

SPP RE Transition

Additional Information Regarding NERC's Proposed Transferee Regional Entities

December 15, 2017

On December 1, 2017, the North American Electric Reliability Corporation (NERC) [posted its proposed Regional Entity transfer](#) for each of the 122 Southwest Power Pool, Inc. Regional Entity (SPP RE) registered entities.¹ NERC now provides additional information regarding its proposed transfers.

Recognizing that the NERC Rules of Procedure (ROP) does not contain criteria for the allocation of multiple registered entity transfers in the event of a Regional Entity dissolution, NERC looked to, and was informed by, ROP Section 1208, which contains the criteria for considering registered entity requests to transfer to another Regional Entity.² As described in the December 1, 2017 posting, NERC reviewed each registered entity's transfer request and considered it pursuant to the criteria in ROP Section 1208, as well as other entity specific circumstances that could impact the decision for the recommended Regional Entity.³ Where NERC's recommendations differed from the registered entities' requests, NERC contacted the registered entities and explained its rationale for the recommendations. NERC also considered input from the Regional Entities. During its review, NERC remained committed to ensuring an effective and efficient transfer of SPP RE registered entities and providing for the reliable operation of the bulk power system (BPS).

NERC is extending the timeline for submission of comments until January 5, 2018, in order for entities to consider the additional information provided herein. Each comment must be submitted electronically to NERC.Registration@nerc.net. Registered entities are encouraged to reach out to NERC before the comment period closes with any questions. For further information, please contact Ryan Stewart at Ryan.Stewart@nerc.net.

¹ SPP RE multi-regional registered entity (MRRE) registrations outside of the SPP RE footprint will not be impacted by the proposed transfers.

² The NERC ROP is available at: http://www.nerc.com/FilingsOrders/us/RuleOfProcedureDL/NERC_ROP_Effective_20161031.pdf.

³ In approving Section 1208 of the NERC's Rules of Procedure, the Federal Energy Regulatory Commission (FERC) noted that "a registered entity does not have a right to choose the Regional Entity that will be its Compliance Enforcement Authority." *North American Electric Reliability Corp.*, 133 FERC ¶ 61,061 at P 72-75 (2010), *order denying reh'g*, 134 FERC ¶ 61,179 (2011). FERC further explained that any change to the boundary of a Regional Entity should not merely benefit an individual registered entity. 133 FERC ¶ 61,061 at P 72.

Review of SPP RE Registered Entity Transfer Requests

NERC received 122 registered entity transfer requests spanning five Regional Entities. Six registered entities expressed no preference for a transferee Regional Entity.

Region 1	Region 2	Region 3	Region 4	Region 5	Region 6	Region 7	No Preference
14	1	46	0	32	23	0	6
11%	1%	38%	0%	26%	19%	0%	5%

Following an initial review and analysis of the requests received, NERC found that granting all of the requests would neither result in effective and efficient administration of compliance and enforcement activities nor a cohesive functional alignment to support and promote BPS reliability and security.

When reviewing the requests NERC evaluated the following criteria:

- the location of the Registered Entity’s BPS facilities in relation to the geographic and electrical boundaries of the transferee Regional Entity; and
- the impact of the proposed transfer on other BPS owners, operators, and users, including affected Reliability Coordinators (RC), Balancing Authorities (BA), and Transmission Operators (TOP), as appropriate.

This evaluation resulted in NERC’s initial recommendations of proposed transferee Regional Entities for SPP RE registered entities. NERC has contacted the affected Regional Entities and requested they provide information on the following ROP Section 1208 criteria:

- the impact of the proposed transfer on the current and future staffing, resources, budgets and assessments to other Load-Serving Entities of the transferee Regional Entity;
- the sufficiency of the proposed transferee Regional Entity’s staffing and resources to perform compliance monitoring and enforcement activities with respect to the Registered Entity;
- the Registered Entity’s compliance history with SPP RE; and the manner in which pending compliance monitoring and enforcement matters concerning the Registered Entity would be transitioned from SPP RE to the transferee Regional Entity; and
- any other reasons NERC and the transferee Regional Entity consider relevant.

