UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

Southwest Power Pool, Inc.	)))	Docket Nos. ER15-2377-000

COMMENTS OF THE ELECTRIC POWER SUPPLY ASSOCIATION

Pursuant to Rule 212 of the Rules of Practice and Procedure of the Federal Energy Regulatory Commission ("FERC" or the "Commission"), 18 C.F.R. § 385.212 (2014), the Electric Power Supply Association ("EPSA")[1] respectfully submits these comments regarding the August 4, 2015 filing by Southwest Power Pool, Inc. ("SPP") in the above-captioned proceeding.[2] In this proceeding, SPP filed its proposed revisions to its Open Access Transmission, Energy and Operating Reserve Markets Tariff ("Tariff") changing the time for which results of SPP's Day-Ahead Energy Market and reliability unit commitment processes will be posted and the justifications for the limited proposed changes. SPP requested that the Commission accept the Tariff revisions submitted in this filing by October 5, 2015, to be effective October 1, 2016.

[1] EPSA is the national trade association representing competitive power suppliers, including generators and marketers. Competitive suppliers, which collectively account for 40 percent of the installed generating capacity in the United States, provide reliable and competitively priced electricity from environmentally responsible facilities serving power markets. EPSA seeks to bring the benefits of competition to all power customers. The comments contained in this filing represent the position of EPSA as an organization, but not necessarily the views of any particular member with respect to any issue. EPSA filed a timely doc-less Motion to Intervene in this proceeding on August 7, 2015.

[2] *Southwest Power Pool, Inc.,* Docket Nos. ER15-2377-000 and EL14-27-000 (filed August 4, 2015) ("SPP Compliance Filing").

I. BACKGROUND

On March 20, 2014, the Commission issued three Orders proposing interrelated action to address natural gas and electric industry coordination issues. One order was a Notice of Proposed Rulemaking ("NOPR") to amend the Commission regulations relating to the scheduling and of transportation service on interstate natural gas pipelines.[3] The NOPR proposed to start the first Day-Ahead gas nomination opportunity for pipeline scheduling, the Timely Nomination Cycle, at 1:00 p.m. Central Time ("CT") to allow electric utilities to finalize their Day-Ahead energy market scheduling before natural gas-fired resources make gas purchases and submit nomination requests for natural gas transportation service to gas pipelines. The second order initiated proceedings pursuant to Section 206 of the Federal Power Act ("FPA") to ensure that organized market system operators implement changes to their Day-Ahead energy market and reliability unit commitment processes.[4] The third order initiated a show cause proceeding pursuant to the Natural Gas Act ("NGA") to require natural gas pipelines to provide a place on their internet websites for customers to post offers to purchase and sell released pipeline capacity.[5]

After the Commission issued the final rule in Order No. 809 on April 16, 2015, SPP utilized its Gas Electric Coordination Task Force, formed in 2012, to work with its stakeholders to evaluate opportunities to improve reliability and economic efficiency given the Order No. 809 revised gas scheduling timelines and existing gas day. That

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3 *Coordination of the Scheduling Processes of Interstate Natural Gas Pipelines and Public Utilities*, 151 FERC ¶ 61,049 (2015), Docket No. RM14-2-000 ("Order 809").

4 *Order Initiating Investigation into ISO and RTO Scheduling Practices and Establishing Paper Hearing Procedures*, 146 FERC ¶ 61,202 (2014), Docket No. EL14-25-000, *et al.* ("FPA 206 Order").

5 *Posting of Offers to Purchase Capacity, Order to Show Cause*, 146 FERC ¶ 61,202 (2014).

process identified that benefits could be achieved by adjusting the Day-Ahead Market and Day-Ahead Reliability Unit Commitment ("RUC") posting times in advance of the start of the natural gas pipeline Evening Nomination Cycle. SPP asserts that this timing will be adequate for gas-fired generators to procure gas and meet their commitments for the following day. Further SPP contends that additional revisions to its tariff to move the posting of the Day-Ahead Market results ahead of the start of the Evening Nomination Cycle are necessary.

SPP stakeholders determined that there may not be sufficient benefit from moving its Day-Ahead scheduling process to occur before the revised natural gas pipeline Timely Nomination Cycle, as certain stakeholders stated that making such changes "is not necessary to facilitate procurement of natural gas to ensure reliability of the electric transmission system, and doing so presents additional costs and the unintended consequences of limiting sufficient price formation in the Day-Ahead Market."[6] SPP relied on those stakeholder determinations, contending that these identified concerns and market participants' lack of experience with the Day-Ahead Market are sufficient to show cause that SPP should not be required to change its Day-Ahead energy market schedule in order to post its Day-Ahead schedule in advance of the pipeline Timely Nomination Cycle. Rather, it proposes to adjust its schedule to ensure that Day-Ahead Market and Day-Ahead RUC posting times precede the start of the natural gas pipeline Evening Nomination Cycle.

6 SPP Compliance Filing, p. 13.

II. COMMENTS

EPSA and its members participated in the North American Energy Standards Board ("NAESB") process that looked at the natural gas pipeline industry's nomination and scheduling process, which was accepted in large part in the Commission's Order No. 809. EPSA members also were active in the SPP stakeholder process in this proceeding in which SPP and its stakeholders examined its Day-Ahead energy market bidding and commitment schedule to see if conforming changes are necessary to achieve sufficient and important benefits based on the changes required of the gas industry.

