with the Markets+ stakeholders to ensure a complete tariff that will produce just and reasonable rates.

II. Background

In the Tariff, SPP establishes a centralized day-ahead and real-time energy market to be offered to entities in the Western Interconnection. The service is offered under SPP’s role as a Market Operator and not as SPP’s role as a Regional Transmission Operator (“RTO”).² Markets+ aims to provide a service option in the Western Interconnection to enable the integration of rapidly growing renewable energy resources while providing benefits of hurdle-free transmission service across SPP’s footprint.³ According to SPP, the potential benefits include increased levels

² SPP Markets+ Transmittal Letter, Page 7, Accession No. 20240329-5340, March 29, 2024.

³ Markets+ Service Offering, November 30, 2022,
<https://www.spp.org/Documents/69346/SPP%20Markets%20Plus%20Proposal.pdf>.

of renewable resource integration, anticipated improved reliability, and reduction of resource adequacy expense due to higher resource and load diversity across a large geographic footprint.

a. SPP's Rushed Process Has Caused the Proposed Tariff to Fall Short of SPP's Own Initial Standards

SPP staff originally estimated the process to develop Markets+ would take 21 months. SPP then curtailed the process to only 9 months.⁴ PIOs submitted comments to SPP opposing its decision to shorten the timeline. PIOs noted several key elements missing from the proposed timeline, including the approval process in SPP, Inc. and the role of the Markets+ State Committee, and the risk to a full and effective stakeholder process necessary to achieve a durable market design.⁵ SPP asserted it could meet this truncated timeline by using SPP's existing RTO⁶ tariff language, even though there are a number of characteristics in the West that differ from Eastern markets, and by postponing addressing some issues in the Tariff. These postponed issues can be seen, in part, in SPP's Markets+ Parking Lot Items ("Parking Lot").⁷ SPP has divided its Parking Lot into three parts, one of which is a list of items that are not included in the Tariff, but should be resolved to be a part of Go-Live. It is unclear from the Parking Lot whether SPP intends to include any of the issues listed in the pre-Go-Live portion of the Parking Lot in the Tariff and file them for Commission review. We believe that some of them may affect the rates, terms, and conditions of service and therefore will need to be included in the tariff. But it is hard to assess this without more information about the parking lot issues themselves. We believe that

⁴ Markets+ Phase One Update, March 2, 2023, Slide 9, <https://spp.org/documents/68917/phase%20one%20update%2020230302.pdf>.

⁵ Markets+ Phase One Update, March 30, 2023, Page 16, <https://spp.org/documents/69042/phase%20one%20development%20update%202023%2003%2030.pdf>.

⁶ In this protest, the term RTO is used to refer to both Regional Transmission Organizations and Independent System Operators.

⁷ Attachment A - Markets+ Parking Lot V. 8 Feb 28 2024

SPP has the burden to explain why these things that it indicates must be resolved before Go-Live should not be resolved before FERC can find the Tariff is just and reasonable.

In any event, the Commission must determine based on SPP's current filing whether the overall Markets+ proposal is just and reasonable. SPP's filed Tariff and supporting explanation are incomplete in material respects, regardless whether SPP later tries to fill those gaps through further tariff filings or additions to its business practices. As detailed below, several important elements of the Tariff are either unjust and unreasonable or are so undeveloped that the Commission does not have enough information to make a determination of whether they are just and reasonable or not.

III. Legal Standard

a. Federal Power Act Section 205 and SPP's Burden of Proof

Under Section 205 of the Federal Power Act, the Commission must ensure that “[a]ll rates and charges . . . by any public utility for or in connection with the transmission or sale of electric energy” are “just and reasonable.”⁸ The Commission must also ensure that utilities do not “make or grant any undue preference or advantage to any person or subject any person to any undue prejudice or disadvantage” or “maintain any unreasonable difference in rates.”⁹ A utility proposing to change its rates bears “the burden of proof to show that the increased rate . . . is just and reasonable.”¹⁰

Accordingly, SPP “must show that [its] proposed methodology produces just and reasonable rates” and “substantiate that its [proposal] will achieve that purpose.”¹¹ The Commission has emphasized the need for the filing utility to make this showing prior to

⁸ 16 U.S.C. § 824d(a).

⁹ *Id.* § 824d(b).

¹⁰ *Id.* § 824d(e).

¹¹ *PJM Interconnection, L.L.C.*, 180 FERC ¶ 61,089 at P 51 (2022).

launching a new market, explaining that “[t]he importance of a well-designed market with explicit and understandable market rules cannot be overstated.”¹² Given prior instances where “[t]he Commission has had to address flaws in market designs and market rules after markets have started,” the Commission has concluded that “the stakes are too high to allow implementation of a market design . . . that is missing important elements and assurances regarding reliable and stable market operations.”¹³

As noted above, the filing utility bears the burden under Section 205 to establish that a rate change is just and reasonable, and not unduly discriminatory or preferential.¹⁴ The Commission cannot approve a new market where the “filing provides only the general outlines of its proposed market, and does not provide the Commission with sufficient detail to evaluate whether SPP’s proposed rules will provide stable market operations at just and reasonable rates.”¹⁵ For example, the Commission found that “SPP’s proposed [Western Energy Imbalance Service Market (“WEIS”)] Tariff ha[d] not been shown to be just and reasonable” because it was “insufficiently clear regarding SPP’s use of transmission and the role of the reliability coordinator in the WEIS Market.”¹⁶ Similarly, a filing is incomplete—and thus insufficient to establish a just and reasonable rate—where a filing omits important elements, such as “details regarding how [a market operator] will process and validate . . . transition costs before they are used as inputs into the [affected] markets.”¹⁷

¹² *Sw. Power Pool, Inc.*, 114 FERC ¶ 61,289 at P 3 (2006).

¹³ *Id.*

¹⁴ *Advanced Energy Mgmt. All. v. FERC*, 860 F.3d 656, 662 (D.C. Cir. 2017) (citing 16 U.S.C. § 824d(e)).

¹⁵ *Sw. Power Pool, Inc.*, 112 FERC ¶ 61,303 at P 24 (2005) (rejecting SPP’s proposal to implement a real-time energy imbalance market).

¹⁶ *Sw. Power Pool, Inc.*, 172 FERC ¶ 61,115 at P 19 (2020).

¹⁷ *Cal. Indep. Sys. Operator Corp.*, 132 FERC ¶ 61,087 at P 37 (2010); *cf. PJM Interconnection, L.L.C.*, 130 FERC ¶ 61,230 at P 16 (2010) (concluding in a Federal Power Act Section 206 proceeding that “PJM’s tariff proposal fails to provide sufficient detail to establish a just and reasonable methodology for including opportunity costs in mitigated rates”).

Moreover, the Commission has rejected filings as incomplete, even where ongoing stakeholder processes would address those gaps prior to the effective date of the proposed revisions. The Commission has concluded that “it would not be just and reasonable to accept . . . proposed tariff revisions” where “significant issues related to the implementation and utilization of the [proposal’s] tariff revisions remain to be determined through the course of an upcoming stakeholder process.”¹⁸

b. Rule of Reason

The Federal Power Act requires rate filings to recite “all rates and charges for any transmission or sale subject to the jurisdiction of the Commission, and the classifications, practices, and regulations affecting such rates and charges.”¹⁹ The Commission’s regulations further specify that rate filings must do so “clearly and specifically.”²⁰ “These requirements ensure that the public has adequate notice of the proposed rate, and that the Commission has an opportunity to evaluate the proposal to ensure that it is just and reasonable and not unduly discriminatory or preferential.”²¹

Under the rule of reason, elements that “‘significantly affect rates, terms, and conditions’ of service, are readily susceptible of specification, and are not generally understood in a contractual agreement must be included in the tariff.”²² By contrast, “items better classified as implementation details may be included only in the business practice manual.”²³

¹⁸ *Cal. Indep. Sys. Operator Corp.*, 132 FERC ¶ 61,196 at P 66 (2010) (“Issues such as the operational or market protocols that will govern the hierarchy of generation reduction and the circumstances in which the power management capabilities will be utilized are of sufficient import to the affected stakeholders that it would not be just and reasonable to accept the CAISO’s proposed tariff revisions at this time.”); *see also Cal. Indep. Sys. Operator Corp.*, 137 FERC ¶ 61,143 at P 15 (2011) (denying rehearing and affirming rejection of filing as “premature and incomplete”).