NERC expects to receive responses from the affected Regional Entities in mid-December. NERC will consider those responses, as well as responses to the posted transferee Regional Entities, and any other relevant information when making its final transferee Regional Entity recommendations to the NERC Board of Trustees.

NERC Initial Evaluation of Transferee Regional Entities

When evaluating the proposed transfer requests, consistent with ROP Section 1208, NERC considered two primary factors: (1) the location of the Registered Entity’s BPS facilities in relation to the geographic and electrical boundaries of the transferee Regional Entity; and (2) the impact of the proposed transfer on other BPS owners, operators, and users, including affected RCs, BAs, and TOPs, as appropriate.

The location of the registered entity’s BPS facilities in relation to the geographic and electrical boundaries of the transferee Regional Entity

Existing Regional Boundaries

NERC’s review of the SPP RE registered entity transfer requests began with the NERC US Regions Map.

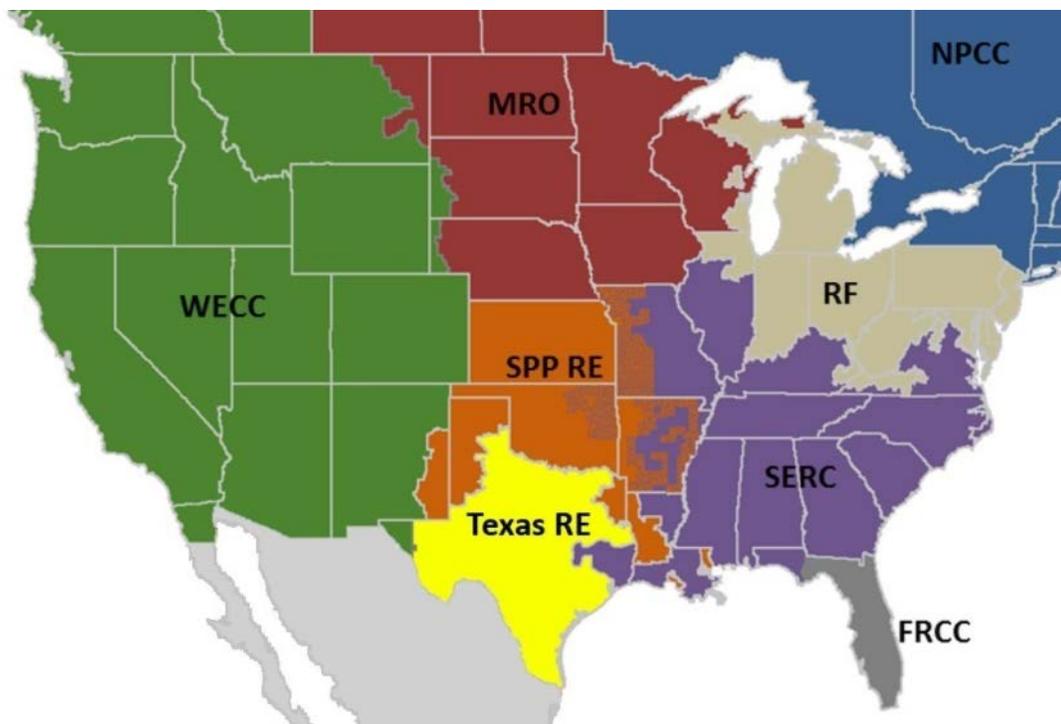


Figure 1: NERC Regions Map⁴

As shown in Figure 1, SPP RE has geographic boundaries with four existing Regional Entities: WECC, MRO, SERC, and Texas RE. The shading of two Regional Entities in the Arkansas and northeast Oklahoma geographic areas represents an overlap between Regional Entity footprints at their respective Regional Entity geographic borders.

⁴ The NERC Regions Map is available at: http://www.nerc.com/AboutNERC/keyplayers/PublishingImages/2017_NERC_Regions_May2017.jpg. Please note that Figure 1 represents the NERC Regional Entity footprints and does not represent the SPP RTO footprint.

