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SOUTH DAKOTA PUBLIC UTILITIES COMMISSION



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Docket No.: ER19-166

South Dakota Public Utilities Commission
Secretary
500 East Capitol
Capitol BLDG
Pierre, SD 57501-

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165 FERC ¶ 61,242
FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, DC 20426

December 20, 2018

In Reply Refer To:
Southwest Power Pool, Inc.
Docket No. ER19-166-000

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

Attention: Joseph W. Ghormley

Dear Mr. Ghormley:

1. On October 23, 2018, Southwest Power Pool, Inc. (SPP) filed, under section 205 of the Federal Power Act (FPA)¹ and section 35.13 of the Commission's regulations,² proposed revisions to Attachment AF of its Open Access Transmission Tariff (Tariff). SPP states that the proposed Tariff revisions will streamline the process by which Frequently Constrained Areas³ are designated and thus improve the accuracy of Frequently Constrained Area designations while maintaining transparency.⁴ In this order, we accept the proposed Tariff revisions, effective December 22, 2018, as requested.

¹ 16 U.S.C. § 824d (2012).

² 18 C.F.R. § 35.13 (2018).

³ SPP defines a Frequently Constrained Area as an electrical area identified by the SPP Market Monitoring Unit (Market Monitor) that is defined by one or more binding transmission constraints or binding reserve zone constraints that are expected to be binding for at least 500 hours during a given 12-month period and within which one or more suppliers are pivotal. See SPP Tariff, Att. AF, § 3.1.1 Frequently Constrained Areas (12.0.0).

⁴ SPP Transmittal at 1.

2. In 2012, SPP submitted proposed Tariff revisions to implement its Integrated Marketplace.⁵ In that proceeding, the Commission discussed the identification of zones or areas in SPP's footprint that may require more stringent mitigation, if deemed necessary (i.e., a Frequently Constrained Area).⁶ Furthermore, the Commission directed SPP to seek Commission approval of any new Frequently Constrained Areas or the removal of or modification to existing Frequently Constrained Areas.⁷

3. In response to the Commission's compliance directives, SPP and the Market Monitor worked with SPP stakeholders to develop the current Frequently Constrained Area designation process. SPP and the Market Monitor identify Frequently Constrained Areas that experience high levels of congestion and are associated with a dominant or pivotal supplier. The Tariff lists Frequently Constrained Areas in Addendum I of Attachment AF,⁸ and the Tariff requires the Market Monitor to reevaluate Frequently Constrained Areas on at least an annual basis.⁹

4. On January 30, 2018, SPP filed with the Commission an update to the list of Frequently Constrained Areas in the Tariff, based on the Market Monitor's most recent reevaluation. On February 12, 2018, the Market Monitor intervened and filed comments in support of the filing. However, the Market Monitor expressed concerns that the Frequently Constrained Area designation process, which requires amendment of the Tariff and review in the SPP stakeholder process, was time-consuming and may result in Frequently Constrained Area designations that are stale by the time they are listed in Addendum I of Attachment AF. The Commission accepted SPP's January 30, 2018

⁵ The Tariff defines the Integrated Marketplace as "[t]he Day-Ahead Market, the Real-Time Balancing Market, the Transmission Congestion Rights Market and the Reliability Unit Commitment processes." SPP Tariff, Att. AE (MPL), § 1.1 Definitions I (5.0.0).

⁶ *Sw. Power Pool, Inc.*, 141 FERC ¶ 61,048, at P 411 (2012) (Integrated Marketplace Order).

⁷ *Id.* P 412 ("We direct SPP to provide in its Tariff that it will seek Commission approval before designation of any additional frequently constrained areas for the purpose of mitigation, and for any change or removal of such designations for reason other than an expectation that there will be insufficient hours of constraint for them to be so designated.")

⁸ SPP Tariff, Att. AF, Add. I Frequently Constrained Areas (4.0.0).

⁹ SPP Transmittal at 4.

filing and encouraged SPP and its stakeholders to consider the Market Monitor's concerns via the SPP stakeholder process.¹⁰

5. In the instant filing, SPP proposes revisions to Attachment AF of its Tariff to remove language requiring that existing Frequently Constrained Areas be listed in Addendum I and that any new Frequently Constrained Areas or modifications to existing Frequently Constrained Areas are subject to Commission approval. The proposed Tariff revisions also indicate that should the Market Monitor decide to reevaluate Frequently Constrained Areas more frequently than on an annual basis, that decision should be based on the Market Monitor's belief that conditions affecting binding transmission constraints, binding reserve zone constraints, or congestion on non-Frequently Constrained Area constraints have changed sufficiently. Furthermore, SPP proposes to add language to Attachment AF providing that the Market Monitor will post Frequently Constrained Area updates and associated analysis to the SPP website at least 14 days prior to such updates becoming effective and that SPP will notify market participants of the posting. Lastly, the revisions provide that market participants may notify the Market Monitor of concerns regarding Frequently Constrained Area updates within the 14-day posting period and that the Market Monitor will respond to those concerns.¹¹ In support of its filing, SPP explains that it worked directly with the Market Monitor to develop the revisions and included a statement of support from the Market Monitor in its filing.¹² SPP provided the Market Monitor's comments in support of the proposed Tariff revisions as Exhibit No. SPP-001 in its filing.

