BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of an Investigation into the Coordination of State and Federal Regulatory Policies for Facilitating the Deployment of all Cost-Effective Demand-Side Savings to Electric Customers of All Classes Consistent With the Public Interest	))))))	File No. EW-2010-0187

INFORMATIONAL FILING OF
SOUTHWEST POWER POOL, INC.

Southwest Power Pool, Inc. ("SPP") appreciates the efforts of the Missouri Public Service Commission Staff ("Staff") on this matter. SPP supports the participation of demand response resources in the SPP markets, provided that they are treated comparably to generation resources and that the market sets the correct pricing signals. Finally, SPP appreciates this opportunity to update the Staff on what it is doing to facilitate the participation of demand response resources in its market.

1. SPP has made two previous informational filings, dated February 8, 2010 and June 8, 2010, each providing a status of SPP's efforts to comply with the Federal Energy Regulatory Commission's ("FERC's") Order Nos. 719 and 719-A.[1] The latter filing provided, among other things, a copy of SPP's compliance filing at FERC in Docket Nos. ER09-1050 and ER09-748, dated May 19, 2010 ("May 19 Compliance Filing"). With respect to compensation made to demand response load aggregators, the May 19 Compliance Filing explained that,

> 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

[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).

> 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.

See May 19 Compliance Filing, p. 20. The May 19 Compliance Filing made the following point regarding the issue of reconstituting load:

> 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." 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." 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 EIS Market.

Id. at 26.

2. On March 15, 2011, the FERC issued Order No. 745 in Docket No. RM10-17.[2] Among other things, the order directed that the demand response resource must be compensated for the service it provides to the energy market a the market price of energy, which is the locational marginal price ("LMP") when: (i) a demand response resource participating in an organized wholesale energy market has the capability to balance supply and demand as an alternative to a generation resource, and (ii) when dispatch of that demand response resource is cost-effective as determined by a net benefits test.. To implement this directive, the order specified that RTOs

[2] *Demand Response Compensation in Organized Wholesale Energy Markets*, Order No. 745, FERC Stats. & Regs. ¶ 31,322 (2011).

and ISOs must make compliance filings describing the net benefits test, measurement and verification explanation and proposed changes, and cost allocation mechanisms or attempt to show, in whole or in part, how its existing practices are consistent with or superior to the requirements by July 22, 2011. Finally, the order directed RTOs and ISOs to conduct studies assessing a dynamic approach to the net benefits test and file their results by September 12, 2012.

3. The ISO RTO Council ("IRC") is on record as having concerns "that the FERC's proposed pricing methodology may create improper incentives because of a lack of coordination between wholesale market and retail rates." See Comments of ISO RTO Council in FERC Docket Nos. RM10-17, EL09-68, dated May 13, 2010.

4. Although the IRC's concern remains, SPP's initial assessment of its May 19 Compliance Filing is that it is compliant with Order No. 745 while also attempting to take into account the need to reconstitute retail load. The May 19 Compliance Filing requires demand response resources to provide equivalent capabilities to generators. It sets compensation for demand response resources at the LMP, which is comparable to the compensation given to generation resources, providing for a robust and vibrant market, as directed in Order No. 745. And, as discussed above, it also recognizes the need to reconstitute retail load.

5. SPP is currently developing its Integrated Marketplace which consists of a day-ahead energy market and a market for operating reserves. Demand response resources will be treated comparably in each of the markets provided they supply equivalent capabilities. The May 19 Compliance Filing explains the methodology used by SPP to pay the full locational imbalance price (LIP) to all demand response resources in the SPP Energy Imbalance Service Market with a view to be workable in the fully integrated market under development. Once the Integrated

Marketplace is operational, SPP anticipates that there will be no further barriers to participation of demand response resources from the SPP market perspective; however impediments may exist on the state retail level.

6. As of the date of this filing, FERC has not acted on the May 19 Compliance Filing. In addition, SPP must make a compliance filing on July 22nd of this year in compliance with Order No. 745. Due to the fact that the May 19 Compliance Filing is still pending before FERC, SPP does not deem it appropriate to suggest guiding recommendations.

7. SPP remains committed to its open and transparent stakeholder process and will continue to work with its stakeholders to ensure that any technological requirements for allowing demand response resources, including ARCs, in its Integrated Marketplace will be sufficiently addressed. SPP will remain engaged in the Staff's workshops on this matter. As new information becomes available, either as pertains to the May 19 Compliance Filing or Order No. 745, SPP will make such new information available to the Staff.

Once, again, SPP appreciates the efforts of the Staff on this matter and recognizes the uncertainty surrounding the May 19 Compliance Filing. SPP will remain involved and will assist the Staff as it may to be proactive.

Dated: April 30, 2011

Respectfully submitted,

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