Geographic and Electrical Boundary Analysis

As a starting point, NERC reviewed the existing electrical boundaries within the Eastern Interconnection that connect to the SPP RE geographic and electrical footprint (MRO and SERC). SPP RE has geographic and electrical boundaries with four Regional Entities: WECC, MRO, SERC, and Texas RE. However, two of these boundaries are in separate Interconnections (WECC and Texas RE) and were therefore not included in this analysis. Other Regional Entities that do not have geographic and electrical boundaries with SPP RE (FRCC, NPCC, and RF) were also not included in the analysis.

NERC commenced its analysis by reviewing the TOP areas in SPP RE. This review included an assessment of the geographic and electrical boundaries, including transmission corridors, between existing TOPs in SPP RE, MRO and SERC. Specifically, NERC reviewed the transmission system in Louisiana and the transmission corridors throughout SPP RE.

Transmission System in Louisiana

NERC reviewed the TOP registered entities located only in Louisiana, as shown in the shaded pink area in Figure 2. Based on their existing geographic and electrical boundaries, NERC recommended that those registered entities be transferred to SERC.

This recommendation includes the following TOPs:

- Cleco Corporate Holding, LLC
- Lafayette Utilities System



Figure 2: Louisiana Footprint

Transmission Corridors throughout SPP RE

NERC’s review of the transmission corridors consisted of the 345kV tie lines connecting to and spanning throughout the SPP RE electrical footprint. These transmission corridors and the number of 345kV tie lines for each are depicted in Figure 3.

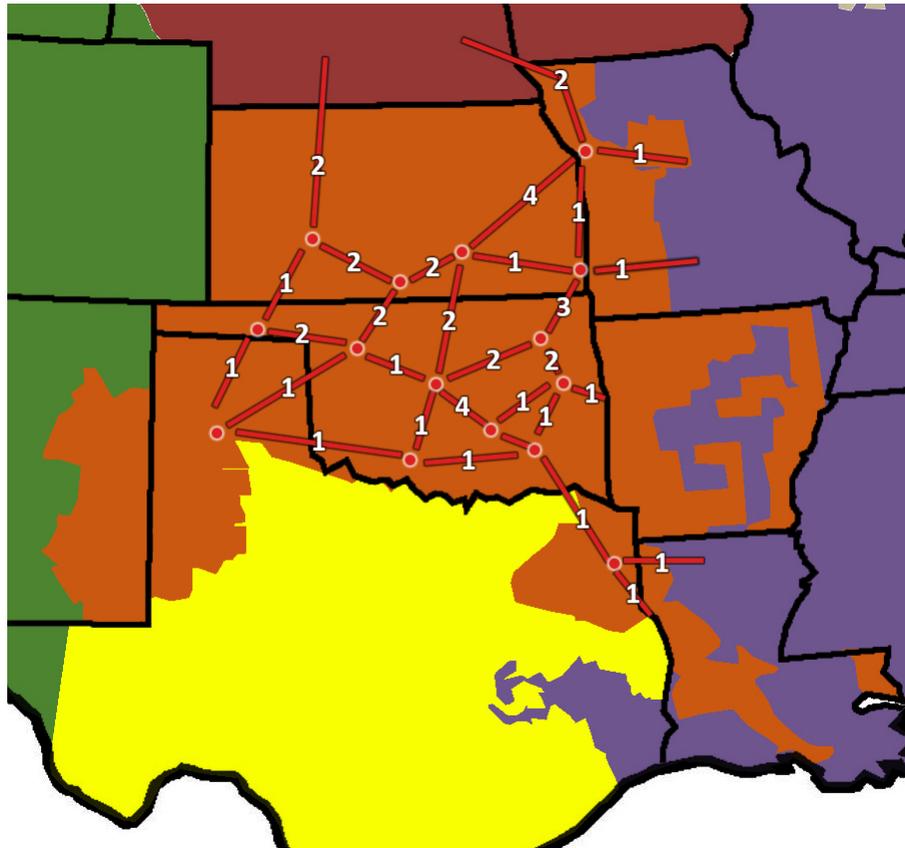


Figure 3: Transmission Corridors⁵

NERC reviewed TOPs that border MRO and the transmission corridors in central and western Kansas. As shown in Figure 4, there is a transmission corridor with two 345kV tie lines that crosses the Kansas / Nebraska border which is also the current border between SPP RE and MRO. This corridor connects the TOPs in central and western Kansas with MRO. NERC concluded that this connection supports transferring the TOPs in this area to MRO.

