Attachment A

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FEDERAL ENERGY REGULATORY COMMISSION

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The Honorable Kimberly D. Bose
Secretary
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, D.C. 20426

**Re:** ***Southwest Power Pool, Inc.*, Docket Nos. ER09-1050-____ & ER09-748-____**
Compliance Filing Revising Tariff

Dear Secretary Bose:

Pursuant to section 206 of the Federal Power Act, 16 U.S.C. § 824e, Part 35 of the Regulations of the Federal Energy Regulatory Commission ("Commission"), 18 C.F.R. Part 35, Order Nos. 719 and 719-A,[1] and the Commission's November 20 Order[2] in this proceeding, Southwest Power Pool, Inc. ("SPP") hereby submits revisions to its Open Access Transmission Tariff[3] to comply with the Commission's requirements established in Order Nos. 719 and 719-A.

## I. BACKGROUND

### A. SPP

SPP is a Commission-approved Regional Transmission Organization ("RTO"). It is an Arkansas non-profit corporation with its principal place of business in Little Rock,

1 *Wholesale Competition in Regions with Organized Electric Markets*, Order No. 719, III FERC Stats. & Regs., Regs. Preambles ¶ 31,281 (2008), *as amended*, 126 FERC ¶ 61,261, *order on reh'g*, Order No. 719-A, III FERC Stats. & Regs., Regs. Preambles ¶ 31,292, *reh'g denied*, Order No. 719-B, 129 FERC ¶ 61,252 (2009).

2 *Sw. Power Pool, Inc.*, 129 FERC ¶ 61,163 (2009) ("November 20 Order").

3 Southwest Power Pool, FERC Electric Tariff, Fifth Revised Volume No. 1 ("Tariff").

Arkansas. SPP currently has 58 Members in nine states and serves more than 5 million customers in a 370,000 square-mile area. Its Members include 14 investor-owned utilities, 9 municipal systems, 11 generation and transmission cooperatives, 4 state agencies, 7 independent power producers, 10 power marketers, and 3 independent transmission companies.

As an RTO, SPP is a transmission provider currently administering transmission service over portions of Arkansas, Kansas, Louisiana, Missouri, Nebraska, New Mexico, Oklahoma, and Texas. SPP has been administering a centralized Energy Imbalance Service ("EIS") Market since February 1, 2007. In various orders, the Commission approved the Tariff language for the EIS Market and ultimately certified SPP's EIS Market for implementation on February 1, 2007.[4]

SPP and its stakeholders are in the process of developing additional markets beyond its current real-time EIS Market. As the Commission recognized in the November 20 Order, "SPP's demand response program is in its nascent stages in the [EIS] Market."[5] SPP anticipates that its future markets (including day-ahead and real-time energy and ancillary services markets) will provide significant increased opportunities for demand response participation beyond the current level of participation in the EIS Market, and is working with stakeholders to ensure that any future markets comply with the demand response mandates of Order Nos. 719 and 719-A.

### B. Order Nos. 719 and 719-A and SPP Compliance Filings

On October 17, 2008, the Commission issued Order No. 719 to improve the operation of organized wholesale electric markets in the areas of demand response, long-term power contracting, market monitoring, and RTO and Independent System Operator ("ISO") responsiveness.[6] Order No. 719 mandated that RTOs and ISOs, in consultation with stakeholders, submit a compliance filing to explain how existing Tariff language and practices comply with the reforms adopted in Order No. 719 or to specify plans to attain compliance.[7] SPP submitted its filing to comply with Order No. 719 on April 28, 2009,[8]

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4 *Sw. Power Pool, Inc.*, 118 FERC ¶ 61,055 (2007).

5 November 20 Order at P 96.

6 Order No. 719 at P 2.

7 *Id*. at P 8.

8 Submission of Order No. 719 Compliance Filing Revising Tariff of Southwest Power Pool, Inc., Docket No. ER09-1050-000 (Apr. 28, 2009) ("April 28 Compliance Filing").

relying in part on a filing submitted previously by SPP[9] to demonstrate compliance with Order No. 719's demand response requirements. On May 22, 2009, SPP submitted revisions to its Bylaws in part to comply with Order No. 719.[10]

On July 16, 2009, the Commission issued Order No. 719-A, denying in part and granting in part rehearing and clarification of Order No. 719. Order No. 719-A modified certain Order No. 719 requirements, including: (i) acceptance of demand response bids by aggregators of retail customers ("ARC") based upon the size of the retail utility serving such retail customers;[11] (ii) development of mechanisms for sharing information about demand response resources with affected load-serving entities;[12] and (iii) development and implementation of protocols allowing ARCs to operate in organized markets addressing concerns such as double-counting, deviation, underscheduling in the day-ahead market, metering, billing, settlement, information sharing, and verification measures.[13] The Commission directed RTOs and ISOs to submit a compliance filing within 90 days addressing the first requirement in Order No. 719-A, and within 180 days to address the second and third requirements. SPP submitted its compliance filing addressing the first requirement of Order No. 719-A (i.e., accepting bids from ARCs based on the size of the retail utility) on October 27, 2009.[14]

On July 24, 2009, the Commission issued an order addressing SPP's EIS Market reforms in Docket No. ER09-748-000, accepting and nominally suspending SPP's demand response revisions pending the outcome of Docket No. ER09-1050.[15] On September 17, 2009, the Commission issued an order addressing SPP's Bylaws revisions filed in Docket No. ER09-1192-000, conditionally accepting SPP's Bylaws revisions

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9 Submission of Revisions to Open Access Transmission Tariff to Modify Energy Imbalance Service Market of Southwest Power Pool, Inc., Docket No. ER09-748-000 (Feb. 24, 2009) ("February 24 Filing").

10 Submission of Revisions to Bylaws of Southwest Power Pool, Inc., Docket No. ER09-1192-000 (May 22, 2009) ("May 22 Filing").

11 Order No. 719-A at PP 65-67.

12 *Id*. at P 69.

13 *Id*. at P 70.

14 Submission of Order No. 719-A Compliance Filing of Southwest Power Pool, Inc., Docket No. ER09-1050-001 (Oct. 27, 2009) ("October 27 Compliance Filing").

15 *Sw. Power Pool, Inc.*, 128 FERC ¶ 61,085, at P 20 (2009) ("July 24 Order").

related to Order No. 719 compliance, also subject to the outcome of Docket No. ER09-1050.[16]

On November 20, 2009, the Commission issued its order addressing SPP's April 28 Filing to comply with Order No. 719 in Docket No. ER09-1050-000 and SPP's related filings in Docket Nos. ER09-748-000 and ER09-1192-000. The Commission accepted in part and rejected in part SPP's compliance with the demand response and market monitoring requirements of Order No. 719, accepted SPP's compliance with the long-term power contracting requirement of Order No. 719, and deferred action on SPP's compliance with the RTO responsiveness requirements of Order No. 719 pending a future technical conference.[17] The November 20 Order directed SPP to submit a compliance filing by February 18, 2010[18] and certain reports assessing demand response in the SPP EIS Market by May 20, 2010.[19]

On December 15, 2009, SPP submitted a motion for an extension to submit the EIS Market demand response reforms and demand response reports required by the November 20 Order and the demand response reforms required by Order No. 719-A related to ARC information sharing and protocols.[20] The Commission granted SPP's request for an extension to file its demand response and ARC reforms in compliance with the November 20 Order and Order No. 719-A, but denied SPP's request for an extension to file the demand response reports.[21]

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16 *Sw. Power Pool, Inc.*, 128 FERC ¶ 61,245, at PP 14, 16 (2009) ("September 17 Order").

17 November 20 Order at PP 23-24. The Commission held a technical conference on RTO and ISO responsiveness on February 4, 2010. *See Sw. Power Pool, Inc.*, Notice Providing Agenda for Technical Conference on RTO/ISO Responsiveness, Docket Nos. ER09-1050, *et al.* (Jan. 27, 2010).

18 November 20 Order at P 23.

19 *Id*. at P 96. The November 20 Order requires SPP and its Market Monitor to submit reports assessing remaining barriers to comparable treatment of demand response resources by May 20, 2010.

20 Motion for Extension of Time of Southwest Power Pool, Inc., Docket Nos. ER09-1050-000, *et al*. (Dec. 15, 2009).

21 *Sw. Power Pool, Inc.*, Notice Addressing Motion for Extension of Time, Docket Nos. ER09-1050-000, *et al.* (Dec. 23, 2009).

On February 18, 2010, SPP submitted its compliance filing to address the market monitoring requirements of Order No. 719 and the November 20 Order.[22] The February 18 Compliance Filing is pending before the Commission at this time.

### C. SPP Stakeholder Process

The Tariff revisions and market modifications proposed in this filing were discussed by the SPP Market Working Group ("MWG")[23] during several meetings beginning on January 18, 2010, and were approved by the MWG on March 10, 2010. The SPP Regional Tariff Working Group ("RTWG")[24] reviewed and approved the Tariff revisions on March 24, 2010, and the SPP Markets and Operations Policy Committee ("MOPC")[25] discussed and approved the proposed Tariff revisions on April 13, 2010. The SPP Board of Directors approved the Tariff revisions on April 27, 2010.

While SPP recognizes that stakeholder approval does not by itself cause a filing to be just and reasonable, SPP requests that the Commission extend appropriate deference to the wishes of its stakeholders regarding the Tariff and Bylaws modifications proposed herein, consistent with Commission precedent.[26]

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22 Compliance Filing Revising Tariff of Southwest Power Pool, Inc., Docket Nos. ER09-1050-003 & ER09-1192-003 (Feb. 18, 2010) ("February 18 Compliance Filing").

23 The MWG is responsible for the development and coordination of changes necessary to support any SPP-administered wholesale market(s), including energy, congestion management, and market monitoring, consistent with direction from the SPP Board of Directors and relevant Commission orders and regulations.

24 The RTWG is responsible for development, recommendation, overall implementation, and oversight of SPP's Tariff. The RTWG also advises SPP staff on regulatory and implementation issues not specifically covered by the Tariff or issues where there may be conflict or differing interpretations of the Tariff.

25 The MOPC consists of a representative officer or employee from each SPP Member and reports to the SPP Board of Directors. Among its responsibilities, the MOPC recommends modifications to the SPP Tariff. *See* Southwest Power Pool, Inc., Bylaws, Original Volume No. 4 § 6.1.

26 The Commission has previously recognized that provisions approved through the stakeholder processes of RTOs and ISOs are due deference. *See Sw. Power Pool, Inc.*, 127 FERC ¶ 61,283, at P 33 (2009) (noting that the Commission "accord[s] an appropriate degree of deference to RTO stakeholder processes"); *New Eng. Power Pool*, 105 FERC ¶ 61,300, at P 34 (2003), *reh'g denied*, 109 FERC ¶ 61,252 (2004) (Commission approval of transmission cost allocation proposal

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### D. Timeline for Implementation and Tariff Sheets

As discussed in more detail below, some of the revisions developed by SPP and its stakeholders in this filing will require significant and costly modifications to SPP markets and systems and the systems of its stakeholders. Therefore, SPP proposes to make certain revisions effective after the Commission issues its order addressing this compliance filing, to ensure that the proposals contained in this filing are acceptable to the Commission before SPP and its stakeholders expend the effort and resources to develop the necessary market and system modifications.

Accordingly, SPP submits in this filing two sets of Tariff sheets.[27] Exhibits I and II contain clean and redlined versions of Tariff language that SPP proposes to adopt effective today, May 19, 2010. Exhibits III and IV contain clean and redlined versions of Tariff language that SPP proposes to adopt following the Commission's order on this filing and SPP's implementation of the requisite market and system changes.