¹⁹ 16 U.S.C. § 824(d).

²⁰ 18 C.F.R. § 35.1(a).

²¹ *Sw. Power Pool, Inc.*, 182 FERC ¶ 61,100 at P 34 (2023).

²² *Energy Storage Ass’n*, 162 FERC ¶ 61,296 at P 103 (2018); *see also Keyspan-Ravenswood, LLC v. FERC*, 474 F.3d 804, 811 (D.C. Cir. 2007); *City of Cleveland v. FERC*, 773 F.2d 1368, 1376 (D.C. Cir. 1985).

²³ *Energy Storage Ass’n*, 162 FERC ¶ 61,296 at P 103.

IV. Protest

a. Greenhouse Gas Tracking and Reporting

1. Context: State Policies

Several states in the West have state-mandated carbon emissions programs that must be incorporated into the Tariff. Washington state law prices GHG emissions through a cap-and-invest GHG program.²⁴ Other states, such as Colorado,²⁵ New Mexico,²⁶ Nevada,²⁷ and Oregon²⁸ have GHG reduction programs that do not impose prices on GHG emissions associated with fossil fuel-based electricity transactions.

Attachment K of the Tariff divides these state programs into GHG Pricing Programs (an “emission trading program or carbon tax that covers the electricity industry”) and GHG Reduction Programs (a program “that mandates reductions in GHG emissions from electricity serving load without pricing GHG emissions”).²⁹ However, SPP’s current proposal attempts to address compliance only with GHG Pricing Programs, which currently covers just the State of Washington.

While PIOs commend the work of SPP staff and stakeholders to develop GHG design and reporting for Markets+ to try to address a wide range of GHG policies in potential market participant states, SPP has not met its section 205 burden to show that the Markets+ GHG

²⁴ Washington’s cap-and-invest program at <https://ecology.wa.gov/air-climate/climate-commitment-act/cap-and-invest>.

²⁵ Colorado SB23-198 at <https://leg.colorado.gov/bills/sb23-198#:~:text=Current%20law%20requires%20that%20certain,associated%20with%20the%20entity%27s%20electricity>.

²⁶ New Mexico SB489 at <https://www.nmlegis.gov/Sessions/19%20Regular/final/SB0489.pdf>.

²⁷ Nevada SB358 at <https://www.leg.state.nv.us/App/NELIS/REL/80th2019/Bill/6651/Text#>.

²⁸ Oregon HB2021 at <https://olis.oregonlegislature.gov/liz/2021R1/Downloads/MeasureDocument/HB2021/Enrolled>.

²⁹ Markets+ Tariff, Section 1.1.G.

framework “is a just and reasonable approach to account for diverse GHG policies in the [Markets+] area,” and is designed “in such a way that it does not circumvent state policies.”³⁰

2. GHG Pricing Program Proposal

First, SPP’s proposal to address GHG Pricing Programs lacks sufficient detail regarding how it will operate. The Tariff language is ambiguous on key questions, and SPP’s filing has not addressed concerns regarding how this framework could affect prices outside of a GHG Pricing Zone. Second, without knowing how SPP will address non-priced GHG Reduction Programs—and interactions between GHG Pricing and GHG Reduction Programs—stakeholders cannot evaluate, and it would be premature for the Commission to determine, whether the overall Markets+ approach is just and reasonable.

SPP’s proposed GHG pricing approach focuses on resources that serve load within a GHG Pricing Zone,³¹ with distinct treatments for different specified resource designations associated with contractual arrangements and state laws (Type 1A, Type 1B, Type 2).³² PIOs assert that the Markets+ Tariff is not sufficiently clear as to how the different types of specified resource designations will be cleared in the market, and the Commission should reject the Tariff without prejudice so that SPP can ensure that the Tariff sufficiently states the rates, terms, and conditions of service. For example, Attachment K Section 3.2.3 states that “A Specified Source Resource may offer Type 1B Energy and Type 2 Energy simultaneously during the same market interval.”³³ It goes on to say that “If Type 1B Energy or Type 2 Energy *is attributed* to the GHG

³⁰ *Cal. Indep. Sys. Operator Corp.*, 185 FERC ¶ 61,210 at PP 386, 388 (2023).

³¹ Markets+ Tariff, Section 1.1.G (a GHG Pricing Zone is “[a]n area within the Markets+ Footprint subject to a GHG Pricing Program”).

³² See Markets+ Tariff, Part I, Section 1 (Defining Type 1A Energy, Type 1B Energy, and Type 2 Energy). Type 1A Energy is only available to be attributed to the specific GHG Pricing Zone. Type 1B Energy can be attributed to that GHG Pricing Zone or an area outside a GHG Pricing Zone. Type 2 Energy is energy from a Specified Source Resource that is in excess of the Specified Source Resource’s Surplus Threshold. Type 2 Energy is available to be attributed to a GHG Pricing Zone or an area outside a GHG Pricing Zone. See Markets+ Tariff, Attachment K, Section 3.2.

³³ Markets+ Tariff, Attachment K, Section 3.2.3.

Pricing Zone, a Specified GHG Adder will be included in the cost of that Energy”³⁴ and that “If Type 1B Energy or Type 2 Energy *is not attributed* to the GHG Pricing Zone, a Specified GHG Adder will not be included in the cost of that Energy.”³⁵ However, it is not clear in the Tariff how such energy is “attributed” (or not) to the Pricing Zone.

While SPP provides some clarity in its Transmittal Letter, details are still lacking. The Transmittal Letter states that for Type 1B Energy “[t]he market clearing engine will evaluate whether the GHG Pricing Zone requires additional Energy and, if needed, *will consider the Type 1B Energy for attribution* to the GHG Pricing Zone.”³⁶ This at least indicates that Type 1B Energy will only be considered for attribution if the zone needs additional energy. However, it still only says it will be “considered” for attribution - so SPP has not provided clarity on how market clearing will actually work. And it is not clear if a zone requires additional energy that only covers a partial Type 1B offer, whether the offer can be partially attributed to the zone (with only a portion of its offer getting the GHG adder) and partially attributed outside the zone (with no adder). And even if the SPP Transmittal Letter were clear on these matters, such clarity would need to be in the Tariff because this directly affects the rates, terms and conditions of service. SPP similarly does not provide any indication of how Type 2 Energy will clear in its market.

In addition to these ambiguities in the Tariff regarding how SPP’s proposal will actually operate, SPP has not sufficiently addressed the potential effects on rates across the Markets+ footprint or provided the Commission with sufficient information to make that assessment. While stakeholders have raised concerns that SPP’s novel framework (i.e., its designations of Type 1A, Type 1B, and Type 2 Energy and accompanying dispatch restrictions) will result in

³⁴ Markets+ Tariff, Attachment K, Section 3.2.5 (emphasis added).

³⁵ Markets+ Tariff, Attachment K, Section 3.2.6 (emphasis added).