⁵ This diagram is intended to show a simplified representation of the 345kV transmission system in SPP RE and is for illustration purposes only. It is an approximation of the major transmission corridors and 345kV tie lines contained in SPP RE that is based on the Southwest Power Pool 2015 Transmission Grid map. The red dots on the map are electrical “nodes” used for illustration and do not represent actual transmission connections or substation locations. The red lines, and their numerical values, are transmission “corridors” showing the approximate number of 345kV tie lines in those corridors. Similarly, these corridors and tie line estimates are for illustration and should not be construed to represent defined transmission corridors.

NERC then reviewed the corridors between the TOP areas in eastern Kansas and the TOP areas in northwestern Missouri. As shown in Figure 6, there are two corridors that connect the TOP areas of eastern Kansas and northwestern Missouri. The first corridor has four 345kV tie lines and the second corridor has one 345kV tie line. Based on the multiple connections between these areas, NERC recommended that these TOPs be transferred to the same Regional Entity. To determine whether these TOPs should transfer to MRO or SERC, NERC reviewed applicable transmission corridors. NERC reviewed the corridor with two 345kV tie lines that connects to MRO as shown in Figure 6. In addition, NERC considered the corridor, as shown in Figure 5, between the western/central and eastern Kansas TOPs, which NERC had recommended be transferred to MRO. NERC also considered the one corridor with a 345kV tie line that connects these TOPs with SERC, as shown in Figure 6. NERC determined that there are more corridors connecting to MRO than there are to SERC. Therefore, NERC recommended that the eastern Kansas TOPs and northwest Missouri TOPs be transferred to MRO.

This recommendation includes the following TOPs:

- Westar Energy, Inc.
- Kansas City Power & Light Company
- Board of Public Utilities (Kansas City KS)



Figure 6: Transmission Corridors with TOPs in northwestern Missouri

NERC continued the analysis of the TOP areas in Oklahoma and Texas to determine whether these areas should transfer to MRO or SERC. As shown in Figure 7, there are four corridors with a total of eight 345kV tie lines across the border between Oklahoma and Kansas. In addition, NERC acknowledged that there are many corridors and 345kV tie lines that are meshed across the state of Oklahoma and into the Texas panhandle and northeast Texas. NERC concluded that the meshed configuration of the electrical network in this area supports all of the associated TOPs being transferred to the same Regional Entity. In comparison,

there is one corridor with a single 345kV tie line across the border between Oklahoma and Arkansas that connects with a SERC TOP. Based on the analysis of corridors to Kansas, and the meshed network, NERC recommended transferring these TOPs to MRO.

This recommendation includes the following TOPs:

- American Electric Power Corp. as Agent for AEP Oklahoma Transmission Company, Inc., Public Service Company of Oklahoma and Southwestern Electric Power Company
- Grand River Dam Authority
- Oklahoma Gas and Electric Co.
- Southwestern Public Service Co. (Xcel Energy)
- Western Farmers Electric Cooperative



Figure 7: Transmission Corridors with TOPs in Oklahoma and Texas

The remaining area to review was southwestern Missouri and northern Arkansas. As shown in Figure 8, there are four corridors that connect with this area. There are three corridors with a total of five 345kV tie lines that connect to the TOP areas in Oklahoma and Kansas that NERC had recommended be transferred to MRO. In contrast, there is one corridor with one 345kV tie line that connects with a TOP area in SERC. NERC concluded from this review that TOP areas in southwestern Missouri and northern Arkansas should be transferred to MRO.

