

TO: State-Provincial Steering Committee
Grid Utilization Work Group

FROM: Steve Oxley, GUWG Chair
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SUBJECT: **Takeaways from visit to SPP on Efficient Dispatch Toolkit**

Last Wednesday and Thursday, we joined a contingent of Western companies, BPA and WECC in a visit to the Southwest Power Pool (SPP) to better understand the operation and issues surrounding SPP's Energy Imbalance Service (renamed in the Western Interconnection as the Efficient Dispatch Toolkit). BPA organized the trip which included BAs and other industry representatives from the Northwest, Southwest and Rockies. We met with the SPP staff and separately with companies within SPP.

Below are our takeaways from the meeting and further background.

Takeaways

- There is widespread support of the Energy Imbalance Service (EIS) among both public power and IOUs within SPP.
- Public power participants did not view participation in a regional tariff filed with FERC as a show stopping threat to their independence. However, the Southwest Power Administration, which is within the SPP region, determined it was unable to participate in the EIS market because of limitations in federal law. BPA is examining if there are any legal limits on its participation in an EIS-type market.
- SPP had a regional tariff and reserve sharing in place and was already an RTO before implementing the EIS market. These are major differences between the SPP and the WECC that limit the direct translation of the SPP experience to WECC.
- For participants in the EIS market, all resources must be evaluated by and settled with the SPP. All energy dispatch across the EIS market is done through the SPP; however, only energy imbalance transactions settle with the EIS.
- Originally, participants in the EIS market offered limited resources into the market, however, as the understanding of the EIS has grown, market participants are offering more than 90% of their generation within SPP into the EIS market.
- A regional tariff will likely be needed to implement the EDT. The scope of such a tariff in the Western Interconnection is not clear. (Note that WestConnect has filed a regional tariff with FERC to implement its Regional Transmission Service Pricing Experiment).
- SPP reported increased efficiency and better utilization of transmission resources by scheduling based on flowgates. In the Western Interconnection, moving from a contract path method of scheduling transmission to one based on flowgates may improve the efficiency of the EDT. However, it is not clear that revamping scheduling is a requisite to implementing an EDT.

- SPP's philosophy has been to make incremental (rather than revolutionary) changes. Having implemented the EIS in 2007, SPP is now working on a day-ahead and two day-ahead market and potential BA consolidation. Dynamic scheduling between BAs has disappeared in favor of participating in the EIS.
- One issue that needs to be evaluated is the technical feasibility and cost implications of implementing an EDT on a sub-regional (e.g., Northwest, Southwest) basis.
- The EIS is designed to leave no entity worse off financially than it would have been had it not participated in the EIS and chosen to contract bilaterally. One of the attractions of EIS noted by some participants is that the market has left them better off financially.
- Some market participants with variable generation have seen great benefit because they can leave these sources on the grid while limiting the up and down ramps of their dispatchable resources. Some participants commented that the EIS market has enabled more wind energy to move on the grid.
- SPP believes that economic and reliability issues are linked. For example, by running its EIS market, the SPP reliability coordinators have better information in dealing with transmission congestion than do WECC reliability coordinators.
- SPP made a standing invitation for interested regulators and others to attend meetings of the various SPP committees. They specifically noted the Regional State Committee, consisting of state utility regulators from Arkansas, Kansas, Missouri, Nebraska, New Mexico, Oklahoma, and Texas as a matter of interest.
- SPP is quite transparent. You can view information and documents concerning its governance, committees and work groups at <http://www.spp.org/section.asp?pageID=2>

Background

In April, WECC's Market Interface Committee (MIC) proposed to the WECC Board a cost/benefit study of a seams coordination toolkit and Energy Imbalance Service. Prior to the proposal to the WECC Board, the SPSC and the Western Interconnection Regional Advisory Body urged the WECC Board to [i] approve funding for the study; [ii] create a high-level oversight committee of states/provinces, representatives of the CEOs of Balancing Authorities and WECC Board members; and [iii] establish a technical committee that includes state/provincial representatives to oversee the technical aspects of the study. The SPSC and WIRAB also agreed to contribute \$25,000 each to the \$450,000 study.

On April 30, the WECC Board approved the MIC proposal and created a steering committee comprised of WECC Board members, the chair of the MIC and Doug Larson representing states/provinces. (This is a different composition than proposed by the SPSC and WIRAB.) The WECC Board will make a final decision on the funding for the study when it acts on its proposed 2011 budget later this month. The WECC EDT Steering Committee has met twice by conference call. WECC has hired two consultants to assist in scoping the cost/benefit study of an Efficient Dispatch Toolkit. As part of its scope, the Steering Committee will conduct outreach on the EDT. The breadth and depth of this outreach remains to be seen.

On a different track, in March the CEOs of BAs in the Northwest met to discuss the EIS. As a result of that meeting, BPA is studying its legal limits on governance issues associated with BPA participation in an Energy Imbalance Service. BPA also took the initiative to organize a

trip to visit SPP to better understand its Energy Imbalance Service and invited state/provincial reps to join the trip. Commissioners Steve Oxley and Ric Campbell attended along with Doug Larson and Victoria Ravenscroft from WIEB staff.

Next steps

1. Staff will continue to participate in the WECC EDT Steering Committee and the Grid Utilization Work Group and will continue to report developments to the SPSC members.
2. When WECC staff develops information on whether and how it intends to reach out to BAs and states/provinces, staff will share that information with you so that the SPSC can determine if the WECC approach substantially comports with the SPSC actions on April 23.
3. Staff will continue to conduct outreach and provide information on the EDT to states and provinces.
4. Staff is creating a web site that will include information from the trip to SPP, work of the WECC EDT Steering Committee and other relevant information.