³⁶ Transmittal Letter at 43 (emphasis added).

improper cost shifts beyond GHG Pricing Zones,³⁷ SPP’s filing is effectively silent on the matter.³⁸ Thus, while SPP claims compliance with the Commission’s 2021 Policy Statement,³⁹ SPP has not answered fundamental questions articulated by that guidance.⁴⁰ The Commission should require SPP to both clarify its Tariff and fully explain its approach to price formation impacts before approving SPP’s proposal as just and reasonable.⁴¹

3. Lack of Proposal for GHG Reduction Programs

Additionally, SPP’s filing does not include any proposal for ensuring compatibility with GHG Reduction Programs. However, there are currently four states with GHG Reduction Programs within the potential Markets+ footprint – Colorado, Oregon, Nevada, and New Mexico – and SPP “anticipates that the number . . . will continue to grow.”⁴² Commissioners from those states, as well as Oregon and Washington, raised concerns to SPP in October 2023 about the need to address these GHG Reduction Programs.⁴³ Yet, only after participating PIO stakeholders raised similar concerns on January 8th, 2024, did SPP adopt an action item to complete the non-pricing GHG tariff.⁴⁴ While SPP is now “in the process of developing a market design capable of incorporating GHG Reduction Programs into Markets+,”⁴⁵ the Commission cannot judge a tariff filing by what may be developed in the future. PIOs recognize the challenge in

³⁷ See generally Markets+ Greenhouse Gas Task Force, Meeting Minutes, Atts. C, E (Oct. 24, 2023) <https://www.spp.org/documents/70533/20231024%20mghgtf%20meeting%20minutes%20and%20statements.pdf> (letter from state utility regulators and task force member statements).

³⁸ SPP asserts, without explanation, that “Markets+ is also designed to decrease the shifting of costs of compliance with GHG programs to Markets+ load located outside of a GHG Pricing Zone.” Transmittal Letter at 11.

³⁹ Transmittal Letter at 38.

⁴⁰ See, e.g., Carbon Pricing in Organized Wholesale Elec. Markets, 175 FERC ¶ 61,036 at P 21 (2021) (“Who would the FPA section 205 proposal provide adequate price transparency and enhance price formation?” “How would the carbon price or prices be reflected in locational marginal prices (LMP)?” “How would the incorporation of the state-determined carbon price into the RTO/ISO market affect dispatch?”).

⁴¹ *Sw. Power Pool*, 112 FERC ¶ 61,303 at P 25 (“SPP is ultimately responsible for the stable operation of its market and must provide justification for its proposal to show that the market will operate reasonably and provide just and reasonable rates.”).

⁴² Transmittal Letter at 46.

⁴³ Attachment B - State Regulator Markets+ GHG Issues List, Oct 23, 2023

⁴⁴ Markets+ Greenhouse Gas Task Force, Summary of Motions and Action Items (Jan. 8, 2024) <https://www.spp.org/Documents/71011/MGHGTF%20Meeting%20Materials%2020240131.zip>.

⁴⁵ Transmittal Letter at 46.

creating consistent rules for a variety of policies across the potential Markets+ footprint; however, the GHG design remains incomplete, and SPP does not appear to have a clear path to finalizing the issue.

Without knowing SPP's forthcoming approach to non-priced GHG Reduction Programs, the Commission cannot assess whether SPP's novel proposal for GHG Pricing Zones will function as described⁴⁶—particularly if, for instance, SPP incorporates GHG informed dispatch in non-GHG Pricing Zones.⁴⁷ Moreover, the Commission cannot determine whether Markets+ will result in just and reasonable rates in states with GHG Reduction Programs or circumvent those states' policies. SPP's chosen design (or lack of one, if its stakeholder process is delayed) implicates whether entities in those states will be able to comply with state emission reduction requirements, as well as the costs of such compliance and how those costs are incorporated into Markets+ rates (with potential ripple effects to other states). In short, SPP's rushed process has resulted in an incomplete and ambiguous proposal for GHG programs, which it has not yet shown to be just and reasonable.

b. High Priority Transfers

The Tariff also leaves critical gaps regarding how Markets+ will handle import and export transfers between the Markets+ footprint and other balancing areas. The Tariff creates two categories within each type of transfer: (1) High Priority Export Interchange Transactions and High Priority Import Interchange Transactions (collectively, “High Priority Transfers”); and (2) Uncommitted Export Interchange Transactions and Uncommitted Import Interchange Transactions (collectively, “Uncommitted Transfers”).⁴⁸ The Tariff defines a High Priority Export

⁴⁶ Cf. *Cal. Indep. Sys. Operator Corp.*, 185 FERC ¶ 61,210 at P 386 (in approving CAISO's EDAM proposal, noting “that the Commission accepted a fundamentally similar GHG framework in the WEIM”).

⁴⁷ See Markets+ Greenhouse Gas Task Force, *Markets+ Non-Pricing Programs*, at 8 (Jan. 8, 2024), <https://www.spp.org/Documents/70878/20240108%20MGHGTf%20Additional%20Materials%20-%20Non%20Pricing%20Programs.pptx>.

⁴⁸ Markets+ Tariff, Sections 1.1.H, 1.1.U (Definitions).

Interchange Transaction as “[a]n Export Interchange Transition that is backed by committed export supply.”⁴⁹ The Tariff provides two examples that are included within this definition—“Resource Adequacy Program obligations to load outside the Markets+ Footprint” and “source specific sales to load outside the Markets+ Footprint”—but is ambiguous whether other export transactions could qualify.⁵⁰ SPP defines all other exports as “Uncommitted” Export Interchange Transactions.⁵¹ If an export transaction is deemed High Priority, it is “included in the Market Participant’s must offer obligation.”⁵²

The Tariff similarly defines a High Priority Import Interchange Transaction as one “backed by committed import supply,” although without any illustrative examples.⁵³ All other imports are “Uncommitted” Import Interchange Transactions.⁵⁴ A participant may use a High Priority import to meet its must offer obligation.⁵⁵ The Tariff does not address whether Uncommitted Transfers (either imports or exports) are part of a participant’s must offer obligation.

The “High Priority” designation has significant effects within the Markets+ framework. Perhaps most importantly, one of SPP’s proposed “Unique Markets+ Design Features” is a Market Award Priority Process that preferences High Priority Transfers over Uncommitted Transfers.⁵⁶ Thus, in the event of a capacity shortage, SPP will first curtail Uncommitted Exports

⁴⁹ Markets+ Tariff, Section 1.1.H (Definitions).

⁵⁰ Markets+ Tariff, Section 1.1.H (“Committed export supply includes Market Participant’s Resource Adequacy Program obligations to load outside the Markets+ Footprint. Committed export supply also includes source specific sales to load outside the Markets+ Footprint where the portion of the export that is high priority is the portion that is supported by an identified Resource’s available surplus capacity.”).

⁵¹ Markets+ Tariff, Section 1.1.U (defining as “[a]n Export Interchange Transaction that is not a High-Priority Export Interchange Transaction”).

⁵² Markets+ Tariff, Section 1.1.H.

⁵³ Markets+ Tariff, Section 1.1.H.

⁵⁴ Markets+ Tariff, Section 1.1.U (defining as “[a]n Import Interchange Transaction that is not a High-Priority Import Interchange Transaction”).

⁵⁵ Markets+ Tariff, Section 1.1.H.

⁵⁶ Transmittal Letter at 22, 50.

before curtailing High Priority Exports (and other types of resources not at issue here).⁵⁷

Similarly, if there is excess generation, SPP will curtail Uncommitted Imports before curtailing High Priority Imports.⁵⁸ In addition, SPP may increase reserve requirements for the residual unit commitment process and real-time balancing market to “to cover the increased risk of supply availability” of Uncommitted Imports (but does not do so for High Priority Imports).⁵⁹ If SPP does increase reserve requirements on that basis, the associated costs are charged to the participants with scheduled Uncommitted Imports.⁶⁰ These issues are incredibly important to determining resource adequacy requirements.

