

Decision No. C23-0496-I

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF COLORADO

PROCEEDING NO. 23M-0195E

IN THE MATTER OF THE NEAR-TERM ORGANIZED MARKET ACTIVITIES OF
TRI-STATE GENERATION AND TRANSMISSION ASSOCIATION, INC.

**INTERIM COMMISSION DECISION
CLARIFYING OBJECTIVE OF PROCEEDING AND
POSING QUESTIONS TO TRI-STATE TO BE ADDRESSED
IN REPLY COMMENTS**

Mailed Date: August 1, 2023
Adopted Date: July 19, 2023

I. BY THE COMMISSION

A. Statement

1. Senate Bill (SB) 21-072, signed into law on June 24, 2021, and codified at § 40-5-108, C.R.S., mandates that Tri-State Generation and Transmission Association, Inc. (Tri-State) and other transmission utilities in Colorado join an Organized Wholesale Market by January 1, 2030.

2. On April 24, 2023, the Commission opened this Proceeding by Decision No. C23-0268 to ensure that the Commission is adequately informed of Tri-State's plans for market participation and to highlight its interest in maximizing benefits for Colorado's electricity customers. The Commission asked Tri-State to file a report detailing its plans for its loads, resources, and transmission assets in the Western Area Power Administration, Colorado-Missouri Region Balancing Authority to participate in the Regional Transmission Organization (RTO) of

the Southwest Power Pool (SPP) in the Western Interconnection and to address certain concerns and other issues.

3. In accordance with Decision No. C23-0268, Tri-State filed a report June 12, 2023 and several interested persons, most of whom are participating in the rulemaking in Proceeding No. 22R-0249E (Markets Rulemaking), subsequently filed comments in response to Tri-State's report on July 12, 2023. Tri-State has the opportunity to file a reply to those comments in mid-August.

4. The Commission stated in Decision No. C23-0268 that it anticipates that additional discussion with Tri-State will be necessary following its submission of its report. The Commission also stated an intention to hold a workshop on these issues, prior to the time Tri-State intends to commit to its participation in the SPP RTO in the Western Interconnection in October 2023. The Commission further stated that, at the close of this Proceeding, the report, comments, and Commission decisions issued in this Proceeding shall become part of the record of Proceeding No. 22R-0249E.

5. By this Decision, the Commission clarifies the objective of this Proceeding and poses questions to Tri-State to be addressed in its forthcoming reply comments.

B. Discussion

1. Purpose of this Proceeding

6. Tri-State filed an update regarding its organized market participation plans and ongoing stakeholder engagement on February 3, 2023 in the Markets Rulemaking. Tri-State expressed that it signed a Letter of Intent in November 2020 to evaluate potential participation in an expansion of the SPP RTO into the Western Interconnection. Tri-State also stated that the next milestone for its participation in the SPP RTO was the commitment deadline of July 1, 2023

regarding the reimbursement by Tri-State of start-up costs incurred by SPP and a much larger commitment may be required by October 2023. Tri-State also stated that the anticipated market entry timeframe may extend to 2026.

7. Through Decision No. C23-0268, the Commission recognized that Tri-State was intending to commit to its participation in the in the western expansion of the SPP RTO by July 1, 2023. The Commission explained that the Notice of Proposed Rulemaking (NOPR) in the Market Rulemaking included proposed rules that would require transmission utilities to seek approval from the Commission to join a day-ahead market, including an RTO. The Commission further explained that Markets Rulemaking was ongoing, and final rules would not be issued prior to July 1, 2023.

8. The Commission stated in Decision No. C23-0268 that, in light of Tri-State's near-term organized market plans, the timeline of the Markets Rulemaking, and certain concerns with participation in an RTO or ISO that the Commission had stated previously in other proceedings, Tri-State should file in this Proceeding a detailed report on its plans for participation in the SPP RTO in the Western Interconnection. The report would address plans for Tri-State's loads, resources, and transmission assets in the SPP RTO in the Western Interconnection as well as expansion start-up activities. As part of this analysis, Tri-State was asked to explain whether it expects these plans to change if it is faced with significant decreases in load, including decreased load due to partial-requirement contracts and the exit of member cooperatives. The Commission also sought to understand whether Tri-State's participation in the SPP West RTO, combined with a changed load profile, would expose Colorado customers to additional risks and costs.

9. The Commission further asked Tri-State to address whether and how the current SPP RTO West proposal satisfies the ten characteristics of an Organized Wholesale Market

(OWM) set forth in § 40-5-108(1)(a)(I)-(X), C.R.S. Finally, Commission requested that the report should address the following issues: interconnection access, seams issues, emissions tracking, transmission planning and expansion, and governance.