## II. DESCRIPTION OF COMPLIANCE FILING

In Order No. 719, the Commission required RTOs and ISOs to: (1) accept bids from demand response resources in markets for ancillary services on a basis comparable to other resources;[28] (2) eliminate, during system emergencies, charges to buyers that take

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based upon an extensive and thorough stakeholder process); *Policy Statement Regarding Regional Transmission Groups*, 1991-1996 FERC Stats. & Regs., Regs. Preambles ¶ 30,976, at 30,872 (1993) (the Commission will afford an appropriate degree of deference to the stakeholder approval process). The Commission's deference to RTO stakeholder processes has been upheld by the courts. *See Pub. Serv. Comm'n of Wis. v. FERC*, 545 F.3d 1058, 1062-63 (D.C. Cir. 2008) (noting that the Commission often gives weight to RTO proposals that reflect the position of the majority of the RTO's stakeholders) (*quoting Am. Elec. Power Serv. Corp. v. Midwest Indep. Transmission Sys. Operator, Inc.*, 122 FERC ¶ 61,083, at P 172, *reh'g denied*, 125 FERC ¶ 61,341 (2008)).

27 The redlined Tariff sheets provided in Exhibits II and IV of this filing contain language that is pending before the Commission in other dockets. This language is identified in italics.

28 Order No. 719 at PP 3, 15.

less energy in real-time than was purchased in the day-ahead market;[29] (3) permit aggregators of retail customers ("ARC") to bid demand response on behalf of retail customers directly into the organized energy market, if the ARC meets certain conditions;[30] (4) modify market rules as necessary to allow the market-clearing price during periods of reserve shortages to reach a level that rebalances supply and demand in order to maintain reliability while mitigating market power;[31] and (5) study whether further reforms are necessary to eliminate barriers to demand response in organized markets and submit a report discussing any remaining barriers to demand response.[32] The Commission also required each RTO's market monitor to submit a report describing its views regarding remaining barriers to demand response.[33]

In the November 20 Order, the Commission found that, with certain exceptions, SPP complies with the requirements of Order No. 719, and directed SPP to submit a compliance filing within 90 days addressing certain deficiencies.[34] Among other things,[35] the November 20 Order directed SPP to revise several aspects of its demand response proposals in Docket Nos. ER09-748-000 and ER09-1050-000 and directed SPP to include a timeline for implementation of certain requirements of the November 20 Order.[36] Additionally, as discussed above, Order No. 719-A contained additional requirements for RTOs and ISOs regarding ARCs.[37] This filing addresses both the demand response requirements of the November 20 Order and the remaining

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29 *Id*. In the November 20 Order, the Commission accepted SPP's explanation that it complies with this requirement because it does not at this time administer a day-ahead market. November 20 Order at P 56.

30 Order No. 719 at PP 3, 15.

31 *Id*.

32 *Id*. at P 274.

33 *Id*.

34 November 20 Order at P 23. As discussed above, the Commission granted SPP an extension to May 19, 2010 to submit Tariff revisions to address the demand response requirements of the November 20 Order. *See supra* note 21 and accompanying text.

35 As discussed above, *supra* note 22 and accompanying text, SPP submitted a compliance filing to address the market monitoring requirements of Order No. 719 and the November 20 Order on February 18, 2010.

36 November 20 Order at PP 24, 51.

37 *See supra* notes 11-14 and accompanying text.

requirements of Order No. 719-A that were not included in SPP's October 27 Compliance Filing.[38]

### A. Order No. 719 and November 20 Order Compliance

#### *1. Ancillary Services Provided by Demand Response Resources*

Order No. 719 required RTOs and ISOs to accept bids from demand response resources on a basis comparable to any other resource for any ancillary services market that is administered by the RTO or ISO, assuming that the demand response resources: (1) are technically capable of providing the ancillary services and meet necessary technical requirements; and (2) submit bids under generally-applicable bidding rules at or below the clearing price, unless the laws or regulations of the relevant electric retail regulatory authority do not permit a retail customer to participate.[39]

Order No. 719 also required each RTO and ISO to: (1) adopt reasonable standards necessary for all system operators to call on demand response resources and mechanisms to measure, verify, and ensure compliance with such standards;[40] (2) describe their efforts to develop adequate customer baselines to measure demand response;[41] (3) coordinate with stakeholders to develop technical requirements for demand response and provide the Commission with a technical and factual basis for any necessary regional variations;[42] (4) adopt provisions to allow demand response resources to specify limits on the duration, frequency, and amount of their service in their bids;[43] and (5) perform an assessment of the technical feasibility and value to the market of smaller demand response resources within one year of the date Order No. 719 was published in the *Federal Register*.[44]

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38 As discussed above, *supra* notes 20-21 and accompanying text, the Commission granted SPP an extension to file its Order No. 719-A compliance filing addressing information sharing and development and implementation of ARC protocols along with its compliance filing in response to the November 20 Order demand response requirements.

39 Order No. 719 at P 47.

40 *Id*. at P 61.

41 *Id*. at P 57.

42 *Id*. at P 59.

43 *Id*. at P 81.

44 *Id*. at PP 97-99; *see also Wholesale Competition in Regions with Organized Electric Markets*, 126 FERC ¶ 61,261 (2009) (clarifying the deadline for reporting

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a. Measurement, Verification, and Customer Baselines

i. Proposed Tariff Revisions

Order No. 719 required that each RTO and ISO adopt reasonable standards necessary for system operators to call on demand response resources, along with mechanisms to measure, verify, and ensure compliance with any such standards.[45] In the November 20 Order, the Commission determined that SPP did not propose a measurement and verification standard as required by Order No. 719,[46] and therefore directed SPP to adopt measurement and verification methodologies for demand response resources and a timeline for implementation.[47]

Order No. 719 also required RTOs and ISOs to provide explanations in their compliance filings of their efforts to develop adequate customer baselines to appropriately compensate demand response resources.[48] In its April 28 Compliance Filing, SPP indicated that, in developing its February 24 Filing, SPP's stakeholders voted to modify the Market Protocols to require that Market Participants registering demand response resources, the registered owner of the load Settlement Location for the resource, and the respective Meter Agent agree on a methodology to determine the customer's baseline.[49] In the November 20 Order, the Commission rejected SPP's proposed baseline calculation methodology, finding that SPP did not provide any additional information on how the parties will reach agreement and that SPP did not demonstrate the justness and reasonableness of the resulting method for baseline calculations.[50] Along with

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to the Commission is one year from publication in the *Federal Register*). SPP submitted its report on small demand response resources on October 28, 2009. Order No. 719 Small Demand Response Report of Southwest Power Pool, Inc., Docket Nos. RM07-19-001, *et al.* (Oct. 28, 2009); *see also* November 20 Order at P 35 (acknowledging SPP's submission of its small demand response report).

45 Order No. 719 at P 61.

46 November 20 Order at P 50.

47 *Id.* at P 51.

48 Order No. 719 at P 57.

49 April 28 Compliance Filing at 9.

50 November 20 Order at P 49.

measurement and verification standards, the Commission directed SPP to submit a methodology for calculating a demand response resource's baseline and a timeline for implementation of the methodology.[51]

In response to the November 20 Order, SPP and its stakeholders are proposing several revisions to Attachment AE to implement measurement, verification, and baseline calculation methodologies.

First, SPP is proposing to remove the definition of "Variable Dispatch Demand Response Resource"[52] that was proposed in the February 24 Filing, and replace it with a definition for the term "Controllable Load," which was previously undefined in Attachment AE. Controllable Load is defined as

> A registered, measurable load that is capable of being reduced at the instruction of the SPP Operator and subsequently increased at the instruction of the SPP Operator in order to provide a dispatchable quantity in the form of a demand response Resource. A Controllable Load must be associated with a demand response Resource.[53]

SPP is also revising the Table of Contents and several sections of Attachment AE to conform to these definitional changes.[54] These Tariff revisions do not require significant changes to SPP systems and therefore SPP proposes to make them effective May 19, 2010, the day of this filing.

Additionally, SPP is proposing to add measurement, verification, and baseline calculation standards in Sections 1.2.9 (Calculation of Real-Time Controllable Load from Demand Response Resources) and 5.1 of Attachment AE (Calculation of EIS Market Settlement Quantities). SPP is proposing two methodologies for calculating and measuring demand response; the Calculated Real-Time Response Methodology

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[51] *Id*. at P 51.

[52] *See* Exhibit II, Seventh Revised Sheet No. 991 (deleting Section 1.1.45 of Attachment AE).

[53] *See id*. § 1.1.3a, First Revised Sheet No. 982.

[54] *See id*. at Seventh Revised Sheet No. 976, Seventh Revised Sheet No. 977, Second Revised Sheet No. 995A, Third Revised Sheet No. 997, and Fifth Revised Sheet No. 998.

("Calculated Methodology")[55] and the Submitted Real-Time Response Methodology ("Submitted Methodology").[56]

Under the Calculated Methodology outlined in new Section 1.2.9.1(a) of Attachment AE, the response provided by a demand response resource is calculated as the difference between: (1) the lesser of the real-time consumption of the Controllable Load associated with the demand response resource in the Dispatch Interval immediately preceding the initial deployment of the demand response resource, or the hourly baseline for the hour; and (2) the real-time value of the associated Controllable Load received by the Inter-Control Center Communications Protocol ("ICCP") whenever the demand response resource's dispatch instruction is greater than zero.[57] Section 1.2.9.1(a) also adopts a methodology to measure and verify a demand response resource's actual output, by comparing the actual consumption of the load associated with the demand response resource with either the resource's baseline for the hour or the consumption during the previous hour. This methodology also permits SPP to verify the demand response by comparing the resource's consumption to the previous hour.

SPP is also proposing to modify the EIS Market settlements provisions in Section 5.1 of Attachment AE to address measurement, verification, and settlement of demand response under the Calculated Methodology. Under new Section 5.1(c), a Market Participant's Imbalance Energy for each demand response resource at each Settlement Location is measured as the difference between the Market Participant's "production quantity" for the demand response resource and the Market Participant's scheduled output for that resource at that Settlement Location.[58] "Production quantity" is determined by subtracting the hourly integrated consumption of the resource from the lesser of either the real-time consumption of the Controllable Load associated with the demand response resource in the Dispatch Interval immediately preceding the initial deployment of the resource,[59] or the hourly baseline.[60]

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55 *See* Exhibit IV § 1.2.9.1, Sixth Revised Sheet No. 998 – Original Sheet No. 998.01.

56 *See id*. § 1.2.9.2, Original Sheet No. 998.01.

57 *See id*. § 1.2.9.1(a), Sixth Revised Sheet No. 998

58 *See id*. § 5.1(c), First Revised Sheet No. 1041. Because SPP is adopting new provisions addressing settlement for demand response resources, SPP is also revising Section 5.1(b) to specify that it applies to generation resources. *See id.* § 5.1(b).

59 The real-time consumption in the previous dispatch interval is the MW demand at the demand response resource's node for the deployment interval immediately

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Under the Calculated Methodology, the Market Participant offering a demand response resource must also submit an hourly baseline indicating the expected level of energy consumption in the event that demand response is not dispatched, covering all hours the resource is submitted as available in its Resource Plan plus one hour before and one hour after.[61] SPP will be able to adjust a demand response resource's baseline in the event that the resource's previously-submitted baselines in hours when the resource was not dispatched deviate from the actual hourly integrated metered load for the Controllable Load associated with the resource.[62] Specifically, SPP will reduce the hourly baseline by the average difference between the actual metered value and the baseline during the same hours if the average of a Market Participant's hourly integrated Controllable Load for the hours in last 30 calendar days when the resource was not dispatched is less than the hourly baseline submitted by the Market Participant for those hours by more than 5%. SPP is required to perform this calculation each day and notify the Market Participant of any adjustment.[63] Together, these provisions establish the methodology for determining a resource's baseline (i.e., the Market Participant will be permitted to submit its own baseline) and the method to verify the baseline (i.e., SPP's ability to verify whether the submitted baseline is reasonable and adjust it if necessary) in accordance with the November 20 Order.