In short, whether a transfer is designated “High Priority” has major ramifications for curtailment in shortage or excess conditions, as well as potentially subjecting participants to additional costs. It also implicates compliance with participants’ must-offer obligations and resource adequacy beyond the Markets+ footprint. These issues are magnified by the likely prevalence of imports and exports due to extensive seams and regional trading dynamics.⁶¹ Moreover, SPP has identified the need for further development to “ensure the definition of High Priority Exports and its implementation do not undermine the balancing services that generators pay their balancing authorities for (especially those that provide hour-ahead to real-time balancing).”⁶²

However, SPP has not yet resolved critical ambiguities and gaps to ensure that the High Priority framework operates in a just and reasonable fashion and does not undermine pre-existing balancing services. Instead, SPP punted that task to further stakeholder processes, leaving the

⁵⁷ See Transmittal Letter at 50-51; Markets+ Tariff, Attachment A, Sections 2.1.2.1, 2.3.1.2.

⁵⁸ See Transmittal Letter at 50-51; Markets+ Tariff, Attachment A, Sections 2.1.2.2, 2.2.2(3), 2.3.1.2(4).

⁵⁹ See Transmittal Letter at 50-51; Markets+ Tariff, Attachment A, Section 7.4(4).

⁶⁰ Markets+ Tariff, Attachment A, Section 7.4(4)(a).

⁶¹ See *infra*, Section 4.d.

⁶² SPP, Markets+ Parking Lot v.8 (Feb. 28, 2024), attached as Attachment A.

Commission without a complete framework to evaluate.⁶³ Recent working group materials highlight an extensive set of outstanding issues concerning High Priority Transfers.⁶⁴ The working groups' pre-meeting survey results⁶⁵ show that, among other things, SPP is still assessing foundational questions such as whether High Priority Transfers will include *any* other transactions outside of the Western Resource Adequacy Program or other resource adequacy obligations.⁶⁶ The Tariff definitions leave this issue open. The High Priority Export Interchange Transaction definition lists two non-exhaustive examples of transactions that are “include[d]” but does not otherwise attempt to define the key phrase “backed by committed export supply,” while the High Priority Import Interchange Transaction provides no examples at all.⁶⁷

Moreover, working group participants were sharply divided on another question left open by the Tariff, namely, whether High Priority Transfers “must be scheduled prior to day-ahead market closing?”⁶⁸ Participants' comments revealed additional questions and concerns, including impacts on footprint reliability and implications for emergencies that arise following market closing.⁶⁹ This timing question implicates important interactions between Markets+'s market clearing processes and High Priority designations, and the Commission should have a clear picture of those interactions before reaching a conclusion on whether SPP's approach is just and reasonable.⁷⁰

⁶³ See *id.* (designating as Parking Lot item for post-initial filing but part of go-live).

⁶⁴ See MSWG and MRATF (April 11, 2024), <https://www.spp.org/calendar-list/marketsplus-seams-working-groupresource-adequacy-task-force-joint-net-conference-20240411/>.

⁶⁵ The survey results are available here: SPP, High Priority Transaction Survey Results, <https://www.spp.org/Documents/71449/High%20Priority%20Survey%20Results%2020240411.pptx>.

⁶⁶ *Id.* at 2.

⁶⁷ Markets+ Tariff, Section 1.1.H.

⁶⁸ High Priority Transaction Survey Results, at 4 (showing 5 “Yes” votes and 6 “No” votes).

⁶⁹ *Id.* at 4.

⁷⁰ *Cf. Cal. Indep. Sys. Operator Corp.*, 185 FERC ¶ 61,210 at PP 244-45, 311-12 (2023) (evaluating EDAM provisions for giving certain self-schedules priority if submitted prior to a specific deadline).

Participants also had very conflicting views on a question related to SPP’s concern about undermining balancing services; specifically, whether “generation supported by Balancing Authority balancing services such [as] VERBS [Bonneville Power Administration’s Variable Energy Resource Balancing Service] or [Public Service Company of Colorado’s] Schedule 16 would mean those exports are high priority?”⁷¹ Participants’ comments raised questions regarding the connection to various ancillary services and reliability, and “[m]ultiple responders requested the need for more information or further discussion or discussion of alternatives.”⁷²

Further, SPP has not explained why the must offer obligation is treated differently in different scenarios. While High Priority Export Interchange Transactions “will” be included in the must offer obligation, High Priority Import Interchange Transaction only “may be used” to meet the must offer obligation.⁷³ Also, SPP has not provided any information on how Uncommitted Transfers relate to the must offer obligation—the working groups are currently contemplating whether Uncommitted Transfers should be included in a participant’s must offer obligation.⁷⁴

The Commission has previously required market operators to answer these kinds of questions prior to launching a new market. For instance, in its initial rejection of SPP’s imbalance market proposal, the Commission explained that “the Tariff must provide enough information for market participants to determine the steps of all the processes that SPP will undertake.”⁷⁵ The Commission found that SPP had not provided sufficient information on

⁷¹ SPP’s High Priority Transaction Survey Results, April 11, 2024, <https://www.spp.org/Documents/71449/High%20Priority%20Survey%20Results%2020240411.pptx> at 5 (showing 5 “Yes” votes and 6 “No” votes).

⁷² High Priority Survey Results 20230411, April 11, 2024, <https://www.spp.org/Documents/71449/High%20Priority%20Survey%20Results%2020240411.pptx>.

⁷³ Markets+ Tariff, Section 1.1.H.

⁷⁴ SPP’s High Priority Transaction Survey Results at 6.

⁷⁵ *Sw. Power Pool*, 112 FERC ¶ 61,303 at P 25.

numerous aspects, including various contingency operations⁷⁶ and interactions with affected control area operations and potential seams issues.⁷⁷ The Commission has likewise required further detail where SPP's proposed WEIS could affect dispatch in adjoining areas⁷⁸ or had uncertain effects on resource adequacy.⁷⁹

Here, Markets+'s treatment of imports and exports has similar implications for dispatch and curtailment, as well as resource adequacy programs and balancing services. The Tariff "must provide enough information for market participants to determine the steps" that SPP will take regarding these processes,⁸⁰ such as which imports and exports are eligible for High Priority designation, the deadline for designation within SPP's market processes, and the effects on their must offer obligation. Until SPP resolves those questions and provides those answers in a tariff filing to the Commission, the Commission cannot fairly determine whether Markets+ "will operate reasonably and provide just and reasonable rates."⁸¹

c. Governance

The governance section of the Markets+ Tariff⁸² is so severely lacking that the Commission cannot approve it as filed. The Tariff's governance section lacks transparency and accountability, and it does not meet Order No. 719's governance criteria of inclusiveness; fairness in balancing diverse interests; representation of minority positions; and ongoing

⁷⁶ *Id.* at PP 26-27 (procedures for generation shortages, congestion relief, and issues with day-ahead submissions).

⁷⁷ *Id.* at P 29 (detailing several unanswered questions regarding "conflicts that arise between the SPP dispatch instructions and the reliability operations of [affected] control areas" and "the interaction between reserve sharing events and dispatch instructions").

⁷⁸ *Sw. Power Pool, Inc.*, 172 FERC ¶ 61,115 at P 41 (2020) (noting concern that "SPP's proposal therefore may limit the use of non-participating entities' transmission capacity that is currently available for other purposes, such as the PSCo JDA").

⁷⁹ *Id.* at P 59.

⁸⁰ *Sw. Power Pool*, 112 FERC ¶ 61,303 at P 25.

⁸¹ *Sw. Power Pool*, 112 FERC ¶ 61,303 at P 25.

⁸² Markets+ Tariff, Attachment O, Markets+ Governance (Version 2, March 15, 2024) ("Markets+ Tariff Attachment O").

responsiveness.⁸³ While these requirements are not directly applicable here,⁸⁴ they are nonetheless illustrative of governance attributes necessary to ensure just and reasonable rates. Moreover, the Tariff fails to provide the Commission with sufficient detail to evaluate whether the proposed rules will provide stable market operations at just and reasonable rates, especially for Western ratepayers.

