

Markets+ Tariff Overview – MSC Guiding Principles & Evaluation Criteria

Throughout 2023, entities across the Western Interconnection worked with the Southwest Power Pool (SPP) to create the Markets+ Tariff¹. With a goal to submit the completed tariff to the Federal Energy Regulatory Commission (FERC) by the spring, participants raced to draft a tariff that would be suitable for the West. Multiple working groups and task forces were stood up to complete the work, and the Markets+ State Committee (MSC) followed along and commented on critical areas of interest. To support the MSC’s participation, the MSC created a set of guiding principles and evaluation criteria² that outlined how the states would view the Markets+ tariff and engage in the design process. The following overview of the Markets+ Tariff connects the MSC’s Guiding Principles and Evaluation Criteria to specific areas of the Markets+ design, with supporting information from SPP:

- 1. The tariff must provide meaningful and measurable benefits to customers, in the form of lower costs, enhanced system reliability and resilience, and a more efficient grid.**
 - Attachment A – Markets+, Appendix 3 – Load Responsible Entity
 - Attachment L – Balancing Authority Agreement
 - Attachment M – Transmission Service Provider Agreement
 - i. Within the market design, there is the ability to coordinate resources across the broader region to minimize grid disruptions from natural disasters or severe weather. The Markets+ Tariff provides a framework to advance the efficient use of the existing infrastructure by merging use of the transmission system and resource mix and incorporating centralized unit commitment and dispatch across many separate transmission service providers and balancing authority areas. Optimization of available generation and transmission resources helps reduce overall electricity prices within the Markets+ footprint.

- 2. The tariff must enable the timely and effective addition of new technologies, such as battery storage, expanded demand response and other resources critical to grid stability in this time of transition.**
 - Attachment A – Markets+
 - i. Markets+ facilitates the participation of demand response resources and electric storage resources.
 - Attachment O – Markets+ Governance
 - i. The stakeholder driven governance structure allows Markets+ to continue to evolve as industry, environmental, regulatory, and market conditions change.

¹ Markets+ Tariff with Compliance Filing Language, April 18, 2024: https://www.spp.org/documents/73635/markets%20plus%20tariff_with%20compliance%20filing%20language_april%2018.pdf.

² Guiding Principles and Evaluation Criteria of the Markets+ State Committee, August 24, 2023: https://www.westernenergyboard.org/wp-content/uploads/Markets-State-Committee-Guiding-Principles-and-Evaluation-Criteria_082423.pdf.

3. The tariff must provide transparent market pricing including appropriate market power mitigation, fair compensation for resources' attributes and minimal curtailment of least cost resources.

- Attachment A – Markets+
 - i. SPP will use a Simultaneous Co-optimization Methodology (Day-Ahead) and Security Constrained Economic Dispatch (RTBM) to select the most cost-effective mix of Resources to meet energy needs.
- Attachment B – Market Power Mitigation
 - i. The market power mitigation plan provides for mitigation of horizontal and vertical market power while considering particular resource attributes, such as the SHOC methodology. When load exceeds generation, the Markets+ priority process will respect committed export supply over uncommitted.

4. Subject to conventional data security concerns, the tariff must give states visibility into pricing determinations as well as unfettered access to the Independent Market Monitor.

- Attachment A – Markets+
 - i. The market produces Locational Marginal Prices for use in settlement of Energy and Market Clearing Prices for use in settlement of Flexibility Reserve Products; Pricing results are posted for Day-Ahead and RTBM.
- Attachment B – Market Power Mitigation Plan
 - i. The Market Monitor is responsible for monitoring and reviewing markets for the exercise of market power.
- Attachment C – Market Monitoring Plan
 - i. The Market Monitor publishes reports assessing the market's performance on an annual and quarterly basis, which are published on the SPP website. The Market Monitor Plan contemplates extensive state involvement.

5. The management and implementation of the tariff must reflect broad input from stakeholders engaged in the West's bilateral and organized electricity markets.

- Attachment O – Markets+ Governance
 - i. The Markets+ governance design includes several key stakeholder groups, with oversight by the independent SPP BOD. The Markets+ Independent Panel (MIP) consists of one independent SPP director and other individuals that are independent of all Markets+ Market Participants, whose role is to provide highest-level decision-making and generally provide independent oversight of Markets+. The Markets+ Participant Executive Committee (MPEC) is the highest-level stakeholder-representative group, whose role is to review the Markets+ Tariff, system, or process enhancement proposals recommended by others and provide non-binding recommendations to the

MIP. The MSC consists of one representative from a utility regulatory commission in each state in which a Markets+ Market Participant has generation or load participating in Markets+.