Under SPP's proposed Submitted Methodology,[64] Market Participants offering demand response using Behind The Meter generation or in coordination with their retail service provider under a retail tariff provision that includes near real-time measurement and verification terms may do so by submitting a demand response value to SPP through the ICCP.[65] SPP proposes to revise Section 1.2.9 of Attachment AE to provide for the Submitted Methodology and to make corresponding revisions to its EIS Market

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prior to the start of deployment of the demand response resource. *See id.* § 5.1(c)(i)(2), Original Sheet No. 1041A.

60 *See id.* § 5.1(c)(i), First Revised Sheet No. 1041 – Original Sheet No. 1041A.

61 *See id.* § 1.2.9.1(b), First Revised Sheet No. 998 – Original Sheet No. 998.01.

62 *See id.* § 1.2.9.1(c), Original Sheet No. 998.01.

63 *See id.*

64 The Submitted Methodology is similar to SPP's current demand response methodology in the EIS Market under SPP's existing Tariff and Market Protocols.

65 *See id.* § 1.2.9.2, Original Sheet No. 998.01.

settlement provisions in Section 5.1 of Attachment AE providing for the demand response value to be calculated and submitted to SPP.[66] The Submitted Methodology provides an alternative for demand response resources that qualify, and provides flexibility to Market Participants and their retail providers in a similar manner to other Commission-approved RTO alternative demand response baseline methodologies.[67]

Additionally, SPP is adopting language in its EIS Market registration provisions requiring a Market Participant to notify SPP as part of its registration whether it intends to use the Calculated Methodology or the Submitted Methodology.[68] Also, for Market Participants opting to use the Calculated Methodology, SPP has added a requirement that the Market Participant include in its registration a certification that the Calculated Methodology is consistent with the retail tariff or agreement under which the load is purchasing energy from its retail provider as approved by the relevant electric retail regulatory authority,[69] as permitted by Order No. 719.[70] This provision will prevent SPP from being put in the position of interpreting the laws and regulations of the relevant electric retail regulatory authorities in its region.[71]

Finally, SPP proposes to revise its EIS Market settlement provisions in Section 5.1 to indicate that the Reported Load of a Settlement Location that includes Controllable Load will be adjusted up by the amount of the demand response resource's production

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66 *See id*. § 5.1(d), Original Sheet No. 1041A (indicating that "[f]or those demand response Resources using a submitted real-time response methodology, the demand response Resource settlement quantity will be directly submitted by the Meter Agent of the demand response Resource").

67 For example, PJM's Operating Agreement permits demand response participants, load-serving entities, electric distribution companies, and PJM to propose an alternative baseline methodology. *See, e.g.*, *PJM Interconnection LLC*, 123 FERC ¶ 61,257, at PP 6, 21 (2008) (accepting PJM's demand response customer baseline proposal including language to allow participants to propose an alternative baseline calculation methodology).

68 *See* Exhibit IV § 1.2.2(k), Original Sheet No. 995B.

69 *See id*. § 1.2.2(l), Original Sheet No. 995B.

70 Order No. 719 at P 49 n.78 ("The RTO or ISO may specify certain requirements, such as . . . certification that participation is not precluded by the relevant electric retail regulatory authority.").

71 *Id*. ("The RTO or ISO should not be in the position of interpreting the laws or regulations of a relevant electric retail regulatory authority.").

quantity.[72] SPP is adopting this provision for two key reasons: first, to ensure that a load-serving entity whose customer provides demand response is not subject to overscheduling or underscheduling charges; and second, to avoid the possibility for double-counting, deviation concerns, and underscheduling as required by Order No. 719-A.[73] For resources using the Calculated Methodology, SPP will make the adjustment; for resources using the Submitted Methodology, the resource's Meter Agent will make the adjustment and report the adjusted value to SPP.[74]

Together, these revisions are just and reasonable because they provide clearly defined methodologies for the measurement and verification of demand response resources and the calculation and verification of a resource's baseline as required by Order No. 719. Moreover, the revisions provide a uniform default methodology for all demand response resources (along with an option to use the alternative Submitted Methodology) and clearly define the roles and responsibilities of all participating parties as required by the November 20 Order.[75] SPP seeks to defer the implementation of these provisions according to the timeline discussed below.

ii. Timeline for Implementation

As discussed above, SPP proposes to adopt revisions related to the definition of Controllable Load and the corresponding deletion of the term Variable Dispatch Demand Response Resource effective May 19, 2010, the date of this filing. However, the remaining Tariff revisions discussed in this section will require substantial and costly changes to SPP's EIS Market system software and stakeholder systems, and therefore SPP proposes to defer the effective date until after the Commission has ruled on this filing and SPP has made the necessary system changes.

In developing the protocols related to the February 24 Filing, SPP's stakeholders designed a methodology to measure and verify demand response resource output and calculate a customer's baseline, which contained many of the provisions discussed above. However, the SPP stakeholders determined that the cost to implement these methodologies outweighed the potential benefit, particularly given SPP's ongoing efforts to develop its future "Day-2" day-ahead and real-time energy and ancillary services markets, which SPP and its stakeholders expect will provide significant increased opportunities for demand response participation and well as continued support for the

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72 *See* Exhibit IV § 5.1(e), Original Sheet No. 1041A.

73 Order No. 719-A at P 70; *see also infra* Section II.B.

74 *See* Exhibit IV § 5.1(e), Original Sheet No. 1041A.

75 November 20 Order at P 51.

more than 1,500 MW of demand response currently participating in the SPP EIS Market.[76] SPP's stakeholders therefore opted instead to adopt the Tariff revisions submitted in the February 24 Filing and related protocols, which accommodated demand response by requiring the parties to establish the methodologies for measuring and verifying demand response and to report the demand response values to SPP for settlement in the EIS Market.

Because the Commission found the demand response approach proposed in the February 24 Filing insufficient, SPP and its stakeholders are proposing in this filing the more extensive and costly demand response methodology that was developed by the stakeholders prior to the proposal submitted in the February 24 Filing. Given the uncertainty regarding the Commission's actions on this filing and the significant requisite system changes, SPP and its stakeholders are unable to adopt the reforms proposed in this filing until the Commission has accepted the demand response methodologies proposed in this filing and SPP and its stakeholders are able to develop the systems to implement the measurement, verification, and baseline standards discussed above. Therefore, SPP proposes to await Commission action to ensure that the systems are developed in accordance with the Commission's ultimate findings on this proposal.

SPP proposes these revisions and includes the relevant Tariff language, but requests to defer the effective date until after the Commission has acted on this filing and SPP and its stakeholders are able to implement the requisite system changes. SPP anticipates being able to develop the system changes necessary to implement these reforms within 18 months of final Commission action on this proposal, given other pressing demands on SPP's information technology resources and vendors regarding other system changes necessary to implement SPP's future market systems and support for other mandatory system changes to comply with regulatory requirements such as Order No. 729.[77] Following the Commission's order on these revisions and SPP's implementation of the necessary system changes, SPP will file revised Tariff language

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[76] *See* Informational Status Report Concerning Incorporation of Demand Response in SPP Markets and Planning of Southwest Power Pool, Inc., Docket No. ER06-451-000, at 3 (Mar. 1, 2010) (indicating that "[c]ontrollable load, cogeneration, and behind-the-meter generation has capacity of approximately 1,500 MW participating in the EIS Market, producing over 5,000 GWh (including 50 MWh of load reduction) during 2009.").

[77] *Mandatory Reliability Standards for the Calculation of Available Transfer Capability, Capacity Benefit Margins, Transmission Reliability Margins, Total Transfer Capability, and Existing Transmission Commitments and Mandatory Reliability Standards for the Bulk-Power System*, Order No. 729, 129 FERC ¶ 61,155 (2009), *order on clarification*, Order No. 729-A, 131 FERC ¶ 61,109 (2010).

with the proper designations and effective date at least 60 days before the language becomes effective.

b. Technical Requirements for Demand Response

Order No. 719 required that each RTO and ISO develop a set of standardized technical requirements for demand response resources participating in the ancillary services markets.[78] In the November 20 Order, the Commission indicated that SPP did not provide sufficiently detailed explanations of its technical requirements for demand response or how these requirements provide comparable treatment for demand response resources, including "why technical requirements, policies, and procedures tailored for generation resources are reasonable and appropriate for accommodating the characteristics of technically capable demand response resources."[79]

In SPP's EIS Market, demand response resources must be a minimum of 1 MW (or aggregated with other end use customers into an aggregation of at least 1 MW), must utilize a real-time metering, and must be able to submit real-time response data and respond to dispatch instructions during each dispatch interval, similar to generation resources. Submission of real-time response data, availability for dispatch, and nodal location are necessary because the EIS Market is a real-time market only, and demand response is dispatched comparably to and in competition with large generation resources when economically appropriate, including consideration for congestion in the selection and dispatch. In order to utilize dispatchable demand response resources, SPP must be able to determine the responsiveness of the resource on a comparable basis with the generation resources, which requires real-time response and communication of data in real-time.

c. Bidding Parameters Allowing Demand Response Resources to Specify Limits

As discussed above, Order No. 719 required RTOs and ISOs to "incorporate bidding parameters that allow demand response resources to specify limitations on the duration, frequency, and amount of their service."[80] In the April 28 Compliance Filing, SPP indicated that under Attachment AE, demand response resources are required to submit a Resource Plan and Offer Curve just like any other resource,[81] and that SPP's

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[78] Order No. 719 at P 59.

[79] November 20 Order at PP 47-48.

[80] Order No. 719 at P 86.

[81] *See* April 28 Compliance Filing at 9, *citing* SPP Tariff, Attachment AE § 2.2.

Market Protocols governing the contents of Resource Plans allow Resources to: (1) submit multiple ramp rates; (2) specify the Resource's minimum and maximum capacity limits and physical, economic, and emergency minimum and maximum sustainable capacity limit in MWh for each Operating Hour; (3) submit planned output in MWh independent of its EIS deployment; and (4) indicate the resource's status for SPP dispatch for the next seven days.

In the November 20 Order, the Commission found SPP's existing bidding parameters for demand response resources, which allow a Resource to specify the limits of duration, frequency and amount of their service in their bids, "to be consistent with the requirements of Order No. 719,"[82] but found that the bidding parameters should be listed in the SPP Tariff rather than only in the SPP Market Protocols where they are currently listed. Accordingly, the Commission directed SPP to incorporate the bidding parameters in the SPP Market Protocols into its Tariff.

SPP has added the bidding provisions of its Market Protocols to the Tariff. Specifically, SPP has adopted language from Section 5 of its Market Protocols (governing Offer Curves) in Section 2.5 of Attachment AE. SPP has revised Section 2.5 of Attachment AE to indicate that Offer Curves may be submitted as early as seven days prior to the Operating Day and may be submitted or modified up to 45 minutes prior to the Operating Hour.[83] This language comes from Section 5.3 of SPP's current Market Protocols.[84] SPP has also adopted language from Sections 5.1 and 5.2 of the Market Protocols[85] to indicate that Offer Curves are submitted with up to ten monotonically increasing pairs of MWh and price, and should include the date, hour ending, resource, MWs, and price per MWh.[86]

SPP has also adopted language from Section 3 of its Market Protocols (governing Resource Plans) in Section 2.2.1 of Attachment AE ("Market Participant's Resource Plan") to require a Market Participant's Resource Plan to cover a rolling seven-day horizon and specify, among other things, the minimum and maximum operating limits,

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82 November 20 Order at P 46.

83 *See* Exhibit II § 2.5(a), First Revised Sheet No. 1015.

84 Southwest Power Pool, Market Protocols, Revision 15.0, Current Operating Document § 5.3 (Apr. 16, 2010) ("SPP Market Protocols"), *available at* http://www.spp.org/publications/Mkt_Protocols_15.0.doc.