1. Undue Preference to Eastern Participants

First, the Tariff's proposed governance structure creates undue prejudice to western participants and advantage to eastern participants. The Tariff proposes two boards⁸⁵ with oversight authority over the day-ahead market: the board that specifically oversees the day-ahead market, the Markets+ Independent Panel ("MIP"); and the board of the RTO providing the day-ahead market service ("SPP Inc."), the SPP Board of Directors ("SPP Board"). The MIP would be a five-member panel that would include one SPP Board member, selected by the SPP Board, with the four other members to be elected by the Markets+ Participant Executive Committee. The SPP Board has "ultimate oversight authority" over the Markets+ market,⁸⁶ and thus policies and Tariff rules that apply to the western market participants and stakeholders, including the ultimate beneficiaries, electricity consumers in the West. However, the SPP Board

⁸³ Federal Energy Regulatory Commission, 125 FERC ¶ 61,071, Order No. 719: Wholesale Competition in Regions with Organized Electric Markets, Docket Nos. RM07-19-000 and AD07-7-000, Oct. 17, 2008 ("Order 719"). (RTOs need to ensure that their business practices and procedures are structured to provide equitable consideration of the interests of customers or other stakeholders.)

⁸⁴ See *Nw. Power Pool*, 182 FERC ¶ 61,603 at P 50 (2023). While the Commission explained in *Northwest Power Pool* that it would not apply the specific requirements of Order Nos. 2000 and 719 because the Western Resource Adequacy Program ("WRAP") was "not proposing to establish an RTO/ISO," the Commission "nevertheless acknowledge[d] that WPP and stakeholders voluntarily strove to benchmark the WRAP governance structure against the Commission's standards for RTO/ISO governance, including standards for transparency, board independence, and stakeholder engagement." *Id.*

⁸⁵ The only other two board governance structure similar to the one being proposed in the Markets+ Tariff that commenters are aware of is that implemented for the CAISO Western Energy Imbalance Market (WEIM) and Extended Day-ahead Market (EDAM). See, CAISO, Charter for Energy Imbalance Market, §2.2 (version 1.6, March 20, 2024) (details relationship between two boards including dispute resolution process) <https://www.westerneim.com/Documents/CharterforEnergyImbalanceMarketGovernance.pdf> ("WEIM Charter").

⁸⁶ SPP Bylaws, §4.0.

is elected by SPP Inc.'s RTO members. There is no role or opportunity for Markets+ stakeholders – including Markets+ market participants, regulators, and other stakeholders from the West – in the SPP Board selection and election process.⁸⁷ Thus, eastern participants will have full control over the final decision-makers on matters that wholly affect the West. The SPP Board seemingly has a conflict of interest between its eastern members and the services provided under Markets+ to the west.

The Tariff does not include any process to appeal a decision of the SPP Board, which provides eastern participants undue influence. The Markets+ stakeholders have only a very limited opportunity to provide feedback when the SPP Board takes authority over a Markets+ issue. The SPP Board “will solicit and consider written comments from the [Markets+ Independent Panel], the [Markets+ Participant Executive Committee], and any [Markets+ Market Participant], [Markets+ Market Stakeholder], and [Markets+ Non-Voting Stakeholder] before taking action on any Markets+ voting item.”⁸⁸ The Tariff provides no dispute resolution process for SPP Board decisions regarding Markets+ – even for example, if the weight of comments from Markets+ stakeholders is in opposition to the SPP Board’s decision – nor opportunity for appeal of the Board’s decision by Markets+ stakeholders (except to FERC). And where the Board decides to reject Markets+ Tariff changes, the only recourse would be to file a section 206 complaint at FERC, where parties face a heavier burden than in opposing a section 205 filing.⁸⁹ This is also problematic given the SPP Board has no requirement to explain their decision, including how they considered the comments, and the SPP Board votes by secret ballot, limiting the Board’s accountability and transparency for Markets+ participants.

⁸⁷ While FERC does not have jurisdiction over board selection according to *CAISO v. FERC*, 372 F.3d 395, 399-404 (D.C. Cir. 2004); *see also RTO Insider v. NEPOOL*, 167 FERC ¶ 61021 at P 51 (2019), the issue here is not with the selection process, but with the matter that the SPP Board (and therefore Eastern Participants) has too much influence and authority on the MIP that is supposed to oversee the day-ahead market activities.

⁸⁸ Markets+ Tariff Attachment O, §4.1(3).

⁸⁹ *See Emera Maine v. FERC*, 854 F.3d 9, 24 (D.C. Cir. 2017).

It is not even clear if SPP will involve its members in the SPP Board's final decision making, similar to how it solicits a vote of its Members' Committee for RTO Board decisions, or if the Board will act alone on Markets+ appeals.⁹⁰ However, if it is the former, there is no way for Markets+ participants and other stakeholders to participate in the SPP, Inc. as a member, except as a member of the general public, unless a stakeholder pays \$6,000 annually, signs a contract, and is approved by the appropriate SPP, Inc. Committee to become a member.⁹¹ This lack of dispute resolution process also could make the Commission a revolving door for disputes between Markets+ participants and other western stakeholders and SPP, Inc. as this may be the only recourse for western stakeholders on issues over which SPP, Inc. takes authority given the lack of process included in the governance section of the Markets+ Tariff.

2. Lack of Necessary Details on Appeals of MIP Decisions

Second, SPP says that the SPP Board will review and consider appeals of MIP decisions.⁹² The Tariff provides that “[a]ny member of the MIP may request the SPP Board of Directors review any action or inaction of the MIP. Only members of the MIP may appeal to the SPP Board of Directors.”⁹³ However, the Tariff fails to provide the necessary details of how that process will work.

First, it fails to define what constitutes inaction of the MIP.⁹⁴ Thus, it is unclear exactly what can be appealed. Second, it is unclear why only a MIP member can appeal to the SPP Board and SPP has not supported this decision. In SPP RTO, the ability of appeal is wide: SPP

⁹⁰ See Markets+ Tariff, Attachment O, §§ 4.1, 4.2.1.

⁹¹ SPP Bylaws, §§2.1, 2.2, 8.2. SPP also offers a waiver process for “legitimate nonprofits.” SPP Bylaws, §8.2. However, prescribed criteria to determine “legitimate nonprofit” are currently undefined and under deliberation by the Corporate Governance Committee.

⁹² Transmittal Letter at 62-62, citing Markets+ Tariff at Attachment O, Section 4.1.

⁹³ Markets+ Tariff at Attachment O, Section 4.2.

⁹⁴ WRA provided a suggested edit to the Tariff to delete the word inaction and define action as “any vote by the MIP to conclusively approve or reject any tariff revision brought before the MIP.” The edit was not adopted in favor of leaving the phrase broad and undefined.

allows any Member or group of Members to appeal decisions in SPP RTO to the SPP Board and Members can appeal any action taken or recommendation of any organizational group and make an alternate recommendation. Specifically, the SPP Bylaws state:

Should any Member or group of Members disagree on an action taken or recommended by any Organizational Group, such Member(s) may, upon written request to the Corporate Secretary, appeal and submit an alternate recommendation to the Board of Directors prior to the next regularly scheduled Board of Directors meeting following such Organizational Group action or inaction.^{95]}

In addition, we note that it appears that any stakeholder can appeal matters regarding the WEIS market to the full SPP Board.⁹⁶ It is unclear why the same rights provided in SPP RTO and WEIS would not be afforded Markets+ participants. Further, the Tariff does not define the process by which the appeal can be submitted nor how the SPP Board will review appeals.⁹⁷ The process is “insufficiently clear” such that SPP did not meet its burden to show that the Markets+ market is just and reasonable.