6. The tariff must be respectful of state authority, responsibility, and policies and support diverse state policy mandates in the Western electricity grid. Any additional costs related to such policies and mandates should remain within that state.

- Attachment O – Markets+ Governance, Section 4.3.2 – Markets+ State Committee
 - i. The MSC will provide advice to the MIP, the MPEC, and any working group or task force on all matters pertinent to Markets+ Market Participants under the Markets+ Tariff. Such matters include, but are not limited to, initiative prioritization and policy issues. As the Markets+ market design evolves, the MIP will evaluate expanding the authorities designated to the MSC. Members of the MSC and other state officials (state energy offices, state environmental offices, state consumer advocates, etc.) are eligible for appointment to Markets+ task forces. One representative from each state in which a Markets+ Market Participant has generation or load participating in the Markets+ market may participate as a member of the MSC. Each state representative will be appointed by the utility regulatory commission of that state.
- Attachment K – Greenhouse Gas Programs
 - i. The greenhouse gas program is designed to allocate costs to states with GHG Pricing Programs.

7. The tariff must provide fair and equitable treatment of IOU, public power and non-jurisdictional participants, whether transmission owners or transmission customers, load serving entities or generation providers.

- Attachment O – Markets+ Governance, Section 4.3.1 – Markets+ Participant Executive Committee
 - i. The MPEC will provide a forum for Markets+ Market Participants, Markets+ Market Stakeholders, the MSC, and Markets+ Non-Voting Stakeholders to discuss issues related to the ongoing administration and advancement of market development in the Western Interconnection. Each Markets+ Market Participant and Markets+ Market Stakeholder will appoint one representative to the MPEC. Upon execution of the Markets+ Market Participant Agreement or execution of the Markets+ Stakeholder Agreement and payment of the annual fee or fee waiver, an entity will be assigned to one of three membership sectors: Investor-Owned Utilities, Public Power, or Independent. Each sector's vote will be calculated separately with the result for that sector being a percent of approving vote to the total number of participants in the sector voting. Each of the three sectors represents 33 1/3% of the vote. An

action is approved by the MPEC if the average of these percentages is at least 67%.

8. The tariff must be flexible enough to accommodate changes and emergencies effectively, while protecting the grid from the most significant risks.

- Primary responsibility for reliability remains with Reliability Coordinator(s), Balancing Authorities, and Transmission Operators. Markets+ accepts out-of-market reliability instructions and settles actions that follow the response without financial detriment. Virtual transactions, once allowed, may be suspended if they are not a cost-effective tool aiding price convergence. Key Rates, Terms, and Conditions may be changed via stakeholder processes subject to FERC approval. Implementation details may be adjusted more quickly. Market Protocols do not require FERC approval and can be adjusted more quickly based on lessons learned. Modeling changes may be adjusted even more quickly.

9. The tariff must support the meaningful participation of consumer representatives and other key stakeholders.

- Attachment N – Markets+ Stakeholder Agreement
- Attachment O – Markets+ Governance, Sections 2, 4.3.2.1, 4.5.1, and 4.6.1
 - i. Consumer advocates that execute the Markets+ Stakeholder Agreement have voting rights at the Markets+ Participants Executive Committee, and are eligible for a voting seat, if appointed, on the Markets+ Nominating and Governance Committee, working groups and task forces. Eligible for waiver of \$5,000 annual fee. Consumer advocates may serve on Markets+ Task Forces without executing the Markets+ Stakeholder Agreement.

10. The tariff must facilitate a day-ahead market that optimizes economic dispatch through maximized and predictable use of available transmission and generation capacity.

- Attachment A – Markets+
 - i. Markets+ Day-Ahead Market maximizes economic dispatch through a Simultaneous Co-optimization Methodology that minimizes overall costs, including those costs associated with GHG Pricing Programs, while enforcing multiple security constraints.
- Attachment D – Markets+ Transmission
 - i. Generation capacity is made available through a Must-Offer obligation. All available generation capacity is considered. All available transmission capacity is considered, and Markets+ incentivizes transmission availability.