10. In its report filed on June 12, 2023, Tri-State addressed its intended participation in the SPP RTO. Tri-State explained that SPP anticipated to initiate its market expansion into the Western Interconnection with start-up activities beginning July 1, 2023 to include detailed market design assessment, software design specifications, and requirements development, all in preparation of and support for development of SPP's Open Access Transmission Tariff (OATT) filing and necessary modifications to the SPP Integrated Marketplace Protocols.¹ Tri-State stated that this initial effort will be followed by or in conjunction with SPP stakeholder support and training, and engaging software vendors and internal staff to implement software changes and perform testing, ensuring successful integration for the Western entities into the SPP RTO. Tri-State added that it expects SPP to file the tariff modifications with the Federal Energy Regulatory Commission (FERC) in mid-2024, subsequent to approval by SPP's Market and Operations Policy Committee in Spring 2024. Tri-State explained that it also must begin to initiate operational and procedural changes; an initial outline of some of those steps and associated timelines as previously illustrated in its comments submitted in the Markets Rulemaking on September 6, 2022.

11. In accordance with Decision No. C23-0268, Tri-State also addressed interconnection access, seams issues, emissions tracking, transmission planning and expansion, and governance with respect to the SPP RTO in its June 12, 2023 report.

¹ Tri-State Report filed June 12, 2023, Proceeding No. 23M-0195, p. 6.

12. Tri-State further presented a discussion of the SPP RTO in the Western Interconnection relative to the OWM characteristics set forth in § 40-5-108(1)(a)(I)-(X), C.R.S.

13. On July 12, 2023 the following interested entities filed comments in response to the material provided by Tri-State in its report submitted pursuant to Decision No. C23-0268: the Colorado Office of the Utility Consumer Advocate; Sierra Club; Public Service Company of Colorado; Interwest Energy Alliance (Interwest); Black Hills Colorado Electric, Inc.; Western Resource Advocates (WRA); and a group of filers including Advanced Energy United, Clean Energy Buyers Association, Climax Molybdenum Company, Colorado Energy Consumers, Colorado Solar And Storage Association, Interwest, Signal Tech Coalition, Solar Energy Industries Association, The Sustainable FERC Project, Western Grid Group, and WRA (collectively the Joint Commenters). Several of the commenters, including the Joint Commenters, focused their responsive comments on Tri-State's analysis of the OWN criteria in § 40-5-108(1)(a)(I)-(X), C.R.S.

14. By this Decision, the Commission clarifies that it is premature to determine whether the ultimate market structure for the SPP RTO in the Western Interconnection will meet the criteria set forth in § 40-5-108(1)(a)(I)-(X), C.R.S., particularly given the uncertainty associated with the final details in the tariff to be filed with FERC as explained in Tri-State's June 12, 2023 report. Key market characteristics are still evolving, and the determinations that the Commission will make pursuant to § 40-5-108, C.R.S., will be made subsequent to the promulgation of rules in the Markets Rulemaking and after FERC tariff and structure of the SPP RTO in the Western Interconnection are further developed.

15. The purpose of this Proceeding is to provide guidance and encouragement to Tri-State and SPP to better inform the Commission and the interested stakeholders regarding

ongoing development of the FERC tariff and structure of the SPP RTO in the Western Interconnection. Our objective is to address immediate concerns with Tri-State's participation in that organized market to ensure that market participation benefits are maximized for Colorado. Based on its June 12, 2023 report, Tri-State appears to share an interest in addressing these concerns to the extent feasible before investing resources as it moves towards participation the SPP RTO in the Western Interconnection.

2. Additional Questions for Tri-State

16. Decision No. C23-0268 provides Tri-State an opportunity to file comments responsive to the comments filed in this Proceeding on July 12, 2023. Due to the passage of time since the Commission opened this Proceeding and in response to certain statements in Tri-State's report filed on June 12, 2023, we request that Tri-State address in its responsive comments two additional topics.

17. The first topic entails greenhouse gas (GHG) emissions dispatch and tracking. Tri-State's report filed on June 12, 2023 includes an explanation of the current GHG tracking and reporting proposal being discussed through the stakeholder process for the development of the SPP RTO in the Western Interconnection. Regarding this proposal, we request that Tri-State provide more information on the designation of specified and unspecified source imports for generators that will serve load in Colorado. Specifically:

- What are the requirements for a generator to be designated as a specified source?
- If a generator is used to meet resource adequacy needs in Colorado, should that resource be specified?
- Will there be a requirement for specified resources to have an actual transmission path to the load they are serving?