85 SPP Market Protocols §§ 5.1 & 5.2.

86 *See* Exhibit II § 2.5(c), First Revised Sheet No. 1015.

ramp rate, and resource status.[87] SPP has added language indicating that, for minimum operating limits, demand response resources will submit a value of zero.[88] This distinction recognizes the inherent operating differences between demand response resources and generation resources.

These revisions are just and reasonable as they adopt in the SPP Tariff provisions from the SPP Market Protocols that the Commission has determined are consistent with Order No. 719.[89] Additionally, because these provisions do not require significant SPP system changes, but instead adopt protocol language that is already in effect, SPP proposes to make these Tariff revisions effective May 19, 2010, the date of this filing.

*2. Aggregators of Retail Customers*

Order No. 719 required RTOs and ISOs to permit ARCs to bid demand response on behalf of retail customers directly into the organized markets, unless the laws or regulations of the relevant electric retail regulatory authority do not permit retail customers to participate.[90] The Commission indicated that permitting aggregation will eliminate barriers to demand response participation in the organized markets,[91] expand the amount of resources available to the market, increase competition, reduce prices, and enhance reliability.[92] Order No. 719 also authorized RTOs and ISOs to require certification by ARCs (as well as demand response resources) that their participation in the ancillary services markets is not precluded by the laws and regulations of the relevant electric retail regulatory authority, and stipulated that the RTO or ISO should not be in the position of interpreting the laws or regulations of a relevant electric retail regulatory authority.[93]

In its April 28 Compliance Filing, SPP revised Attachment AE to address participation by ARCs in the EIS Market, including adding a new Section 1.2.10 to

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87 *See id*. § 2.2.1, Sixth Revised Sheet No. 1007 – Original Sheet No. 1007A.

88 *See id*.

89 November 20 Order at P 46.

90 Order No. 719 at PP 154-164; *see also* November 20 Order at P 57. This mandate to permit ARCs to bid into demand response markets was modified by Order No. 719-A. *See supra* note 11 and accompanying text.

91 Order No. 719 at P 154; *see also* November 20 Order at P 57.

92 Order No. 719 at P 154.

93 *Id*. at P 158 n.212; *see also* November 20 Order at P 71.

Attachment AE specifying the requirements for ARC registration and how retail customers will be aggregated by an ARC for EIS Market bidding purposes.[94] Section 1.2.10 requires ARCs to execute all agreements necessary to become a Market Participant and to participate in the EIS Market under the SPP Tariff and Attachment AE, which includes the registration requirements applicable to all demand response resources.[95] The April 28 Compliance Filing also adopted provisions governing the registration of demand response resources in the EIS Market, including requiring a Market Participant registering a demand response resource to "include in its application and registration a certification by means of a declaration by the relevant electric retail regulatory authority, as applicable, that participation in the EIS Market by its controllable load resource is not precluded under the laws or regulations of the relevant electric retail regulatory authority."[96]

In the November 20 Order, the Commission found SPP's ARC proposal to be insufficient on the same basis that it found the April 28 Compliance Filing's demand response provisions to be insufficient, in that it lacked sufficient detail.[97] Specifically, the Commission directed SPP to explain why end-use customers aggregated into a single resource must be located at the same physical and electrically equivalent withdrawal point and served by the same retail provider.[98] In addition, the November 20 Order found that SPP's proposal "to require an ARC to submit a declaration of authorization from the relevant retail regulatory authority appears to impose an unnecessary burden on retail regulatory authorities" and therefore rejected the certification language "to the extent the certification required of an ARC includes a declaration from the relevant electric retail regulatory authority."[99] The Commission directed SPP to modify the certification language "to comply with the criteria outlined in Order No. 719 and Order No. 719-A."[100] Finally, the Commission directed SPP to adopt more detailed measurement and verification methods for ARCs.[101]

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94 *See* April 28 Compliance Filing at 11-13.

95 *See id.* at Exhibit No. 2 § 1.2.10, Second Revised Sheet No. 998.

96 *See id.* at 7 and Exhibit No. 2 § 1.2.2(i), Original Sheet No. 995A.

97 November 20 Order at P 70.

98 *Id.*

99 *Id.* at P 71.

100 *Id.* at P 72.

101 *Id.* at P 74.

a. Explanation of End-Use Customer Aggregation Requirements

End-use customers within an aggregation are required to be located at the same electrically equivalent withdrawal point on the SPP Transmission System and served by the same retail provider because SPP deploys resources in the EIS Market, including demand response resources, based in part upon the resource's location on the electric grid and as a substitute for generation resources. These requirements enable SPP to know the impact of resource deployment on each part of the grid and to manage the congestion appropriately. Moreover, SPP settles its EIS Market locationally, meaning that payments are made based on the locational imbalance price ("LIP"), which would not be possible if retail customers within a single aggregation were scattered across various locations (and therefore subject to various LIPs) across the EIS Market. Additionally, requiring all customers in an aggregation to be served by the same retail provider is appropriate and necessary because SPP must also coordinate with retail providers for retail load and settlement purposes, and aggregation across retail providers does not allow for the demand response to be isolated and identified to a specific provider for retail load purposes.

These requirements do not prevent an ARC from representing retail customers of different retail providers at different places along the grid. Rather, these requirements apply to individual ARC resources. An ARC can register and bid demand response on behalf of multiple groups of retail customers located throughout the grid, provided that the ARC registers groups of customers at different locations and served by different retail providers as different EIS Market demand response resources. Accordingly, these requirements to not erect a barrier to participation, but are necessary to administer the EIS Market and to manage dispatch of EIS Market resources, and therefore are just and reasonable.

Because it is not necessary for administration and settlement of the EIS Market, SPP is proposing to remove the requirement that all end-use customers in a single aggregation be located at the same physical withdrawal point.[102] This change will facilitate aggregation of multiple retail customers that may be located at different physical locations but within the same electrically equivalent withdrawal point, without affecting SPP's ability to dispatch, administer, and settle the EIS Market. SPP proposes to make this revision effective May 19, 2010, the date of this filing.

[102] *See* Exhibit II § 1.2.10(a), Second Revised Sheet No. 998A.

b. Certification of Compliance With Retail Laws and Regulations

As discussed above, the Commission rejected SPP's requirement that demand response resources (including ARCs) certify that their participation in SPP's EIS Market is not precluded by retail laws and regulations by providing a declaration from the relevant electric retail regulatory authority. As permitted by Order No. 719[103] and the November 20 Order,[104] SPP has retained the language proposed in the April 28 Compliance Filing indicating that a Market Participant wishing to offer Controllable Load in the EIS Market must include in its EIS Market registration application a certification that its participation in the EIS Market is not precluded by the laws or regulations of the relevant electric retail regulatory authority, without the additional language that was rejected by the Commission (i.e., "by means of a declaration by the relevant electric retail regulatory authority, as applicable,").[105] The Tariff sheets attached to this filing in Exhibits I and II reflect the language filed in the April 28 Compliance Filing without the declaration requirement.[106] Also, as discussed above, SPP has added a requirement that a demand response resource that has elected to use the Calculated Methodology must certify that the methodology is consistent with its retail tariff or agreement,[107] in accordance with the certification allowed under Order No. 719.[108]

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103 Order No. 719 at P 158(g).

104 November 20 Order at P 71 ("SPP, when it files to comply with the instant order, may require an ARC to include in its registration application a certification by the ARC that its participation is not precluded by the relevant electric retail regulatory authority.").

105 *Id*.

106 *See* Exhibits I and II § 1.2.2(i), Second Revised Sheet No. 995A. Because the language requiring a declaration by the relevant electric retail regulatory authority was rejected by the Commission, it is not shown in strikeout but instead has been removed in its entirety in the redlined and clean versions of the Tariff sheets submitted in this filing.

107 *See supra* notes 69-71 and accompanying text.

108 Order No. 719 at P 49 n.78. This certification is not required under the Submitted Methodology because either the demand response resource is providing generation from its Behind The Meter resource or the retail provider is coordinating the demand response on behalf of the Market Participant. *See supra* notes 65-67 and accompanying text.

SPP's certification requirement in Section 1.2.2(i) also complies with Order No. 719-A. In its October 27 Compliance Filing, SPP incorporated into Section 1.2.10 (governing "Aggregation of Controllable Load as a Resource") the Order No. 719-A criteria governing ARC participation in ancillary services markets based upon the size of the retail utility serving the ARCs customers.[109] When read together, these provisions ensure that retail customers of small utilities (i.e., those distributing 4 million MWh or less during the previous year) are not permitted to participate in the EIS Market unless the relevant electric retail regulatory authority expressly permits such participation, while retail customers of large retail utilities (i.e., those distributing more than 4 million MWH in the previous year) are permitted to participate in demand response unless expressly precluded by the relevant electric retail regulatory authority, as required by Order No. 719-A.

Because the certification requirements in Section 1.2.2(i) govern both individual demand response resources and ARCs, SPP is not proposing to include the Order No. 719-A distinction between small and large retail utilities in this section. Instead, ARCs will be required to certify their compliance with the laws and regulations of the relevant electric retail regulatory authority under Section 1.2.2(i) in order to be in compliance with the ARC requirements of Section 1.2.10 where the Order No. 719-A distinction was adopted in SPP's October 27 Compliance Filing.[110]

c. Measurement and Verification Standards for ARCs

Because the Commission found SPP's proposed methodology for measurement and verification of demand response to be insufficient,[111] the Commission also "reject[ed] SPP's compliance filing with respect to how measurement and verification methods for ARCs are established."[112] As discussed above, SPP is proposing in this filing a specific methodology for measurement and verification of demand response resources (the Calculated Methodology), along with an alternative methodology (the Submitted Methodology) to be worked out among the parties.[113] These same methodologies will apply to ARCs, with one additional requirement. For ARCs electing to use the Calculated Methodology, the ARC must submit a single hourly baseline for each

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109 *See supra* note 11 and accompanying text.

110 *See* October 27 Compliance Filing at 8.

111 *See supra* notes 46-47 and accompanying text.

112 November 20 Order at P 74.

113 *See supra* Section II.A.1.a.

registered resource.[114] This requirement promotes administrative efficiency and comparable treatment by permitting the calculation of an ARC's demand response on a resource-by-resource basis like any other demand response or generation resource, rather than either: (1) requiring the ARC to submit separate baselines for each end-use customer that is aggregated as a single resource; or (2) requiring SPP to calculate the demand response provided by an ARC resource on the basis of a single, aggregated baseline submitted by the ARC for all of its resources across the entire EIS Market.

### *3. Market Rules Governing Price Formation during Periods of Operating Reserve Shortage*

In Order No. 719, the Commission determined that existing market rules that do not allow for prices to rise sufficiently during an operating reserve shortage to reflect the value of energy accurately may, among other things, deter entry of new demand response and generation resources.[115] As a result, the Commission directed RTOs and ISOs to reform their existing market rules to ensure that the market price for energy reflects the value of energy during an operating reserve shortage, or to submit a factual record demonstrating that existing market rules allow for prices to reflect value accurately.[116] The Commission indicated that RTOs and ISOs existing rules or proposals must satisfy six criteria articulated in Order No. 719 by:

(1) improving reliability by reducing demand and increasing generation during periods of operating reserve shortage;
(2) making it more worthwhile for customers to invest in demand response technologies;
(3) encouraging existing generation and demand resources needed during an operating reserve shortage to remain in business;
(4) encouraging entry of new generation and demand resources;
(5) providing comparable treatment and compensation to demand resources during periods of operating reserve shortages; and
(6) having provisions for mitigating market power and deterring gaming behavior, including, but not limited to, use of demand resources to discipline

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114 *See* Exhibit IV § 1.2.10(c), Second Revised Sheet No. 998A.

115 Order No. 719 at PP 192-193.

116 Order No. 719 requires the submission of an adequate factual record to demonstrate that provisions exist for mitigating market power and deterring gaming behavior, including the use of demand resources to discipline bidding behavior to competitive levels during an operating reserve shortage. *Id*. at P 196.