Once the Markets+ appeal reaches the SPP Board, the Tariff continues to provide only a half-baked process. The only parameters the Tariff provides are that:

- “The SPP Board of Directors will give significant recognition and deference to the MIP decision-making role.”⁹⁸
- “All reviews by SPP board shall be in coordination with the MIP.”⁹⁹

There is no process associated with or further explanation of either of these clauses.

Following these vague directions, should the SPP Board determine there is not “sufficient consensus” supporting the MIP decision, the SPP Board may remand the issue to the MIP and/or

⁹⁵ SPP RTO Bylaws, section 3.10.

⁹⁶ *Sw. Power Pool, Inc.*, 173 FERC ¶ 61,267 at P 67 (2020) (“We find that the WMEC Charter permits stakeholders to appeal to the independent SPP Board of Directors on matters regarding the WEIS Market . . .”).

⁹⁷ MPEC Recommended Action Items 3(a), November 28, 2023.

<https://www.spp.org/Documents/70630/MPEC%20Meeting%20Materials%2020231206.zip>.

⁹⁸ Markets+ Tariff Attachment O, §4.1 (emphasis added).

⁹⁹ Markets+ Tariff Attachment O, §4.1 (emphasis added).

appropriate Markets+ working group for further consideration.¹⁰⁰ Again, however, the Tariff fails to define “sufficient consensus” or provide any guidance for when a remand should be the outcome.

These elements could easily be defined, specified, and made transparent.¹⁰¹ Stakeholders provided detailed redline edits on the Tariff for a dispute resolution process during the Markets+ tariff development.¹⁰² However, SPP’s truncated Markets+ development process resulted in insufficient time to work through the provisions.

According to SPP staff, some governance amendments will be taken up post-filing, acknowledging the importance of governance issues raised but not completed prior to filing the Tariff. However, these ongoing processes do not remedy the fact that the governance section of the Tariff as filed is insufficiently clear for the Commission to make a finding of just and reasonable. Governance provisions regarding the above issues must be sufficiently detailed and clear before FERC approves them to protect the interests of the stakeholders in the day-ahead markets, especially the western ratepayers in the footprint of the day-ahead market, minimize protracted disputes and ensure market efficiency.

d. Seams Management

1. Context and Background

Seams occur between adjacent areas – whether that is between any two RTOs, or between balancing authority areas (“BAAs”), utilities, or Transmission Owners – where the use of transmission may incur charges or usage rules that impact energy going from one area to the other. Seams generally create inefficiencies: costing ratepayers and utilities more; causing

¹⁰⁰ Markets+ Tariff Attachment O, §4.2.1 (emphasis added).

¹⁰¹ Cf., WEIM Charter, §§2.2.2-2.2.4

¹⁰² WRA also provided Tariff edits defining action and inaction and a process for addressing joint issues, issues that affect both Markets+ and SPP, Inc. These were also not included in the Markets+ Tariff. According to SPP staff, the process to address joint issues will be resolved later.

operational problems; and reducing reliability. Seams also create additional issues depending on factors such as differing methodologies – for charging transmission usage, for clean energy benefits reporting, and for treatment of pseudo-tied resources – and uplift payments to alleviate congestion between seams. When utilities join day-ahead markets or RTOs, seams issues may be reduced, but may also be made more complicated depending on the size and scope of the day-ahead market, the number and size of seams created, and the pricing of operational rules, energy, and transmission in adjacent areas.

The Commission approved another western day-ahead market, the California Independent System Operator’s (“CAISO”) Extended Day-Ahead Market (“EDAM”) on December 20, 2023.¹⁰³ As of March 21, 2024, five entities have either announced their intent to join EDAM or indicated a preference to participate in it, including: Idaho Power, Portland General Electric, PacifiCorp, Balancing Authority of Northern California, and Los Angeles Department of Water and Power.¹⁰⁴ With these announcements, the EDAM footprint has begun taking shape, as are its seams.

2. Markets+ Seams

If FERC approves the Tariff, there will be seams between Markets+ and EDAM that will require significant interoperability coordination on seams management involving reliability functions, transmission access and use, and GHG accounting and emissions reporting. These seams will require Markets+ and EDAM to coordinate on economic transfers that involve transmission access and GHG-related requirements. Seams also will occur between adjacent BAAs participating in Markets+ and BAAs participating in the EDAM, or entities not

¹⁰³ *California Independent System Operator Corporation*, 185 FERC ¶ 61,210 (2023).

¹⁰⁴ Idaho Power and Portland General Electric signal intent to join EDAM (March 21, 2024), <https://www.caiso.com/Documents/idaho-power-and-portland-general-electric-signal-intent-to-join-edam-iso-statement.pdf>

participating in either market. With the prospect of Markets+ transacting across a BAA that abuts these areas, seams will inevitably emerge regarding transmission usage and clean energy dispatch and will create inefficiencies if not proactively identified and managed. Furthermore, because of the significant gaps in the Tariff discussed above, if the Commission approves the Tariff as filed, it could create uncertainty on how transactions will be handled at the seams – particularly what additional costs there might be for exported and imported energy over the status quo of market transfers (bilateral or imbalance markets).

The proactive management of seams between market operators is a necessary lesson learned from the continued issues occurring at the seam between SPP and the Midcontinent Independent System Operator (“MISO”) and the continuous work to address those issues. SPP and MISO were able to establish a Joint Operating Agreement after years of negotiation.¹⁰⁵ Subsequently, when SPP sought approval for its Integrated Marketplace proposal, the Commission required SPP to negotiate a revised Joint Operating Agreement with MISO and file it eight months prior to the Integrated Marketplace’s effective date, with implementation of the agreement within one year of the market’s launch.¹⁰⁶ SPP and MISO also continue to work on several seams initiatives to address issues such as rate pancaking that has led to duplicate transmission fees.¹⁰⁷ While Markets+ is a day-ahead market and not an RTO, the formation of new boundaries in the West will have substantial, long-term impacts so initiating coordination agreements from the start would set a precedent for good coordination and communication.

PIOs recognize that SPP Staff and stakeholder participants developed Tariff requirements to address seams between Markets+ participants and non-Markets+ participants on issues of

¹⁰⁵ Joint Operating Agreement Between the Midcontinent Independent System Operator, Inc. And Southwest Power Pool, Inc. (2008) https://www.spp.org/documents/69651/20230702_spp-miso%20joa.pdf.

¹⁰⁶ *Sw. Power Pool, Inc.*, 142 FERC ¶ 61,205 at PP 82-88 (2013) (order on rehearing).

¹⁰⁷ Tom Kleckner, RTO Insider, *MISO, SPP Staff Take Crack at Rate Pancaking* (May 29, 2023) <https://www.rtoinsider.com/32291-miso-spp-staffs-take-crack-rate-pancaking/>.

transmission access, congestion management, and flexible reserves. However, the Tariff is missing Parking Lot item number 19,¹⁰⁸ which requires a framework for an interoperability agreement that is foundational to managing West-wide seams between SPP and CAISO with an estimated completion date of end of 2024. In the absence of a framework, even if corrective actions are identified in the Tariff to address seams, the visibility and jurisdiction of the individual entities to carry out their respective mitigating functions is limited. It is necessary for SPP to identify the needed informational variables from CAISO for a SPP-CAISO joint operating agreement to be developed, and such a framework is critical to fully appreciating how the seams Tariff would be implemented through Protocols, Business Processes, and other process protocols and practices. Consequently, PIOs find the current seams Tariff incomplete. Further, it appears that SPP may identify “functional roles” for seams management in the business practice manuals. PIOs view the identification of these roles to be a necessary component of a tariff that must not be relegated to operational procedures.

3. Request for Guiding Principles

PIOs therefore respectfully request the Commission to issue a set of guiding principles for a joint operating agreement or other coordination mechanism for adjoining day-ahead markets that can be utilized by SPP, CAISO, and any other day-ahead market operators to implement appropriate procedures of coordination and communication. Guiding principles for a coordination mechanism for day-ahead markets would provide SPP and other day-ahead market operators with a common and consistent baseline for coordination procedures to proactively address anticipated seams issues – including transmission access scheduling, operating rules, and GHG accounting.