6. In its comments, the Market Monitor states that it strongly supports SPP's proposed Tariff revisions. The Market Monitor contends that the current process to update Frequently Constrained Areas takes, on average, five to six months following issuance of its report. The Market Monitor asserts that several steps are the cause of the delay, including SPP stakeholder and Board of Director review and approval of the Market Monitor's report and the subsequent filing of the update for approval by the Commission.¹³ The Market Monitor explains that the timing of the current process can result in a lag period where inappropriate thresholds could be applied to resources that are no longer constrained or where certain resources could have the ability to exercise a

¹⁰ *Sw. Power Pool, Inc.*, 162 FERC ¶ 61,276, at P 6 (2018).

¹¹ SPP Transmittal at 6-7.

¹² *Id.* at 6 (citing Exhibit No. SPP-001).

¹³ Exhibit No. SPP-001 at 1-2.

higher level of market power while waiting for mitigation to be applied.¹⁴ The Market Monitor states that the proposed Tariff revisions will reduce the time to implement the annual update of Frequently Constrained Areas to two weeks and will allow SPP to efficiently and appropriately address market power concerns.¹⁵ Furthermore, the Market Monitor explains that SPP's proposal retains the principles used to determine Frequently Constrained Areas, and the Market Monitor asserts that nothing in the proposal will change the way it analyzes market power, assesses the need for mitigation, or determines Frequently Constrained Areas.¹⁶

7. Notice of SPP's filing was published in the *Federal Register*, 83 Fed. Reg. 54,340 (2018), with interventions and protests due on or before November 13, 2018. The Market Monitor and Western Farmers Electric Cooperative filed motions to intervene. On November 13, 2018, Golden Spread Electric Cooperative, Inc. (Golden Spread) filed a motion to intervene and comments in support of the proposed Tariff revisions.

8. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2018), the timely, unopposed motions to intervene serve to make the entities that filed them parties to this proceeding.

9. Golden Spread states that it supports SPP's filing and urges the Commission to accept the proposed Tariff revisions as filed. Golden Spread notes that the proposed Tariff revisions do not change the definition of a Frequently Constrained Area and will allow for more accurate implementation of market mitigation.¹⁷

10. We find that SPP's proposed Tariff revisions are just and reasonable, and we therefore accept them, effective December 22, 2018, as requested. As noted by SPP, the process to list, modify, or remove Frequently Constrained Areas in its Tariff may result in a significant lag between when the Market Monitor has completed its Frequently Constrained Area analysis and when Frequently Constrained Area designations are updated in the Tariff. We find that this delay could result in the inappropriate application of mitigation measures during the lag period or, conversely, the lack of application of mitigation measures when appropriate, potentially allowing market participants to exercise market power. Accordingly, SPP's proposed Tariff revisions allow SPP and the Market Monitor to address market power concerns in a timely fashion. Furthermore, we note that, while the Commission previously required SPP to file the Frequently

¹⁴ *Id.* at 4.

¹⁵ *Id.* at 3.

¹⁶ *Id.* at 7-8.

¹⁷ Golden Spread Comments at 2-3.

Constrained Area designations for Commission approval and to list the Frequently Constrained Area designations in the Tariff, the Tariff will continue to provide the standards for designation of a Frequently Constrained Area. The conduct and impact test designed to identify and mitigate the potential exercise of market power within a Frequently Constrained Area is unchanged by the proposal, and the Market Monitor will continue to perform the same analysis that it currently performs to determine Frequently Constrained Area designations. Finally, the Market Monitor's updates and associated analysis will be publicly available at least 14 days before any updates take effect, and affected market participants may raise any concerns about the updates with the Market Monitor. Therefore, we find that SPP's proposed Tariff revisions are just and reasonable. Accordingly, we will no longer require SPP to provide in its Tariff that it will seek Commission approval before designation of any additional Frequently Constrained Areas and for any change or removal of such designations.

By direction of the Commission. Commissioner McIntyre is not voting on this letter order.
Commissioner McNamee is voting present.

Nathaniel J. Davis, Sr.,
Deputy Secretary.