> bidding behavior to competitive levels during periods of operating reserve shortages.[117]

In the November 20 Order, the Commission determined that SPP did not fully comply with the requirements of Order No. 719 because the SPP Tariff does not explicitly require the SPP Market Monitor to monitor for physical withholding and unavailability of facilities during shortage periods and because the Commission found SPP's demand response proposal to be insufficient,[118] as discussed above. Specifically, the Commission found that SPP's market rules and factual record demonstrate SPP's compliance with the first, third, and fourth criteria,[119] but that SPP's April 28 Compliance Filing did not fully demonstrate compliance with the second, fifth, and sixth criteria.[120]

The Commission determined that, because SPP's existing demand response provisions and the April 28 Compliance Filing did not fully comply with Order No. 719 demand response requirements, SPP did not satisfy the second and fifth criteria.[121] However, the revisions proposed in this filing meet the demand response requirements of Order No. 719 and the November 20 Order, and therefore, once SPP implements these demand response reforms, SPP will fully comply with the second and fifth shortage pricing criteria.

Additionally, the Commission indicated that SPP did not meet the sixth criterion because, as indicated above, its Tariff lacks an explicit requirement to monitor for physical withholding and unavailability of facilities.[122] In its February 18 Compliance Filing addressing the market monitoring requirements of the November 20 Order, SPP reinstated in its Tariff the explicit requirement that the SPP Market Monitor monitor for and report suspected instances of physical withholding and unavailability of facilities.[123]

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117 Order No. 719 at P 239.

118 November 20 Order at P 86.

119 *Id*. at P 88.

120 *Id*. at PP 86, 88.

121 *Id*. at P 88.

122 *Id*. at P 86.

123 *See* February 18 Compliance Filing at 12. In its April 28 Compliance Filing, SPP removed the requirement to monitor for physical withholding and unavailability of facilities from its Market Power Mitigation Plan. The February 18 Compliance Filing reinstated this language into the Tariff, but moved it to SPP's Market Monitoring Plan. *Id.*

Upon adoption of these explicit requirements, SPP complies with the sixth market price formation criterion. SPP therefore proposes no additional Tariff revisions to comply with the Commission's six criteria.

*4. SPP and Market Monitor Studies of Whether Further Demand Response Reforms Are Necessary to Eliminate Barriers*

Order No. 719 required each RTO and ISO to assess and report on any remaining barriers to comparable treatment of demand response resources, and required RTO and ISO market monitors to submit reports expressing their views on these issues to the Commission.[124] In the November 20 Order, the Commission determined that SPP partially complied with the reporting requirement on existing barriers to comparable treatment of demand response, but directed SPP and its Market Monitor to submit reports within six months of the date of the November 20 Order (i.e., May 20, 2010).[125] Accordingly, SPP and its Market Monitor will submit their reports to the Commission on May 20, 2010.

**B. Order No. 719-A Compliance**

As discussed above, Order No. 719-A modified certain Order No. 719 requirements, including: (i) acceptance of demand response bids by ARCs based upon the size of the retail utility serving such retail customers; (ii) development of mechanisms for sharing information about demand response resources with affected load-serving entities; and (iii) development and implementation of protocols allowing ARCs to operate in organized markets addressing concerns such as double-counting, deviation, underscheduling in the day-ahead market, metering, billing, settlement, information sharing, and verification measures.[126] SPP submitted its compliance filing addressing the first requirement of Order No. 719-A (accepting bids from ARCs based on the size of the retail utility) on October 27, 2009,[127] and obtained an extension to submit its Tariff revisions to comply with the second and third requirement as part of this compliance filing.[128] SPP proposes in this filing to revise Attachment AE to address the remaining Order No. 719-A requirements not addressed in its October 27 Compliance Filing.

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[124] Order No. 719 at P 274.

[125] November 20 Order at P 96.

[126] Order No. 719-A at PP 65-67, 69-70; *see* also *supra* notes 11-13 and accompanying text.

[127] *See supra* note 14 and accompanying text.

[128] *See supra* note 21 and accompanying text.

First, in Order No. 719-A, the Commission required RTOs and ISOs to develop appropriate mechanisms for sharing information about demand response resources with load-serving entities including, at a minimum, a mechanism through which the RTO or ISO would notify the load-serving entity when load served by the entity is enrolled to participate (either individually or through an ARC) as a demand response resource in the RTO or ISO and the expected level of participation.[129] As discussed above, SPP has modified its registration requirements to require more detail in demand response resource registrations.[130] Pursuant to Order No. 719-A, these revisions also require SPP to notify the applicable retail provider and the relevant electric retail regulatory authority of a demand response resource's registration and expected level of participation.[131]

Order No. 719-A also required RTOs and ISOs to adopt protocols to "address . . . double-counting, concerns regarding deviation, underscheduling, and uplift or other charges that may be incurred if real-time load is below that scheduled in the day-ahead market, as well as metering, billing, settlement, information sharing and verification measures."[132] As discussed above, SPP has modified its EIS Market settlement provisions to require that "[t]he Reported Load of a Settlement Location that includes a controllable load will be adjusted up by the amount of the demand response Resource production quantity."[133] Because reported load for settlement purposes will be adjusted up to the level that would have occurred had demand response not been dispatched, this provision addresses these concerns to the extent that they may exist in SPP's real-time

[129] Order No. 719-A at P 69.

[130] *See supra* notes 68-71 and accompanying text.

[131] *See* Exhibit IV § 1.2.2(l), Original Sheet No. 995B. Because this Tariff provision is part of SPP's registration requirements for resources utilizing the Calculated Methodology, SPP requests to make this Order No. 719-A mandated revision effective at the same time as SPP's Calculated Methodology is effective (i.e., following Commission action on this filing and SPP's implementation of the necessary system modifications).

[132] Order No. 719-A at P 70.

[133] *See supra* note 71 and accompanying text. Because this revision is part of the settlement provisions governing EIS Market settlements under the Calculated Methodology and Submitted Methodology, SPP requests to make this Order No. 719-A mandated Tariff revision effective at the same time as its Calculated Methodology and Submitted Methodology are effective (i.e., following Commission action on this filing and SPP's implementation of the necessary system modifications).

EIS Market. SPP has also adopted the other measures required by Order No. 719-A to address metering, billing, settlement, information sharing, and verification measures, as discussed in this filing. SPP does not administer a day-ahead market at this time; therefore, concerns regarding discrepancies between day-ahead and real-time demand response are inapplicable.[134]

## III. ADDITIONAL INFORMATION

### A. Information Required by the Commission's Regulations

#### (1) Documents submitted with this filing:

In addition to this transmittal letter, the following exhibits are included in this filing:

| | |
|---|---|
| Exhibit I | Revised Tariff Sheets Reflecting a May 19, 2010 Effective Date (Clean Version) |
| Exhibit II | Revised Tariff Sheets Reflecting a May 19, 2010 Effective Date (Redlined Version) |
| Exhibit III | Revised Tariff Sheets Reflecting a Future Effective Date Following Commission Action on This Filing (Clean Version) |
| Exhibit IV | Revised Tariff Sheets Reflecting a Future Effective Date Following Commission Action on This Filing (Redlined Version) |
| Exhibit V | Service List |

#### (2) Effective Date:

As discussed throughout this filing, SPP proposes to adopt the Tariff revisions submitted in Exhibits I and II effective May 19, 2010, the date of this filing. SPP requests to defer the effective date of the revisions submitted in Exhibits III and IV until after the Commission has accepted the revisions and SPP has developed the

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134 SPP and its stakeholders are mindful of the Commission's concerns regarding day-ahead and real-time market issues, and will consider these issues in developing SPP's future energy and ancillary services markets.

systems to implement them, as discussed in Section II.A.1.a.ii, *supra*.

**(3) Service:**

SPP has served a copy of this filing on all its Members and Customers. A complete copy of this filing will be posted on the SPP web site, www.spp.org, and is also being served on all affected state commissions.

**(4) Requisite Agreements:**

There are none.

**B. Communications**

Correspondence and communications with respect to this filing should be sent to, and SPP requests the Secretary to include on the official service list, the following:

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## IV. CONCLUSION

For all of the foregoing reasons, SPP respectfully requests that the Commission accept the Tariff revisions proposed herein, effective as discussed above, and find that SPP complies with the Commission's directives in Order Nos. 719 and 719-A and the November 20 Order. SPP further requests a waiver of any additional Commission regulations that the Commission may deem applicable.

Respectfully submitted,

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**Attorneys for**
**Southwest Power Pool, Inc.**

cc: Penny Murrell
Michael Donnini
John Rogers
Patrick Clarey
Laura Vallance

# Exhibit I

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time the information is provided to Receiving Party, whether conveyed electronically, in writing, through inspection, or otherwise;

(b) Any confidential, proprietary, or commercially sensitive information, or information of a plan, specification, pattern, procedure, design, device, list, concept, policy or compilation relating to the present or planned business of a Market Participant that is provided orally and designated as Confidential Information, by Disclosing Party at the time the information is provided to Receiving Party;

(c) Any customer information designated by the customer as proprietary, unless the customer has authorized the release for public disclosure of such information;

(d) Any software, products of software or other vendor information that SPP is required to keep confidential under its agreements.

Confidential Information does not include Critical Energy Infrastructure Information ("CEII") materials as designated by FERC, which must be obtained in accordance with FERC regulations.

**1.1.3a Controllable Load**

A registered, measurable load that is capable of being reduced at the instruction of the SPP Operator and subsequently increased at the instruction of the SPP Operator in order to provide a dispatchable quantity in the form of a demand response Resource. A Controllable Load must be associated with a demand response Resource.

**1.1.3b Coordinated Flowgate**

A flowgate defined within a joint operating agreement between the Transmission Provider and another transmission provider as being affected by the transmission of energy on either party's transmission system.

**1.1.29a Resources**

Assets which are defined within the EIS Market systems which inject energy into the transmission grid, or which reduce the withdrawal of energy from the transmission grid, and may be self-dispatched or directly dispatchable by the Transmission Provider. These Resources may include generation or Controllable Load that is part of the SPP Market Footprint through its physical interconnection and External Resources included in the SPP Market Footprint through an External Resource Pseudo-Tie.

**1.1.30 Resource Plan**

A Market Participant's plan to meet its energy obligations including specification of Resource operating characteristics.

**1.1.31 Scheduled Generation**

The amount of energy scheduled to be injected at a Settlement Location pursuant to submission of an Energy Schedule that is used in the calculation of a Market Participant's Imbalance Energy at a Settlement Location. This value is assumed to be a negative value for settlement purposes.

**1.1.32 Scheduled Load**

The amount of energy scheduled to be withdrawn at a Settlement Location pursuant to submission of an Energy Schedule that is used in the calculation of a Market Participant's Imbalance Energy at a Settlement Location. This value is assumed to be a positive value for settlement purposes.

**1.1.33 Self-Dispatched Resource**

A Resource that is not available for economic dispatch by the Transmission Provider to support market operations.

**1.1.40 Start-up Mode**

The period of time before the Resource reaches its Minimum Capacity Operating Limit as indicated in the Resource Plan, but not to exceed two hours before and after the scheduled time for a Resource to synchronize to the grid, during which a Resource will be exempt from Uninstructed Deviation Penalties.

**1.1.41 State Estimator**

A standard industry tool that produces a power flow model based on available real-time metering information, information regarding the current status of lines, generators, transformers, and other equipment, bus load distribution factors, and a representation of the electric network, to provide a complete description of system conditions, including conditions at busses for which real-time information is unavailable.

**1.1.42 Test Mode**

Operation of new facilities not yet commercially accepted by the owner of the Resource that is designed to assist in commercial acceptance testing of the Resource by the owner or, the operation of a Resource that has been off-line due to an extended maintenance period. This operation must be coordinated with the Transmission Provider to the extent possible.

