



April 2016

## FERC's Near-Term Electricity Menu: Actively Exploring and Tinkering

FERC has an active near-term agenda addressing important electrical issues through upcoming technical conferences, Notices of Proposed Rulemaking (NOPR), and Notices of Inquiry (NOI). We provide below a brief “menu” of these noteworthy conferences, rulemakings, and inquiries that will influence project development, energy pricing, and ancillary services.

### Project Development and Access

- Conference: Review of Generator Interconnection Agreements and Procedures<sup>1</sup>
  - When: May 13, 2016
  - Agenda includes generator interconnection issues, interconnection of energy storage, a petition for rulemaking to revise the *pro forma* Large Generator Interconnection Procedures and the *pro forma* Large Generator Interconnection Agreement (LGIA), and other non-enumerated issues.
- Conference: Reliability of the Bulk-Power System<sup>2</sup>
  - When: June 1, 2016
  - Agenda to be announced.
  - This will be a Commissioner-led conference to discuss policy issues related to the bulk-power system
- Conference: Competitive Transmission Development Rates<sup>3</sup>
  - When: June 27-28, 2016
  - Agenda includes the use of cost containment provisions, the relationship of competitive transmission development to transmission incentives, incentive ROE, and other rate making issues.

<sup>1</sup> FERC's notice dated March 29, 2016 (Docket Nos. RM16-12 and RM15-12).

<sup>2</sup> Docket No. AD16-15.

<sup>3</sup> Docket No. AD16-18.

- Conference: Implementation Issues Under the Public Utility Regulatory Policies Act of 1978<sup>4</sup>
  - When: June 29, 2016
  - Agenda includes: (i) Mandatory Purchase Obligations—*e.g.*, the “one-mile rule,” when a QF can be curtailed, FERC’s rebuttable presumption that QFs of 20 megawatts and below do not have nondiscriminatory access to competitive organized wholesale markets, etc.; and (ii) Avoided Costs Calculations—*e.g.*, the system average method and the use of natural gas and other fuel price indexes.
- Rulemaking: Ownership Information in Market-Based Rate Filings<sup>5</sup>
  - FERC seeks to narrow the categories of upstream owners that sellers must report. Under this proposal, a seller will identify and describe the furthest upstream affiliate owner or owners in the ownership chain and affiliate owners with franchised service areas or market-based rate authority, or affiliate owners that directly control generation, transmission, physical coal supply sources, or other inputs to the production of electricity. Comments have already been filed.

### **Energy Pricing**

- Conference: Increasing Market and Planning Efficiency through Improved Software<sup>6</sup>
  - When: June 27-29, 2016.
  - Agenda includes: (i) improvements to the representation of physical constraints that are not currently modeled or are modeled using mathematical approximations; (ii) consideration of uncertainty to maximize more effectively expected market surplus; (iii) improving the ability to identify and use flexibility in the existing systems (an example of this is optimal transmission switching); (iv) improvements to the duality interpretations of the economic dispatch model toward the goal of calculating prices that represent better equilibrium and are more incentive compatible; and (v) other improvements in algorithms, model formulations, or hardware that could increase market efficiency.
- NOPR: Settlement Intervals and Shortage Pricing Markets Operated by Regional Transmission Organizations and Independent System Operators<sup>7</sup>
  - FERC proposes to require each RTO and ISO: (i) to settle energy transactions in its real time markets at the same time interval it dispatches energy and to settle operating reserve transactions in those markets at the same time interval it prices operating reserves, and (ii) to trigger shortage pricing for any dispatch interval during which a shortage of energy or operating reserves occurs. FERC believes that these proposals will help ensure that resources have price signals that provide incentives to conform output to dispatch instructions and that prices reflect operating needs at each dispatch interval. A number of parties have filed comments, including suggested alternatives such as the development of technology-neutral fast-ramp products.

### **Ancillary Services**

- Workshop: Reactive Supply Compensation Markets Operated by Regional Transmission Organizations and Independent System Operators<sup>8</sup>
  - When: June 30, 2016
  - FERC will convene this workshop to discuss compensation for Reactive Supply and Voltage Control within ISOs and RTOs, including the types of costs that generators incur to provide Reactive Supply, whether generators recover those costs solely as compensation for Reactive Supply or if generators recover those costs through compensation for other services, and different methods by which generators receive compensation for Reactive Supply. An agenda under a separate notice will follow.

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<sup>4</sup> Docket No. AD16-16.

<sup>5</sup> Docket No. RM16-3.

<sup>6</sup> Docket No. AD10-12-007.

<sup>7</sup> Docket No. RM15-24.

<sup>8</sup> Docket No. AD16-17.

- Public Comment: Price Formation in Energy and Ancillary Services Markets Operated by Regional Transmission Organizations and Independent System Operators<sup>9</sup>
  - At FERC's order, the PJM Interconnection, L.L.C., Midcontinent Independent System Operator, Inc., ISO New England, Inc., New York Independent System Operator, Inc., Southwest Power Pool, Inc., and the California Independent System Operator Corporation have each filed a report that provides an update on each system's current practices in price formation. Numerous parties have commented on those reports. According to the order directing the reports, the Commission seeks the information not only to answer technical questions regarding how each RTO/ISO addresses the underlying topics set out in the order, but also to understand the reasons why each RTO/ISO has made its set of policy choices.
- NOI: Essential Reliability Services and the Evolving Bulk-Power System-Primary Frequency Response<sup>10</sup>
  - FERC seeks comments on the need for reforms to its rules and regulations regarding the provision and compensation of primary frequency response to ensure that primary frequency response remains at levels adequate to maintain the reliability of the Bulk-Power System as the nation's generation resource mix evolves. Comments are due April 25, 2016.
  - Requested comment topics are:
    - Modifications to the *pro forma* LGIA and Small Generator Interconnection Agreement (SGIA) mandating primary frequency response requirements for new resources, among other changes;
    - New primary frequency response requirements for existing resources; and
    - The requirement to provide and compensate for primary frequency response.
- NOPR: Reactive Power Requirements for Non-Synchronous Generation<sup>11</sup>
  - FERC has proposed to eliminate the exemptions for wind generators from the requirement to provide reactive power. If FERC adopts the proposal, all newly interconnecting generators (*i.e.*, new generators seeking to interconnect to the transmission system and all existing non-synchronous generators making upgrades to their generation facilities that require new interconnection requests), both synchronous and non-synchronous, would be required to provide reactive power as a condition of interconnection as of the effective date of the final revision. Under the proposal, FERC will revise the *pro forma* LGIA, Appendix G to the *pro forma* LGIA, and the *pro forma* SGIA. Comments have been filed.

Please feel free to contact GT and those listed below if you would like to participate in or monitor any of these proceedings.

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<sup>9</sup> Docket No. AD14-14.

<sup>10</sup> Docket No. RM16-6.

<sup>11</sup> Docket No. RM16-1.

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