- Will self-owned generation units, such as the Laramie River Station, be designated as a specified resource when importing to Colorado to ensure accurate emissions accounting?

18. In addition, we note that Colorado is part of the GHG Subgroup of the Western Public Utility Commissions' Joint Action Framework on Climate Change, a group of Western regulators working on GHG issues (GHG Regulator Subgroup). The GHG Regulator Subgroup is examining an alternative approach to GHG emissions dispatch and tracking that might be cheaper and less risky than the approach presented in Tri-State's June 12, 2023 report. As explained in a white paper prepared for the GHG Regulator Subgroup,² this alternative approach focuses more on emissions constraints instead of GHG adders. We request that Tri-State address this alternative proposal and share its views of the potential pros and cons.

19. The second issue involves the interconnection procedures that Tri-State also addressed in its June 12, 2023 report. Tri-State's existing Large Generator Interconnection Procedures (LGIP) allow for a separate Resource Solicitation Cluster (RSC) with its own queue position for projects selected through the Colorado Electric Resource Planning (ERP) process. Tri-State states, however, that upon joining SPP RTO, Tri-State intends to transition to LGIP implemented by SPP which do not currently allow for a RSC or may be updated (as being considered in a presently ongoing FERC rulemaking) to include an informational RSC that does not have separate queue positions.

² Douglas Howe, Ph.D., *A Zonal Approach to Implementing Non-Priced GHG-Reduction Programs in a Zonal Day Ahead Market*, (June 2023), <https://www.spp.org/Documents/69564/A%20Zonal%20Approach%20to%20Implementing%20Non-Priced%20GHG-Reduction%20Programs%20in%20a%20Zonal%20Day%20Ahead%20Market%20-%20PDF.pdf>; Douglas Howe, Ph.D., *Addendum: A Generic Approach to Implementing Non-Priced GHG-Reduction Programs in Western Day-Ahead Market Designs* (July 5, 2023), <https://www.spp.org/Documents/69670/Howe%20-%20Non-Priced%20GHG%20Market%20Design%20-%20Addendum.pdf>.

20. Tri-State notes in its June 12, 2023 report that it would be a proponent of SPP adopting a resource solicitation cluster study process similar to the one currently employed by Tri-State and Public Service within Colorado.³ Although Tri-State appears to be supportive of SPP adopting an RSC process, it is not clear whether Tri-State will require this approach as a condition of its joining the SPP RTO in the Western Interconnection, whether Tri-State will require a waiver to retain its current LGI procedures if an RSC is not included in SPP's LGI procedures, or whether Tri-State will join the SPP RTO regardless of its inclusion of an RSC.

21. Due to concerns about the potential absence of an RSC process in the SPP RTO in the Western Interconnection, and hence the potential loss of an ability to interconnect generation projects selected pursuant to Colorado's ERP process, which could, in theory, harm resource adequacy and perhaps compromise Colorado's ability to timely and cost-effectively implement its clean energy transition, we ask Tri-State to clarify its position on this point. We further encourage Tri-State to work with SPP, the Commission, and other interested stakeholders to pursue a LGIP tariff for the SPP RTO in the Western Interconnection that will permit Tri-State to continue to use an RSC with its own separate queue position.

II. ORDER

A. It is Ordered That:

1. The purpose of this Proceeding to provide guidance and encouragement to Tri-State Generation and Transmission Association, Inc. (Tri-State) and to the Southwest Power Pool (SPP) to better inform the Commission and the interested stakeholders regarding ongoing development of the tariffs and structure of the SPP Regional Transmission Organization (RTO) in the Western

³ Tri-State Report filed June 12, 2023, Proceeding No. 23M-0195, p. 22.

Interconnection. The objective of this Proceeding is to address immediate concerns with Tri-State's participation in the SPP RTO in the Western Interconnection. Consistent with the discussion above, determinations that the Commission will make pursuant to § 40-5-108, C.R.S., will be made subsequent to the promulgation of rules in the rulemaking in Proceeding No. 22R-0249E and after the tariff and structure of the SPP RTO in the Western Interconnection are further developed.

2. Tri-State's filing of responsive comments pursuant to Decision No. C23-0268 should address additional topics as raised in this Decision, consistent with the discussion above.

3. This Decision is effective upon its Mailed Date.

**B. ADOPTED IN COMMISSIONERS' WEEKLY MEETING
July 19, 2023.**

(S E A L)



ATTEST: A TRUE COPY

Rebecca E. White,
Director

THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF COLORADO

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Commissioners