**1.1.43 Uninstructed Deviation Charge**

A Market Participant's charge associated with a Resource that is determined to have operated outside an acceptable operating tolerance relative to dispatch instructions in accordance with procedures set forth in this Tariff.

**1.1.44 Uninstructed Deviation Megawatt**

The megawatt amount by which a Resource's actual output in a Dispatch Interval is above or below that Resource's acceptable operating range.


Filed to comply with orders of the Federal Energy Regulatory Commission, Docket Nos. ER09-1050, *et al.*, issued November 20, 2009, 129 FERC ¶ 61,163 (2009).

(i) A Market Participant wishing to offer Controllable Load in the form of a demand response Resource in the EIS Market must include in its application and registration a certification that participation in the EIS Market by its demand response Resource is not precluded under the laws or regulations of the relevant electric retail regulatory authority. Demand response Resources must meet all application, registration and technical requirements applicable to other resources offering imbalance energy in the EIS Market. The Transmission Provider is not responsible for interpreting the laws or regulations of a relevant electric retail regulatory authority and shall be required only to verify that the Market Participant has included such a certification in its application materials. The Transmission Provider is not liable or responsible for Market Participants participating in the EIS Market in violation of any law or regulation of a relevant electric retail regulatory authority including state-approved retail tariff(s).

(j) An aggregator of retail customers ("ARC") offering Controllable Load of one or more end-use retail customers as a demand response resource in the EIS Market must be a Market Participant, satisfying all registration and certification requirements applicable to Market Participants as well as certification consistent with Section 1.2.10 of this Attachment.

than or equal to $1000/megawatt-hour until such time as the Transmission Provider demonstrates in a filing with the Commission that sufficient Controllable Load exists in the EIS Market to allow a higher Offer Curve price limit or removal of the Offer Curve price limit. Beginning with the EIS Market Effective Date, Offer Curves shall be subject to the provisions of Section 3.2.4 of Attachment AF to this Tariff.

**1.2.7 Scheduling and Dispatch**

Market Participants shall, where applicable:

(a) Follow the Transmission Provider's dispatch instructions where such dispatch instructions are described under Section 4.1 of Attachment AE;

(b) Incorporate the Transmission Provider's Adjusted Net Scheduled Interchange, as calculated pursuant to Section 4.1, into their respective Control Area energy management systems;

(c) Report Resource Plan changes to the Transmission Provider throughout the Operating Day resulting from changes in Resource availability;

(d) Report changes to Ancillary Service Plans resulting from changes in Resource availability to the Transmission Provider; and

(e) Abide by the procedures set forth in the Market Protocols.

**1.2.8 Energy Imbalance Service Settlement**

Market Participants, or their designated Meter Agent, shall submit to the Transmission Provider for each hour of the Operating Day meter data representing the actual generation output and actual load consumption, or where actual data is not available estimates thereof, associated with their registered load and Resources in accordance with the timelines specified in the Market Protocols. A Market Participant may designate any qualified entity to perform the meter agent function or perform this function on its own behalf.

Any entity performing the meter agent function for a Market Participant must execute the Meter Agent Agreement specified in Attachment AM prior to performing such function.

**1.2.9 Calculation of Real-Time Controllable Load from Demand Response Resources**

The demand response provided by the Variable Demand Response Resource is sent directly to the Transmission Provider. This value will represent the actual net generation.

**1.2.10 Aggregation of Controllable Load as a Resource**

For purposes of participation in the SPP EIS Market, an ARC may aggregate Controllable Load of: (1) end-use retail customers of utilities that distributed more than 4 million MWh in the previous fiscal year, unless precluded by the laws or regulations of the relevant electric retail regulatory authority including state-approved retail tariff(s); and (2) end-use retail customers of utilities that distributed 4 million MWh or less in the previous fiscal year, where the relevant electric retail regulatory authority, including any state-approved retail tariff(s), affirmatively permits such customer's demand response to be bid into the SPP EIS Market by an ARC. An ARC wishing to offer Controllable Load in the EIS Market must execute all agreements necessary to become a Market

Participant and to participate in the EIS Market under the SPP Tariff and Attachment AE. ARCs shall be treated comparably to other Market Participants offering Resources in the EIS Market.

Aggregations pursuant to this section shall be subject to the following requirements:

(a) End-use customers aggregated into a single Resource must be located at the same electrically equivalent withdrawal point from the Transmission System and must be served by the same retail provider; and

(b) All end-use customers in an aggregation shall be specifically identified.

**1.3 Transmission Provider Obligations**

**1.3.1 Market Protocols**

The Transmission Provider shall prepare, maintain and update the Market Protocols consistent with this Tariff. The Market Protocols shall be posted on the SPP website.

**1.3.2 Scheduling and Dispatch**

The Transmission Provider shall evaluate Resource Plans submitted by Market Participants during the Day-Ahead Period and the Hour-Ahead Period in accordance with Sections 2 and 3 of this Attachment.

with each Balancing Authority for use in the analyses performed under Section 2.4 of Attachment AE that is equal to the Balancing Authority load forecast developed under Section 2.1 of Attachment AE plus third party sales minus third party purchases out of or into the Balancing Authority Area.

Market Participants may also submit Energy Schedules and such schedules must be submitted in accordance with the timelines set forth in Attachment P.

**2.2.1 Market Participant's Resource Plan**

A Market Participant's Resource Plan covers a rolling seven-day horizon (with hourly detail) beginning with the Operating Day and may be modified before each operating hour and is binding for that operating hour. Specifically, the Resource Plan contains entries for each Resource for each hour of the seven day horizon, and includes the following information:

- Resource ID
- Resource Type
- Planned Megawatts
- Minimum Capacity Operating Limit – Demand response Resources will submit a value of 0 MW for this field.
- Minimum Economic Capacity Operating Limit – Demand response Resources will submit a value of 0 MW for this field.
- Minimum Emergency Capacity Operating Limit – Demand response Resources will submit a value of 0 MW for this field.

- Maximum Capacity Operating Limit – For demand response Resources, Max MW will be the maximum amount of response or interruption that can be provided.

- Maximum Economic Capacity Operating Limit – For demand response Resources, this will be the maximum amount of response or interruption that can be provided under normal market operations. Must be equal to or less than the value provided for Maximum Capacity Operating Limit.

- Maximum Emergency Capacity Operating Limit – For demand response Resources, this will be the maximum amount of response or interruption that can be provided under emergency operating conditions. Must be equal to or greater than the value provided for Maximum Capacity Operating Limit.

- Ramp Rate

- Resource Status

The Resource Plan may not be the only source of Resource data required by SPP, in its roles as the Regional Reliability Coordinator and Transmission Service Provider, for the purposes of maintaining system reliability and granting transmission service. Market Participants with registered Resources, or the Balancing Authorities within which such Resources are located, may be requested to provide to SPP additional Resource information beyond that contained in the Resource Plan.

**2.5 Resource Offers**

(a) Market Participants must submit Offer Curves for each Resource that has been identified in the Market Participant's Resource Plan as available for dispatch by the Transmission Provider for the provision of Energy Imbalance Service. Offer Curves may be submitted as early as 7 days prior to the Operating Day and may be submitted or modified up to forty-five minutes prior to the Operating Hour. Offer Curves shall be Resource specific and shall specify the amounts and prices of energy available for dispatch. The smallest increment of energy that may be specified in an Offer Curve shall be one megawatt per hour. To the extent that a Market Participant does not submit a new Offer Curve for a Resource identified in that Market Participant's Resource Plan as available for dispatch by the Transmission Provider, the Transmission Provider shall utilize the last valid Offer Curve submitted for the purposes of Resource dispatch.

(b) If a Market Participant is determined to have an Offer Capped Resource pursuant to Section 3.2.2 of Attachment AF to this Tariff, then the provisions of Section 3.2.4 of Attachment AF to this Tariff shall apply to that Resource's submitted Offer Curves.

(c) A Market Participant's Offer Curve is submitted with up to ten monotonically increasing pairs of MWh and price. The Offer Curve will include the following components:

- Date
- Hour Ending
- Resource
- Megawatts
- Price/MWh

# Exhibit II

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time the information is provided to Receiving Party, whether conveyed electronically, in writing, through inspection, or otherwise;

(b) Any confidential, proprietary, or commercially sensitive information, or information of a plan, specification, pattern, procedure, design, device, list, concept, policy or compilation relating to the present or planned business of a Market Participant that is provided orally and designated as Confidential Information, by Disclosing Party at the time the information is provided to Receiving Party;

(c) Any customer information designated by the customer as proprietary, unless the customer has authorized the release for public disclosure of such information;

(d) Any software, products of software or other vendor information that SPP is required to keep confidential under its agreements.

Confidential Information does not include Critical Energy Infrastructure Information ("CEII") materials as designated by FERC, which must be obtained in accordance with FERC regulations.

**1.1.3a Controllable Load**

A registered, measurable load that is capable of being reduced at the instruction of the SPP Operator and subsequently increased at the instruction of the SPP Operator in order to provide a dispatchable quantity in the form of a demand response Resource. A Controllable Load must be associated with a demand response Resource.

**1.1.3b~~a~~ Coordinated Flowgate**

A flowgate defined within a joint operating agreement between the Transmission Provider and another transmission provider as being affected by the transmission of energy on either party's transmission system.

**1.1.29a Resources**

Assets which are defined within the EIS Market systems which inject energy into the transmission grid, or which reduce the withdrawal of energy from the transmission grid, and may be self-dispatched or directly dispatchable by the Transmission Provider. These Resources may include generation or C~~c~~ontrollable L~~l~~oad that is part of the SPP Market Footprint through its physical interconnection and External Resources included in the SPP Market Footprint through an External Resource Pseudo-Tie.

**1.1.30 Resource Plan**

A Market Participant's plan to meet its energy obligations including specification of Resource operating characteristics.

**1.1.31 Scheduled Generation**

The amount of energy scheduled to be injected at a Settlement Location pursuant to submission of an Energy Schedule that is used in the calculation of a Market Participant's Imbalance Energy at a Settlement Location. This value is assumed to be a negative value for settlement purposes.

**1.1.32 Scheduled Load**

The amount of energy scheduled to be withdrawn at a Settlement Location pursuant to submission of an Energy Schedule that is used in the calculation of a Market Participant's Imbalance Energy at a Settlement Location. This value is assumed to be a positive value for settlement purposes.

**1.1.33 Self-Dispatched Resource**

A Resource that is not available for economic dispatch by the Transmission Provider to support market operations.

**1.1.40 Start-up Mode**

The period of time before the Resource reaches its Minimum Capacity Operating Limit as indicated in the Resource Plan, but not to exceed two hours before and after the scheduled time for a Resource to synchronize to the grid, during which a Resource will be exempt from Uninstructed Deviation Penalties.

**1.1.41 State Estimator**

A standard industry tool that produces a power flow model based on available real-time metering information, information regarding the current status of lines, generators, transformers, and other equipment, bus load distribution factors, and a representation of the electric network, to provide a complete description of system conditions, including conditions at busses for which real-time information is unavailable.

**1.1.42 Test Mode**

Operation of new facilities not yet commercially accepted by the owner of the Resource that is designed to assist in commercial acceptance testing of the Resource by the owner or, the operation of a Resource that has been off-line due to an extended maintenance period. This operation must be coordinated with the Transmission Provider to the extent possible.

**1.1.43 Uninstructed Deviation Charge**

A Market Participant's charge associated with a Resource that is determined to have operated outside an acceptable operating tolerance relative to dispatch instructions in accordance with procedures set forth in this Tariff.

**1.1.44 Uninstructed Deviation Megawatt**

The megawatt amount by which a Resource's actual output in a Dispatch Interval is above or below that Resource's acceptable operating range.