¹⁰⁸ SPP Markets+ Parking Lot Item #19: The MSWG will define a seams framework of key components, including evaluation of flexibility reserve to shape development of how we will handle seams issues with CAISO post tariff filing, with an estimated completion date of the end of 2024.

PIOs previously made this request for guiding principles of the Commission in our comments on the EDAM Tariff.¹⁰⁹ The Commission declined to provide guiding principles, finding the requests for CAISO to pursue seams coordination with other western entities was premature as it was unclear, at the time, where those seams would exist.¹¹⁰ We therefore make this request again since the footprints for both EDAM and Markets+ are forming already and FERC guidance would help ensure timely and consistent coordination.

V. Conclusion

PIOs appreciate the opportunity to provide these comments on this important Tariff. PIOs ask that the Commission consider these comments in its review of the Tariff and reject SPP's filing without prejudice.

Dated April 29, 2024

Respectfully submitted,

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¹⁰⁹ Comments of Public Interest Organizations, Docket No. ER23-2686-000, Accession No. 20230921-5147, Page 9 (Sept. 21, 2023).

¹¹⁰ *California Independent System Operator Corporation*, 185 FERC ¶ 61,210 at P 512 (2023).

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SPP MARKETS+ PARKING LOT ITEMS							
ID	WG/TF	Origination	Brief Description	Entered		Resolution Timeframe	Progress Notes
				Date	Assigned To		
12	MTWG		TSP OATT Changes	8/25/2023	Ken Quimby / Joe Taylor		
13	MSWG		Should CAISO be treated as 1 source/sink or be split into North/South? What flow limitations are in Market limitations model related to boundaries?	9/28/2023	Aaron Shipley/Clint Savoy		Current design is CAISO at one price.
14	MSWG		Provide multiday market run look ahead for gas burn projections: Minimum of 5 days for market day ahead look, Tool to include MW forecast for each resource, Forecast to be available by 4:30 am PPT before day ahead.	9/28/2023	Kristen Darden/Jim Gonzalez		
3	MSWG		DA interchange transactions (evaluate options to increase DA interchange volumes due to limited firm/non-firm transmission availability including etag timing requirements).	9/26/2023	Aaron Shipley/Clint Savoy		
15	MDWG		SPP staff to revisit Attachment A, Section 9.2.10 (Day-Ahead Make Whole Payment Distribution Amount) and all other Settlement uplift charge types, when the market footprint is better known to allocate market-wide vs. at the BAA level.	11/17/2023	Kristen Darden/Jim Gonzalez		
16	MRATF		WRAP binding status alignment with M+ Go-Live.	11/30/2023	Kelli Schermerhorn/Jim Gonzalez		
18	MORWG		Perform comprehensive review of settlement design to include uplift associated with RT Congestion/Balancing redispatch in RNU	1/19/2024	Crowson/Micha Bailey		
17	MDWG		Research Energy Offer Mitigation in Attachment B, Section 3.4, for dispatch-limited Energy storage mitigation and determine what modifications are necessary to reflect resource characteristics.	1/11/2024	Kristen Darden/Jim Gonzalez		
19	MPEC		The MSWG will define a seams framework of key components, including evaluation of flexibility reserve to shape development of how we will handle seams issues with CAISO post tariff filing, with an estimated completion date of the end of 2024.	1/24/2024	Aaron Shipley/Clint Savoy (MSWG)		
20	MPEC		The MGHGTF, in coordination with SPP Staff, will continue work in progress to develop clear and comprehensive market design elements to support compliance with non-pricing GHG Reduction Programs through dispatch (or alternative mechanisms), tracking and reporting and will work to complete this task with sufficient time before the deadline for utility commitments for Phase II M+ funding decisions .	1/24/2024	Kim O'Guinn/Yasser (MGHGTf)		
21	MPEC		SPP will ensure the definition of High Priority Exports and its implementation do not undermine the balancing services that generators pay their balancing authorities for (especially those that provide hour-ahead to real-time balancing).	1/24/2024	Kristen Darden/Jim Gonzalez (MDWG)		
24	MDWG		Attachment A, Section 6.3 Non-Participating Entity Registration - BPA would like to discuss this concept further after the filing	2/15/2024	Kristen Darden/Carrie Simpson		
7	MDWG		Explore separating DA market runs to have a reliability run before DA run. DA Market Design Option 2 - proposal to evaluate using load and wind forecast data and expected resource availability costs rather than a behavior- based participation model. (From Phase One Update 3/2/23 items to postpone).	8/25/2023	Kristen Darden/Jim Gonzalez		

2	MDWG	Flex Reserve Products Enhancement (separate offers for flex ramp products.) Also, includes cost allocation review and consideration of a day-ahead to real-time uncertainty product.	8/30/2023	Kristen Darden/Jim Gonzalez	
8	MPEC	Market to Market Coordination with CAISO and RTO West.	8/25/2023	Tuuli Hakala/Aaron Shipley	
9	MSWG	Provide a mechanism to inform market software of gas limits. Ideally the lower and upper bounds of the range will match up with the amount of tolerance allowed by the pipelines. Provide an energy limit as part of the offers to allow the system model to optimize solution for energy limits.	9/28/2023	Kristen Darden/Jim Gonzalez	
10	MSWG	Evaluate adding hourly market clearing for energy to allow for hourly interchange awards to move closer to a real-time economic interchange offer/bid capability.	10/3/2023	Kristen Darden/Jim Gonzalez	
1	MDWG	Turning on Virtuals in Markets+	8/10/2023	Kristen Darden/Jim Gonzalez	6 mos. After "Go Live"
11	MDWG	Long-lead resource economic commitment logic (need a multiday RUC to handle).	3/2/2023	Kristen Darden/Jim Gonzalez	
22	MDWG	MDWG to have discussion on an enhancement of MPs to submit MP-derived load forecasts in place of the SPP-derived forecast. From Attachment A 7.5 Forecasting in the tariff.	2/13/2024	Kristen Darden/Jim Gonzalez (MDWG)	
23	MDWG	In Attachment A, Section 6.2 Asset Registration of the tariff, consider addressing Xcel's comments on DVERs as part of retail net metering agreements (reviewed on 2/13/24 MDWG meeting.)	2/13/2024	Kristen Darden/Jim Gonzalez (MDWG)	
4	MPEC	SPP staff will provide the MPEC a report outlining the impacts of expanding virtual activity to include interface settlement locations within one year following virtuals becoming effective in Markets+ (MPEC AI # 7)	8/8/2023	Kristen Darden/Jim Gonzalez	
5	MRATF	Evaluate the DA and RT MCO after go live to determine whether additional changes are needed to ensure market liquidity and competition and reliable market outcomes.	9/14/2023	Kelli Schermerhorn/Jim Gonzalez	
6	MRATF	If WRAP determines that the M+ RTMOO limits the ability to lower a regional PRM, then the RTMOO will be reevaluated by the MRATF.	9/14/2023	Kelli Schermerhorn/Jim Gonzalez	

From Eric Blank to the MGHGTF

Southwest Power Pool <communication@spp.org>

Tue 10/24/2023 9:46 AM

 1 attachments (38 KB)

State Regulator M+ GHG Issues List-10.23.23.docx;

Good morning, Markets+ Greenhouse Gas Task Force, Please find attached, with a note below from Eric Blank, a letter requested to be shared with the MGHGTF for today's meeting.

