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## **Energy and Utilities**

### **H-2 Southwest Power Pool Market Place**

Kansas belongs to the Southwest Power Pool (SPP) regional transmission organization. The SPP covers a geographic area of 370,000 square miles, and manages transmission in all or parts of eight states: Arkansas, Kansas, Louisiana, Missouri, Nebraska, New Mexico, Oklahoma, and Texas. The SPP also has been designated as a regional entity by the North American Electricity Reliability Company (NERC), and as such is charged with ensuring that the bulk electric system in its area is reliable, adequate, and secure.

Historically, SPP also has operated a Real-Time energy imbalance market. Under this structure, the SPP member utilities had three ways to serve their customers: they could generate their own power; buy power from another provider; or buy from the SPP market. Participants could compare real-time prices from many sources, and in some instances, it might be cheaper for a utility to buy power from others than to generate its own electricity.

Several large regional transmission organizations serving other parts of the United States have operated more extensive energy markets than the SPP for a number of years. The SPP began work on an Integrated Marketplace in 2007. A 2009 outside analysis estimated the Marketplace would generate an additional \$100 million in net benefits annually for the SPP. In March 2014, the SPP's Integrated Marketplace went live.

### **Components of the Integrated Marketplace**

The Integrated Marketplace retains a Real-Time market and adds a Day-Ahead market and an Operating Reserves market.

Prior to the Integrated Marketplace, each of the SPP participants with generation resources evaluated its own demand for electricity (load) and determined which of its generation sources to use to meet its load. Participants could purchase additional energy in the Real-Time market, if needed, or sell excess energy in the market.

In the Integrated Marketplace, the SPP determines which generating units in its region should run the next day for maximum cost-effectiveness. For the Day-Ahead market, each utility must submit its loads and bids for generation by 11:00 a.m. the previous day, and will learn by 4:00 p.m. which of its generators have been selected to run the next day. SPP evaluates the generation bid-in and the estimated loads and selects the most cost-effective and reliable mix of generation for the

region. Because it centralizes available generation over the region, the market may be able to provide access to a more diverse (and presumably less costly) fuel mix than an individual utility could otherwise access.

The Operating Reserves market is intended to provide participants greater access to reserve electricity, improve regional balancing of supply and demand, and facilitate integration of renewable resources.

As part of the Marketplace implementation, the SPP has become the single Balancing Authority for the entire region. Previously, load and supply were balanced by 16 different entities within the SPP footprint, each with its own defined area of responsibility. Aggregating the load and supply for the entire region for balancing purposes is expected to increase efficiency.

## State Oversight

Because all of the costs of the Integrated Marketplace flow through to ratepayers, regulators in Kansas and other member states want to ensure that the Marketplace is working as planned and generating the projected savings. The Kansas Corporation Commission (KCC) is exploring options for software that would allow it to review the performance of Kansas utilities in the Marketplace. Such software may evaluate the bidding strategies of utilities, asset utilization, and lost opportunities, among other things. The KCC staff invested significant effort in preparing for the Marketplace, and the workload of the KCC auditors will increase greatly because of the increased complexity of transactions in the Marketplace.

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