**~~1.1.45 Variable Dispatch Demand Response Resource~~**

~~A controllable load that is a Dispatchable Resource and can reduce the withdrawal of energy from the transmission grid when directed by the Transmission Provider.~~

(i) A Market Participant wishing to offer C~~c~~ontrollable L~~l~~oad ~~as~~ in the form of a demand response R~~r~~esource in the EIS Market must include in its application and registration a certification that participation in the EIS Market by its demand response R~~r~~esource is not precluded under the laws or regulations of the relevant electric retail regulatory authority. Demand response R~~r~~esources must meet all application, registration and technical requirements applicable to other resources offering imbalance energy in the EIS Market. The Transmission Provider is not responsible for interpreting the laws or regulations of a relevant electric retail regulatory authority and shall be required only to verify that the Market Participant has included such a certification in its application materials. The Transmission Provider is not liable or responsible for Market Participants participating in the EIS Market in violation of any law or regulation of a relevant electric retail regulatory authority including state-approved retail tariff(s).

*(j) An aggregator of retail customers ("ARC") offering C~~c~~ontrollable L~~l~~oad of one or more end-use retail customers as a demand response resource in the EIS Market must be a Market Participant, satisfying all registration and certification requirements applicable to Market Participants as well as certification consistent with Section 1.2.10 of this Attachment.*

Issued by: Heather H. Starnes, Manager, Regulatory Policy

Issued on: May 19, 2010 Effective: May 19, 2010
Filed to comply with orders of the Federal Energy Regulatory Commission, Docket Nos. ER09-1050, *et al.*, issued November 20, 2009, 129 FERC ¶ 61,163 (2009).

than or equal to $1000/megawatt-hour until such time as the Transmission Provider demonstrates in a filing with the Commission that sufficient ~~demand response~~Controllable Load exists in the EIS Market to allow a higher Offer Curve price limit or removal of the Offer Curve price limit. Beginning with the EIS Market Effective Date, Offer Curves shall be subject to the provisions of Section 3.2.4 of Attachment AF to this Tariff.

**1.2.7 Scheduling and Dispatch**

Market Participants shall, where applicable:

(a) Follow the Transmission Provider's dispatch instructions where such dispatch instructions are described under Section 4.1 of Attachment AE;

(b) Incorporate the Transmission Provider's Adjusted Net Scheduled Interchange, as calculated pursuant to Section 4.1, into their respective Control Area energy management systems;

(c) Report Resource Plan changes to the Transmission Provider throughout the Operating Day resulting from changes in Resource availability;

(d) Report changes to Ancillary Service Plans resulting from changes in Resource availability to the Transmission Provider; and

(e) Abide by the procedures set forth in the Market Protocols.

**1.2.8 Energy Imbalance Service Settlement**

Market Participants, or their designated Meter Agent, shall submit to the Transmission Provider for each hour of the Operating Day meter data representing the actual generation output and actual load consumption, or where actual data is not available estimates thereof, associated with their registered load and Resources in accordance with the timelines specified in the Market Protocols. A Market Participant may designate any qualified entity to perform the meter agent function or perform this function on its own behalf.

Any entity performing the meter agent function for a Market Participant must execute the Meter Agent Agreement specified in Attachment AM prior to performing such function.

**1.2.9 Calculation of Real-Time ~~Demand Response~~Controllable Load from ~~Variable~~ Demand Response Resources**

The demand response provided by the Variable Demand Response Resource is sent directly to the Transmission Provider. This value will represent the actual net generation.

**1.2.10 Aggregation of Controllable Load as a Resource**

*For purposes of participation in the SPP EIS Market, an ARC* may aggregate ~~demand response~~Controllable Load of: *(1)* end-use retail customers *of utilities that distributed more than 4 million MWh in the previous fiscal year*, unless precluded by the laws or regulations of the relevant electric retail regulatory authority including state-approved retail tariff(s); *and (2) end-use retail customers of utilities that distributed 4 million MWh or less in the previous fiscal year, where the relevant electric retail regulatory authority, including any state-approved retail tariff(s), affirmatively permits such customer's demand response to be bid into the SPP EIS Market by an ARC*. An ARC wishing to offer Controllable Load~~demand response~~ in the EIS Market must execute all agreements necessary to become a Market

Participant and to participate in the EIS Market under the SPP Tariff and Attachment AE. ARCs shall be treated comparably to other Market Participants offering Resources in the EIS Market.

Aggregations pursuant to this section shall be subject to the following requirements:

(a) End-use customers aggregated into a single Resource must be located at the same ~~physical and~~ electrically equivalent withdrawal point from the Transmission System and must be served by the same retail provider; and

(b) All end-use customers in an aggregation shall be specifically identified.

**1.3 Transmission Provider Obligations**

**1.3.1 Market Protocols**

The Transmission Provider shall prepare, maintain and update the Market Protocols consistent with this Tariff. The Market Protocols shall be posted on the SPP website.

**1.3.2 Scheduling and Dispatch**

The Transmission Provider shall evaluate Resource Plans submitted by Market Participants during the Day-Ahead Period and the Hour-Ahead Period in accordance with Sections 2 and 3 of this Attachment.

with each Balancing Authority for use in the analyses performed under Section 2.4 of Attachment AE that is equal to the Balancing Authority load forecast developed under Section 2.1 of Attachment AE plus third party sales minus third party purchases out of or into the Balancing Authority Area.

Market Participants may also submit Energy Schedules and such schedules must be submitted in accordance with the timelines set forth in Attachment P.

**2.2.1 Market Participant's Resource Plan**

A Market Participant's Resource Plan ~~shall be submitted using the data formats, procedure, and information defined in the Market Protocols.~~ covers a rolling seven-day horizon (with hourly detail) beginning with the Operating Day and may be modified before each operating hour and is binding for that operating hour. Specifically, the Resource Plan contains entries for each Resource for each hour of the seven day horizon, and includes the following information:

- Resource ID
- Resource Type
- Planned Megawatts
- Minimum Capacity Operating Limit – Demand response Resources will submit a value of 0 MW for this field.
- Minimum Economic Capacity Operating Limit – Demand response Resources will submit a value of 0 MW for this field.
- Minimum Emergency Capacity Operating Limit – Demand response Resources will submit a value of 0 MW for this field.

- Maximum Capacity Operating Limit – For demand response Resources, Max MW will be the maximum amount of response or interruption that can be provided.

- Maximum Economic Capacity Operating Limit – For demand response Resources, this will be the maximum amount of response or interruption that can be provided under normal market operations. Must be equal to or less than the value provided for Maximum Capacity Operating Limit.

- Maximum Emergency Capacity Operating Limit – For demand response Resources, this will be the maximum amount of response or interruption that can be provided under emergency operating conditions. Must be equal to or greater than the value provided for Maximum Capacity Operating Limit.

- Ramp Rate

- Resource Status

The Resource Plan may not be the only source of Resource data required by SPP, in its roles as the Regional Reliability Coordinator and Transmission Service Provider, for the purposes of maintaining system reliability and granting transmission service. Market Participants with registered Resources, or the Balancing Authorities within which such Resources are located, may be requested to provide to SPP additional Resource information beyond that contained in the Resource Plan.

**2.5 Resource Offers**

(a) Market Participants must submit Offer Curves for each Resource that has been identified in the Market Participant's Resource Plan as available for dispatch by the Transmission Provider for the provision of Energy Imbalance Service. Offer Curves may be submitted as early as 7 days prior to the Operating Day and may be submitted or modified up to forty-five~~thirty~~ minutes prior to the Operating Hour. Offer Curves shall be Resource specific and shall specify the amounts and prices of energy available for dispatch. The smallest increment of energy that may be specified in an Offer Curve shall be one megawatt per hour. To the extent that a Market Participant does not submit a new Offer Curve for a Resource identified in that Market Participant's Resource Plan as available for dispatch by the Transmission Provider, the Transmission Provider shall utilize the last valid Offer Curve submitted for the purposes of Resource dispatch.

(b) If a Market Participant is determined to have an Offer Capped Resource pursuant to Section 3.2.2 of Attachment AF to this Tariff, then the provisions of Section 3.2.4 of Attachment AF to this Tariff shall apply to that Resource's submitted Offer Curves.

(c) A Market Participant's Offer Curve is submitted with up to ten monotonically increasing pairs of MWh and price. The Offer Curve will include the following components:

- Date
- Hour Ending
- Resource
- Megawatts
- Price/MWh

~~Offer Curves shall be submitted in accordance with the data formats and submittal procedures specified in the Market Protocols.~~

# Exhibit III

(k) At the time of registration, the Market Participant that registers a demand response Resource shall notify the Transmission Provider whether it intends to use the calculated real-time response methodology in accordance with Section 1.2.9.1 of this Attachment AE or the submitted real-time response methodology in accordance with Section 1.2.9.2 of this Attachment AE.

(l) In the event a Market Participant registers a demand response Resource with SPP and indicates its intent to utilize the calculated real-time response methodology defined in Section 1.2.9.1 of this Attachment AE, the Market Participant will certify that the methodology is consistent with the retail tariff or agreement under which the load is purchasing energy from its retail provider, and SPP will notify the applicable retail provider and the relevant electric retail regulatory authority of the registration and the expected level of participation.

Any entity performing the meter agent function for a Market Participant must execute the Meter Agent Agreement specified in Attachment AM prior to performing such function.

**1.2.9 Calculation of Real-Time Controllable Load from Demand Response Resources**

1.2.9.1 Calculated Real-Time Response Methodology

(a) Controllable Load response provided by a demand response Resource is calculated by SPP as the difference between:

(1) the lesser of the real-time consumption of the Controllable Load associated with the demand response Resource in the Dispatch Interval immediately preceding initial deployment of the demand response Resource or the hourly baseline for the hour, and

(2) the real-time value of the associated Controllable Load received via ICCP, whenever the demand response Resource's dispatch instruction is greater than zero (0).

(b) The Market Participant must submit an hourly baseline for the Controllable Load indicating the level of energy consumption expected at that location in MWh if the demand response Resource is not dispatched. The baseline must cover, at a minimum, all hours the Resource is submitted as available in the Resource Plan plus one hour before and one hour following. This baseline must be submitted by 11:00 am CST on the day prior to the operating day and may be updated up to 45 minutes in advance of the operating hour.

(c) If there have been deviations in hourly integrated metered load from the hourly baseline during periods when the Resource was not dispatched, the hourly baseline will be adjusted as follows by SPP prior to the calculation of the Controllable Load response. If the average of the hourly integrated Controllable Load for the hours in the last 30 calendar days when the Resource was not dispatched is less than the average hourly baseline during those hours by more than 5%, the hourly baseline will be reduced by the average difference between the actual and the baseline during the same hours. SPP will perform this assessment each day and notify the Market Participant of any adjustment.

1.2.9.2 Submitted Real-Time Response Methodology

Under the submitted real-time response methodology, the Controllable Load response provided by the demand response Resource is sent directly to SPP via ICCP. The submitted real-time response methodology is only allowed for demand response Resources that are utilizing strictly Behind The Meter Generation to provide the response or demand response Resources where the Market Participant is offering the demand response Resource under a retail tariff provision that includes near real-time measurement and verification terms.

1.2.9.3 Prohibited Demand Response Resource Market Settlements

Settlements pursuant to Section 5 shall be limited to demand reductions executed in response to dispatch instructions in the EIS Market. Demand reductions where the timing of the demand reduction did not change in direct response to a dispatch instruction for the EIS Market shall not be eligible for settlement pursuant to Section 5. In the case where the Controllable Load's demand reduction is not due to a dispatch instruction, the Resource will indicate its production as zero MWhs.