This recommendation includes the following TOPs:

- The Empire District Electric Company
- City Utilities of Springfield, MO
- Independence Power & Light (Independence, Missouri)

- Southwestern Power Administration



Figure 8: Transmission Corridors with TOPs in southwestern Missouri

The impact of the proposed transfer on other BPS owners, operators, and users, including affected Reliability Coordinators (RC), Balancing Authorities (BA), and Transmission Operators (TOP), as appropriate

As part of this process and consistent with ROP Section 501, NERC must ensure the continuity of functional alignment within geographic or electrical boundaries. Recognizing the importance of interactions between functions to ensure the reliable operation of the BPS, NERC considered the functional relationships between registered entities. NERC emphasized maintaining those relationships within a common Regional Entity footprint to promote the efficient and effective administration of BPS reliability. In all instances, NERC considered the RC, BA, TOP and Planning Authority / Planning Coordinator alignment, as well as the physical location of the facilities of the Transmission Owners, Generator Owners, Generator Operators, Transmission Planners, and Distribution Providers. NERC’s proposed recommendations align the TOPs with the applicable RCs and BAs to maintain those relationships in the same Regional Entity footprint. Therefore, in consideration of the functional relationships in support of BPS reliability, NERC further recommended that Transmission Owners, Generator Owners, Generator Operators, Transmission Planners and Distribution Planners transfer to the same Regional Entity as their TOP.

NERC contacted all registered entities where NERC’s recommendations differed from the registered entities’ requests and explained the importance of maintaining functional relationships.

Resulting Proposed Transferee Regional Entities

As explained above, NERC was informed by the criteria in ROP Section 1208 in its review of each transfer request submitted by registered entities, along with follow up discussions with Registered Entities and input from the Regional Entities. NERC also considered registered entity alignment within a contiguous and interconnected regional boundary to be a critical component of BPS reliability because of the planning and operational synergies that would be achieved. Therefore, NERC reviewed the electrical boundaries between SPP RE registered entities and neighboring Eastern Interconnection Regional Entities. NERC’s review of

major transmission corridors found that placing such paths within a common regional boundary will enhance regional planning coordination and promote efficient and reliable system operations between entities. The visual depiction of NERC’s Initial recommended transferee Regional Entities is in Figure 9 below.