As an initial matter EPSA believes that SPP stakeholders and in turn SPP took a conservative and likely overly limited or narrow approach to potential schedule changes. While there can be some reluctance to consider tariff changes which require corresponding information technology and system changes, this concern may have been weighed too heavily by SPP and certain stakeholders. Given the minimal nature of the changes proposed in the instant proceeding, it is questionable if the benefits of this narrow proposal will indeed outweigh the costs or resources. While responding to the spirit of FERC's order for conforming changes, this limited filing does not meet the intent directed by FERC to revise the Day-Ahead process sufficiently in order to benefit electric and gas markets and in turn consumers going forward.

While SPP shortened its clearing window (the time required between the submission deadline for bids/offers from resources and publication of the results by the operator) from 5 hours to 4.5 hours, it still has the longest clearing window of any of the organized markets, several of which further shortened theirs in order to better meet the natural gas pipeline scheduling timeline. (e.g., PJM has shortened its window for clearing the market from four hours to three hours).[7] SPP's revised process remains overly conservative, resulting in limited changes that only benefit offers for the pipelines' Evening Nomination Cycle and do not provide any such opportunities for the pipelines' Timely Nomination Cycle. Natural gas-fired generators may require a conforming opportunity for the pipelines' Timely Nomination Cycle. SPP contends that keeping the close of the Day-Ahead market no later than 9:30 a.m. CT allows sufficient time for price discovery during the most liquid trading period for natural gas. While EPSA agrees that allowing for natural gas procurement during this liquid period of the day is important for natural gas-fired generation, a more specific and clear showing must be made that such a benefit outweighs gas users' ability to nominate for pipeline capacity during the revised Timely Nomination Cycle. If there are indeed benefits that outweigh costs, such a showing must be clearly and definitively made by SPP before any proposed revisions are approved by the Commission.

The Commission's directive is very clear that all ISOs/RTOs must adjust the posting time for the Day-Ahead market in advance of the Timely Nomination Cycle or must show cause why such a change is not required. SPP fails to meet this directive by providing little justification for its refusal to change for the Timely Nomination Cycle.

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[7] *Midcontinent Independent System Operator, Inc*., Docket Nos. ER15-2256-000 and EL14-25-000 (filed July 23, 2015).

PJM Interconnection, L.L.C., Docket No. ER15-2260-000, 001 and EL14-24-000, "Compliance Filing Revising Certain Deadlines of the Day-Ahead Energy Market and Reliability Assessment Commitment in the PJM Open Access Tariff and Operating Agreement," (filed July 23, 2015; amendment filed August 7, 2015).

SPP relies on the statement that they have not experienced the same gas challenges as the eastern markets and, as a result, no changes are necessary. SPP states,

> ….SPP does not currently face many of the same issues that exist in some of the other regions regarding natural gas-fired generators' ability to procure sufficient quantities and capacity for transport of natural gas. As several parties explained in their comments in response to the Gas-Electric NOPR, many of the problems involving gas-electric coordination that the Commission addressed in Order No. 809 and the RTO/ISO Order exist primarily in the northeast, where there has historically been a lack of sufficient quantities of natural gas and sufficient capacity to transport the gas.[8]

EPSA understood the directive from FERC to all RTO/ISOs to be clear. Notably, the revisions required of the gas industry are national in scope; while each ISO/RTO may have different specific schedules, conforming changes to address the gas industry issues are required from each ISO/RTO in order to improve the coordination of and interaction between these two interdependent industries. EPSA believes that SPP is not an outlier, and therefore should be required to meet this Commission directive. SPP has not sufficiently shown or demonstrated why it has not met the directive in its compliance filing.

While SPP market participants may have been able to largely avoid gas liquidity problems in the past, circumstances can change and each ISO/RTO should have market rules and protocols in place that protect against the risk of unexpected gas constraints while ensuring reliability and efficient coordination of the electric and natural gas industries. In the least, SPP should be able to further condense its clearing window to three hours or less without jeopardizing its forecasting. Moreover, the Commission should direct SPP to develop a schedule to allow market participants to know their

[8] SPP Compliance filing, p. 13.

dispatch awards prior to the natural gas pipeline Timely Nomination Cycle deadline. Such deadlines would be particularly helpful to generators during the winter months when the pipelines often operate under conservative balancing rules. Therefore, the Commission should direct SPP to revise their compliance filing to meet the Commission's mandate.

III. CONCLUSION

WHEREFORE, for the foregoing reasons, EPSA respectfully requests that the Commission consider these comments in developing its Order on the SPP Compliance Filing.

Respectfully submitted,

/s/ Nancy Bagot

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Dated: August 25, 2015

CERTIFICATE OF SERVICE

I hereby certify that I have served a copy of the comments via email upon each person designated on the official service list compiled by the Secretary in this proceeding.

Dated at Washington, D.C., August 25, 2014.

/s/ Nancy Bagot

Nancy Bagot, VP of Regulatory Affairs