**1.2.10 Aggregation of Controllable Load as a Resource**

For purposes of participation in the SPP EIS Market, an ARC may aggregate Controllable Load of: (1) end-use retail customers of utilities that distributed more than 4 million MWh in the previous fiscal year, unless precluded by the laws or regulations of the relevant electric retail regulatory authority including state-approved retail tariff(s); and (2) end-use retail customers of utilities that distributed 4 million MWh or less in the previous fiscal year, where the relevant electric retail regulatory authority, including any state-approved retail tariff(s), affirmatively permits such customer's demand response to be bid into the SPP EIS Market by an ARC. An ARC wishing to offer Controllable Load in the EIS Market must execute all agreements necessary to become a Market

Participant and to participate in the EIS Market under the SPP Tariff and Attachment AE. ARCs shall be treated comparably to other Market Participants offering Resources in the EIS Market.

Aggregations pursuant to this section shall be subject to the following requirements:

(a) End-use customers aggregated into a single Resource must be located at the same electrically equivalent withdrawal point from the Transmission System and must be served by the same retail provider; and

(b) All end-use customers in an aggregation shall be specifically identified.

(c) For demand response of an ARC that chooses to measure demand reductions using the calculated real-time response methodology, a single hourly baseline for each registered Resource shall be used to determine settlements pursuant to Section 5.

**1.3 Transmission Provider Obligations**

**1.3.1 Market Protocols**

The Transmission Provider shall prepare, maintain and update the Market Protocols consistent with this Tariff. The Market Protocols shall be posted on the SPP website.

**1.3.2 Scheduling and Dispatch**

The Transmission Provider shall evaluate Resource Plans submitted by Market Participants during the Day-Ahead Period and the Hour-Ahead Period in accordance with Sections 2 and 3 of this Attachment.

within a Settlement Area associated with profiled data and interval meter data shall be calculated based upon an 80% weighting factor for profiled data and a 20% weighting factor for interval metered data. The load weighted allocation factors shall be calculated as follows:

(i) The profiled data allocation factor (PDAF) for the Settlement Area shall be:

PDAF = (.80 x total profiled load in Settlement Area) divided by; ((.80 x total profiled load in Settlement Area) + (.20 x total interval load in Settlement Area)); and

(ii) The interval data allocation factor (IDAF) for the Settlement Area shall be equal to (1 – PDAF);

(b) A Market Participant's Imbalance Energy for each generation Resource at each Settlement Location shall be equal to the difference between that Market Participant's actual net generation for that Resource at that Settlement Location and that Market Participant's Scheduled Generation for that Resource at that Settlement Location.

(c) A Market Participant's Imbalance Energy for each demand response Resource at each Settlement Location shall be equal to the difference between that Market Participant's production quantity for the demand response Resource and that Market Participant's scheduled output for that Resource at that Settlement Location.

i) For demand response Resources that are using the calculated real-time response methodology, the production quantity, whenever the demand response Resource's Deployment Instruction is greater than 0 (zero) MW for any interval within the hour, will be determined by subtracting the hourly integrated consumption of the associated Controllable Load of the demand response Resource from the lesser of 1) the real-time consumption of the Controllable

Load associated with the demand response Resource in the dispatch interval immediately preceding initial deployment of the demand response Resource and 2) the hourly baseline for the hour.

(1) Demand Response Resource's Production Quantity = Lesser of (hourly baseline or Controllable $\text{Load}_{\text{PreDeployment}}$) – Hourly Controllable Load.

(2) Controllable $\text{Load}_{\text{PreDeployment}}$ is the MW demand at the demand response Resource's node for the deployment interval immediately prior to the start of deployment of the demand response Resource.

(3) Hourly Controllable Load is the MW demand of the demand response Resource node for those deployment intervals that SPP deploys the demand response Resource

(d) For those demand response Resources using a submitted real-time response methodology, the demand response Resource settlement quantity will be directly submitted by the Meter Agent of the demand response Resource.

(e) The Reported Load of a Settlement Location that includes a Controllable Load will be adjusted up by the amount of the demand response Resource production quantity. Under the calculated real-time response methodology, SPP will perform this function. Under the submitted real-time response methodology, the Meter Agent will perform this function.

(f) A Market Participant's Imbalance Energy for each load at each Settlement Location shall be equal to the difference between that Market Participant's Reported Load at that Settlement Location and that Market Participant's Scheduled Load at that Settlement Location.

# Exhibit IV

(k) At the time of registration, the Market Participant that registers a demand response Resource shall notify the Transmission Provider whether it intends to use the calculated real-time response methodology in accordance with Section 1.2.9.1 of this Attachment AE or the submitted real-time response methodology in accordance with Section 1.2.9.2 of this Attachment AE.

(l) In the event a Market Participant registers a demand response Resource with SPP and indicates its intent to utilize the calculated real-time response methodology defined in Section 1.2.9.1 of this Attachment AE, the Market Participant will certify that the methodology is consistent with the retail tariff or agreement under which the load is purchasing energy from its retail provider, and SPP will notify the applicable retail provider and the relevant electric retail regulatory authority of the registration and the expected level of participation.

Any entity performing the meter agent function for a Market Participant must execute the Meter Agent Agreement specified in Attachment AM prior to performing such function.

**1.2.9 Calculation of Real-Time Controllable Load from Demand Response Resources**

~~The demand response provided by the Variable Demand Response Resource is sent directly to the Transmission Provider. This value will represent the actual net generation.~~

1.2.9.1 Calculated Real-Time Response Methodology

(a) Controllable Load response provided by a demand response Resource is calculated by SPP as the difference between:

(1) the lesser of the real-time consumption of the Controllable Load associated with the demand response Resource in the Dispatch Interval immediately preceding initial deployment of the demand response Resource or the hourly baseline for the hour, and

(2) the real-time value of the associated Controllable Load received via ICCP, whenever the demand response Resource's dispatch instruction is greater than zero (0).

(b) The Market Participant must submit an hourly baseline for the Controllable Load indicating the level of energy consumption expected at that location in MWh if the demand response Resource is not dispatched. The baseline must cover, at a minimum, all hours the Resource is submitted as available in the Resource Plan plus one hour before and one hour following. This baseline must be submitted by 11:00 am CST on the day prior to the operating day and may be updated up to 45 minutes in advance of the operating hour.

(c) If there have been deviations in hourly integrated metered load from the hourly baseline during periods when the Resource was not dispatched, the hourly baseline will be adjusted as follows by SPP prior to the calculation of the Controllable Load response. If the average of the hourly integrated Controllable Load for the hours in the last 30 calendar days when the Resource was not dispatched is less than the average hourly baseline during those hours by more than 5%, the hourly baseline will be reduced by the average difference between the actual and the baseline during the same hours. SPP will perform this assessment each day and notify the Market Participant of any adjustment.

1.2.9.2 Submitted Real-Time Response Methodology

Under the submitted real-time response methodology, the Controllable Load response provided by the demand response Resource is sent directly to SPP via ICCP. The submitted real-time response methodology is only allowed for demand response Resources that are utilizing strictly Behind The Meter Generation to provide the response or demand response Resources where the Market Participant is offering the demand response Resource under a retail tariff provision that includes near real-time measurement and verification terms.

1.2.9.3 Prohibited Demand Response Resource Market Settlements

Settlements pursuant to Section 5 shall be limited to demand reductions executed in response to dispatch instructions in the EIS Market. Demand reductions where the timing of the demand reduction did not change in direct response to a dispatch instruction for the EIS Market shall not be eligible for settlement pursuant to Section 5. In the case where the Controllable Load's demand reduction is not due to a dispatch instruction, the Resource will indicate its production as zero MWhs.

**1.2.10 Aggregation of Controllable Load as a Resource**

*For purposes of participation in the SPP EIS Market, an ARC* may aggregate Controllable Load of: *(1)* end-use retail customers *of utilities that distributed more than 4 million MWh in the previous fiscal year,* unless precluded by the laws or regulations of the relevant electric retail regulatory authority including state-approved retail tariff(s); *and (2) end-use retail customers of utilities that distributed 4 million MWh or less in the previous fiscal year, where the relevant electric retail regulatory authority, including any state-approved retail tariff(s), affirmatively permits such customer's demand response to be bid into the SPP EIS Market by an ARC.* An ARC wishing to offer Controllable Load in the EIS Market must execute all agreements necessary to become a Market

Participant and to participate in the EIS Market under the SPP Tariff and Attachment AE. ARCs shall be treated comparably to other Market Participants offering Resources in the EIS Market.

Aggregations pursuant to this section shall be subject to the following requirements:

(a) End-use customers aggregated into a single Resource must be located at the same electrically equivalent withdrawal point from the Transmission System and must be served by the same retail provider; and

(b) All end-use customers in an aggregation shall be specifically identified.

(c) For demand response of an ARC that chooses to measure demand reductions using the calculated real-time response methodology, a single hourly baseline for each registered Resource shall be used to determine settlements pursuant to Section 5.

**1.3 Transmission Provider Obligations**

**1.3.1 Market Protocols**

The Transmission Provider shall prepare, maintain and update the Market Protocols consistent with this Tariff. The Market Protocols shall be posted on the SPP website.

**1.3.2 Scheduling and Dispatch**

The Transmission Provider shall evaluate Resource Plans submitted by Market Participants during the Day-Ahead Period and the Hour-Ahead Period in accordance with Sections 2 and 3 of this Attachment.

within a Settlement Area associated with profiled data and interval meter data shall be calculated based upon an 80% weighting factor for profiled data and a 20% weighting factor for interval metered data. The load weighted allocation factors shall be calculated as follows:

(i) The profiled data allocation factor (PDAF) for the Settlement Area shall be:

PDAF = (.80 x total profiled load in Settlement Area) divided by; ((.80 x total profiled load in Settlement Area) + (.20 x total interval load in Settlement Area)); and

(ii) The interval data allocation factor (IDAF) for the Settlement Area shall be equal to (1 – PDAF);

(b) A Market Participant's Imbalance Energy for each generation Resource at each Settlement Location shall be equal to the difference between that Market Participant's actual net generation for that Resource at that Settlement Location and that Market Participant's Scheduled Generation for that Resource at that Settlement Location.

(c) A Market Participant's Imbalance Energy for each demand response Resource at each Settlement Location shall be equal to the difference between that Market Participant's production quantity for the demand response Resource and that Market Participant's scheduled output for that Resource at that Settlement Location.

i) For demand response Resources that are using the calculated real-time response methodology, the production quantity, whenever the demand response Resource's Deployment Instruction is greater than 0 (zero) MW for any interval within the hour, will be determined by subtracting the hourly integrated consumption of the associated Controllable Load of the demand response Resource from the lesser of 1) the real-time consumption of the Controllable

Load associated with the demand response Resource in the dispatch interval immediately preceding initial deployment of the demand response Resource and 2) the hourly baseline for the hour.

(1) Demand Response Resource's Production Quantity = Lesser of (hourly baseline or Controllable $\text{Load}_{\text{PreDeployment}}$) – Hourly Controllable Load.

(2) Controllable $\text{Load}_{\text{PreDeployment}}$ is the MW demand at the demand response Resource's node for the deployment interval immediately prior to the start of deployment of the demand response Resource.

(3) Hourly Controllable Load is the MW demand of the demand response Resource node for those deployment intervals that SPP deploys the demand response Resource

(d) For those demand response Resources using a submitted real-time response methodology, the demand response Resource settlement quantity will be directly submitted by the Meter Agent of the demand response Resource.

(e) The Reported Load of a Settlement Location that includes a Controllable Load will be adjusted up by the amount of the demand response Resource production quantity. Under the calculated real-time response methodology, SPP will perform this function. Under the submitted real-time response methodology, the Meter Agent will perform this function.

(f~~e~~) A Market Participant's Imbalance Energy for each load at each Settlement Location shall be equal to the difference between that Market Participant's Reported Load at that Settlement Location and that Market Participant's Scheduled Load at that Settlement Location.

# Exhibit V

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**CERTIFICATE OF SERVICE**

I hereby certify that I have this day served the foregoing document upon each person designated on the official service list compiled by the Secretary in this proceeding.

Dated at Washington, D.C., this 19th day of May, 2010.

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