From: Blank - DORA, Eric <eric.blank@state.co.us>

Sent: Tuesday, October 24, 2023 5:43 AM

I just wanted to share w/ you a list of state regulator concerns w/ the current GHG conceptual design and tariff pending before the M+ GHG Task Force later today. These potential rate impact and other concerns are shared by state regulators in CO, NV, NM, OR, and WA. In addition to these states, I believe that there are also a number of other regulators (and utilities) that would generally support the need to have many of these concerns addressed in a timely way. Commissioner Aguilera from NM will be prepared to more officially present this list at the meeting today. I greatly appreciate your help getting a little additional time before the final task force vote and hope these comments prove productive as this conversation moves forward.

Eric

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State Regulator GHG Task Force Issues List

These comments are provided to express the concerns of a number of state utility regulators involved in the Markets+ GHG Task Force.

I. Background

The Markets+ GHG Task Force has been devoted almost entirely to discussing the mechanics of incorporating Washington's Cap-and-Invest program into Markets+. The fundamental problem to be solved is how a resource outside of Washington can be dispatched into Markets+ and include its GHG compliance cost in its bid if the resource were deemed to serve Washington load, but not include the GHG compliance cost in the bid if the resource is not deemed to serve Washington load. The Task Force initially approached this fundamental problem in a simple design called the Zonal method. However, over the past year, the design became much more complicated as additional features and requirements were added that were not originally proposed in the Zonal method. Several of these additional features have caused concern to a number of GHG Task Force members. All the concerns we discuss in this memorandum could negatively affect costs imposed on consumers.

Once the conceptual design was narrowly approved, the GHG Task Force turned to drafting tariff language that accurately describes that design. As a result, there has not been time allocated to address these issues, even as affected members have sought to raise them. Additionally, the parties remain concerned that new elements were added to the conceptual design very late in the process and demonstrated a lack of common understanding among GHG Task Force members about how the conceptual design would operate in practice.

While we believe there are solutions to these issues, they remain unresolved as of today.

II. Type 1 Resource

The current design defines a "Type 1 Resource" as a resource outside of Washington which has an obligation to serve load inside Washington. A Type 1 resource could be wholly or partially owned by a Washington utility which is located outside the state, or it could be owned by an Independent Power Producer that has a power purchase agreement with a Washington utility. Though the tariff does not explicitly require transmission rights exist, it is presumed that such rights would exist because of the legal or regulatory obligation to serve a load in Washington.

The definition of Type 1 further delineates a Type 1a and Type 1b resource. The current design requires that if the Type 1a resource dispatches at all, then all its dispatch will be designated to serving Washington – what we might call an "all or nothing" constraint. This constraint could cause non-economic results in the market, for if Washington load does not require all the supply to meet load, then one of two things could happen: first, the full offer of the Type 1 resource would not be dispatched and the surplus (offer minus dispatch) could not be utilized to serve

load in the non-GHG zone, even if it was less expensive to do so; or, second, the Type 1 resource may still be fully dispatched and the excess generation in Washington would be exported to the non-GHG zone. In this latter case, the non-GHG Zone would have to dispatch down resources to maintain power balance which may cause prices to increase outside of Washington or even cause a non-economic dispatch requiring uplift. Either case would lead to non-economic dispatch results in the GHG zone or the non-GHG zone or both.

Because of this “all or nothing” constraint on Type 1a, we believe the Type 1a designation is a problematic concept at its core. A straightforward solution would be to eliminate the Type 1a resource distinction and redefine Type 1 to be only what Type 1b is currently defined to be, that is, a resource with obligation to serve the GHG zone but which can wholly or partially serve either the GHG zone with a GHG adder or the non-GHG zone without a GHG adder, whichever produces the lowest overall production cost. If there is a contractual or legal reason that the Type 1 resource must have its generation designated to the GHG zone load, that could be accommodated through self-scheduling.

III. Type 2 Resource Deliverability

A Type 2 resource is a resource outside of Washington that does not have a legal or contractual obligation to a Washington load but chooses to offer its output to be dispatched to serve Washington, with a compliance cost as part of the bid, or to be dispatched to serve load outside of Washington, with no compliance cost in the bid. The dispatch algorithm would make the decision on which load is served based on minimizing total production cost to the market. However, the actual physical deliverability of Type 2 resources has not been adequately addressed. A possible solution has been proposed by Xcel Energy that the amount of Type 2 attribution to Washington be constrained by actual transmission limitations that exist between the resource and Washington state (e.g., the power transfer distribution factor). While this may not be the only solution, no discussion on this issue has been taken up in the GHG Task Force. It illustrates that there should be more discussion on this issue and collaboration between task forces and working groups on common issues, such as the GHG Task Force, the Congestion Rent TF and Operations and Reliability Working Group.

IV. Type 2 Resource Pricing

The Task Force spent a long period of time discussing how Type 2 resources would be dispatched. The fundamental issue involves leakage and which method of dispatch for Type 2 resources would *adequately* minimize leakage. Unfortunately, there is no quantification of what is meant by *adequate*.

Ultimately two methodologies were proposed, the Floating methodology and the Enhanced Floating methodology. Proponents of each methodology are sharply divided in their views of which methodology should be adopted. The Enhanced Floating methodology won a vote of the Task Force by a narrow margin (11-9).

The division comes down to this: the Enhanced Floating methodology will produce prices in Washington which are on average higher than prices produced by the Floating Methodology. Supporters of the Enhanced Floating methodology argue that on average this method would reduce the potential of leakage by some amount. However, neither the amount of average price increase nor average leakage decrease is supported by any analysis done by SPP or the GHG Task Force. It is unclear how leakage is even to be calculated and measured. Moreover, the Washington Department of Ecology has not made any rule or pronouncement on how or at what cost leakage in electricity markets should be mitigated. It is hoped that the Department of Ecology will address this issue sometime in the next one to two years.

In the absence of guidance from the Department of Ecology, we believe it is premature and would be difficult at this time to endorse the Enhanced Floating methodology which would raise prices to consumers in Washington and may potentially do so outside of Washington. Leakage is an issue that needs to be addressed. However, the Enhanced Floating proposal, while creative, is premature given the lack of guidance from the Department of Ecology at this time, and lack of data that can support a cost-benefit analysis of this issue including to states outside Washington. Going forward with the Enhanced Floating methodology at this time also risks a protracted fight at the FERC.

One way forward is to adopt the Floating method but in the Transmittal Letter acknowledge that leakage mitigation is an open issue which the Task Force will continue to analyze as the Department of Ecology develops its rules and may result in future amendments to the methodology. More broadly, concerns exist that so much of the Task Force time has been spent on dealing with leakage surrounding the Washington program that core concerns involving ratepayer costs have been an afterthought at best, ignored at worst.

V. *Non-Priced GHG Reduction Programs Inclusion in Markets+*

Several states in the west have non-priced GHG reduction programs which do not establish a cost for a ton of CO₂, but rather mandate that their utilities meet a certain reduction in, or level of, CO₂ in generation to meet load which reduces over time. The states with such programs are, Colorado, Nevada, New Mexico, Oregon, and Washington. Some of these programs require the utility to not only measure the amount of CO₂ they are emitting, importing, and exporting but also to apply control over the level of CO₂ being imported or exported through market dispatch. The GHG Task Force has not addressed these requirements but made vague statements to the effect that it might do so in the future. SPP has offered their opinion that FERC will not accept any dispatch control over emissions but admits the issue has not been addressed by FERC.

This is an important issue for utilities subject to these non-priced programs. It may be difficult for some potential market participants to commit time and funding to Phase 2 of Markets+ development without assurances that the ultimate market design could accommodate, in some fashion, these programs.

To address this concern, the tariff filing does not need to be delayed, but developing solutions for these programs does require a commitment from SPP and the Task Force that it will take up working on measurement and market design soon. This could involve including language in the tariff filing transmittal letter which commits to get a common understanding and mutually acceptable path forward prior to having utilities in the Non-Priced GHG Reduction states commit to the Phase II funding.

Document Content(s)

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