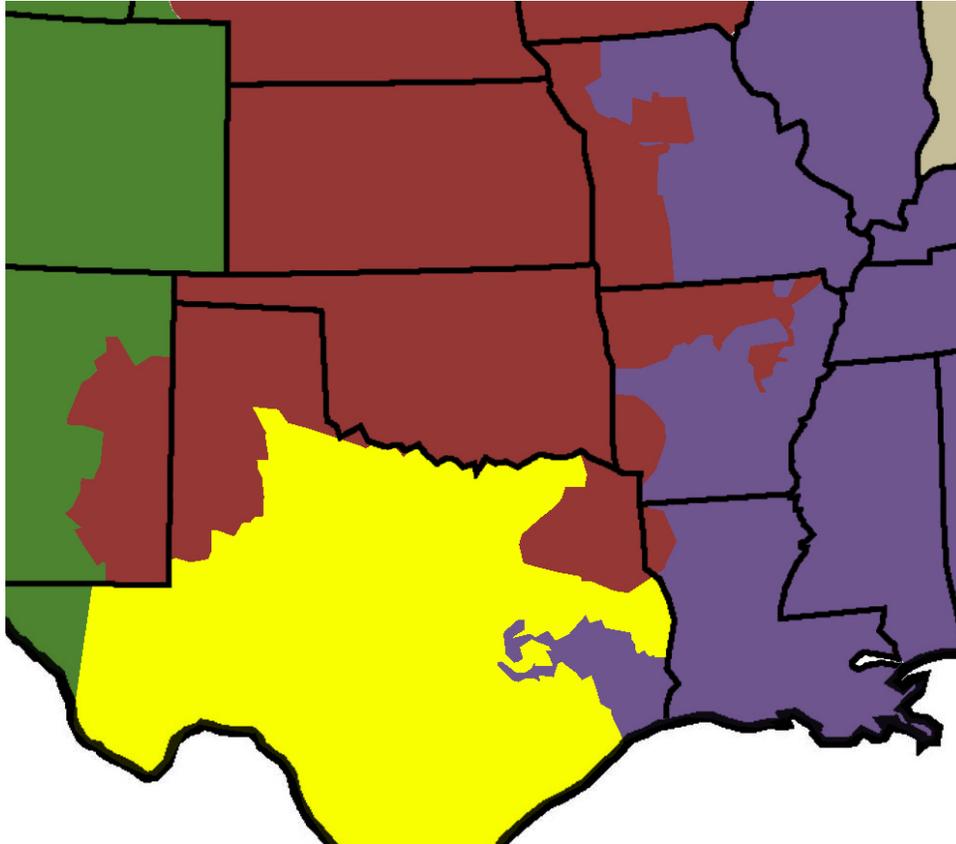


Figure 9: NERC Initial Recommendation

NERC Continuing Evaluation of Proposed Transferee Regional Entities

The analysis above resulted in the proposed transferee Regional Entities, as posted on December 1, 2017. After completing its initial analysis, NERC contacted the affected Regional Entities and requested that they provide information on the following, consistent with ROP Section 1208 criteria: (1) the impact of the proposed transfer on the current and future staffing, resources, budgets and assessments to other Load-Serving Entities of the transferee Regional Entity; (2) the sufficiency of the proposed transferee Regional Entity’s staffing and resources to perform compliance monitoring and enforcement activities with respect to the Registered Entity; (3) the Registered Entity’s compliance history with SPP RE; and the manner in which pending compliance monitoring and enforcement matters concerning the Registered Entity would be transitioned from SPP RE to the transferee Regional Entity; and (4) any other reasons NERC and the transferee Regional Entity consider relevant.

The impact of the proposed transfer on the current and future staffing, resources, budgets and assessments to other Load-Serving Entities of the transferee Regional Entity

NERC continues to review Regional Entity staffing and resource requirements to ensure the impacted Regional Entities will effectively perform delegated duties when the transfers are finalized. Based on the preliminary proposed transfers, NERC is working with the recommended Regional Entities to better understand possible impacts to staffing and other resources. NERC does not anticipate major changes to the assessments of the Load-Serving Entities of the transferee Regional Entities.

The sufficiency of the proposed transferee Regional Entity's staffing and resources to perform compliance monitoring and enforcement activities with respect to the Registered Entity

As mentioned above, NERC is reviewing the sufficiency of the staffing level and other resources of the proposed transferee Regional Entities to address anticipated increased activities and workload.

The Registered Entity's compliance history with SPP RE; and the manner in which pending compliance monitoring and enforcement matters concerning the Registered Entity would be transitioned from SPP RE to the transferee Regional Entity

NERC and the transferee Regional Entities will develop and implement transition plans that will include compliance history and pending compliance monitoring and enforcement matters concerning each registered entity. NERC and the transferee Regional Entity will coordinate with the registered entities.

If an MRRE is participating in Coordinated Oversight with SPP RE as the Lead Regional Entity (LRE), NERC will ensure that the transition to a new LRE is determined pursuant to the Coordinated Oversight process, and communicated to the MRRE. For MRREs where SPP RE is not the LRE, no changes are expected at this time.

Any other reasons NERC and the transferee Regional Entity consider relevant

NERC reviewed and considered each transfer request submitted by registered entities. NERC appreciates the registered entities time and effort in submitting these requests, as well as the registered entities' participation in follow-up discussions with NERC. The requests and discussions assisted NERC in its initial recommendations. Throughout the process, NERC also coordinated with the Regional Entities and appreciates their perspectives. NERC will review comments received on its proposed transferee recommendations and consider them, along with other pertinent information, when making its recommendation to the NERC Board of Trustees. NERC will continue to engage the Regional Entities and registered entities throughout the transition period.

Next Steps

NERC will continue to follow a rigorous process to ensure affected Regional Entities will be able to efficiently and effectively meet their obligations. NERC will consider registered entity comments on proposed transferee Regional Entities, Regional Entities responses addressing the criteria found in ROP Section 1208, and any other relevant information when making transferee Regional Entity recommendations to the NERC Board of Trustees. The final decision on behalf of NERC will be made by the NERC Board of Trustees, and then filed with FERC.