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FEDERAL ENERGY REGULATORY COMMISSION **FACTS**

## Chairman Wellinghoff/Reporters Roundtable

Over the past year, the Federal Energy Regulatory Commission (FERC) has taken concrete steps to fulfill its mission of ensuring consumers have reliable, efficient and sustainable energy.

### 1. Transmission Planning and Cost Allocation Final Rule - Order No. 1000/July 2011

- Regions develop transmission plans and cost allocation methods that consider the benefits of new transmission facilities, including reliability, economics and complying with state or federal laws or regulations
- Cost allocation methods based on the following principles:
  - Costs allocated are roughly commensurate with estimated benefits
  - Costs will be allocated only to those who will benefit
  - Costs could be allocated between regions based on agreements
  - Cost allocation methods and identification of beneficiaries must be transparent
  - Different allocation methods could apply to different types of transmission facilities
- Each pair of neighboring regions will coordinate transmission planning and cost allocation
- Regions to consider requirements established in state or federal laws or regulations that may drive transmission needs
- Removes federal rights of first refusal from FERC-jurisdictional tariffs and agreements

### 2. Transmission Pricing Reform Notice of Inquiry - Docket No. RM11-26/May 2011

- The Energy Policy Act of 2005 directed the Commission to provide incentive rates to encourage development of transmission infrastructure
- FERC has received more than 75 applications for transmission incentives associated with more than an estimated \$50 billion in proposed investments, from a variety of transmission developers
- NOI sought comments regarding the scope and implementation of the incentives program, asking:
  - What factors should the Commission consider in evaluating an application for incentives?
  - What obstacles are faced by transmission developers and what incentives are best suited to addressing those obstacles?
  - How should the Commission consider changes in cost estimates?

### 3. Frequency Regulation Service Compensation Final Rule - Order No. 755/October 2011

- Maintaining the frequency of the transmission system in an acceptable range is critical to reliable operation
- Frequency Regulation is an ancillary service that corrects deviations in frequency and imbalances on transmission lines by injecting or withdrawing real power. It can be provided by generators, as well as storage technologies such as flywheels and electric vehicles, and demand response
- Because some resources can respond more quickly and accurately than others to a dispatch signal for frequency regulation service, the Rule requires Regional Transmission Organizations and Independent System Operators to compensate these resources based on the actual service provided, with a capacity payment that includes the marginal unit's opportunity costs and a performance payment that reflects the quantity of frequency regulation services provided by a resource accurately following the dispatch signal

### 4. Third-Party Provision of Ancillary Services Notice of inquiry - Docket Nos. AD10-13, RM11-24/June 2011

- A variety of resources are poised to provide ancillary services but may be frustrated from doing so by certain aspects of the Commission's market-based rate policies coupled with a lack of transparency regarding underlying ancillary services requirements of those policies



- The NOI sought comment on ways in which FERC can facilitate the development of robust competitive markets for the provision of ancillary services from all resource types
- FERC also sought comments on the adequacy of current accounting and reporting requirements as they pertain to the oversight of jurisdictional entities using electric storage devices

#### 5. Electric Market Transparency and Surveillance

- Enhancement of Electricity Market Surveillance and Analysis through Ongoing Electronic Delivery of Data from RTOs and ISOs Final Rule - Order No. 760/April 2012
  - Regional organized markets must deliver to FERC, on a continuing electronic basis, data related to markets they administer. This will enhance efforts to detect anti-competitive or manipulative behavior, and ineffective market rules
  - Regional organized markets will provide data that is already collected, including: physical and virtual offers and bids, market awards, resource outputs, marginal cost estimates, shift factors, financial transmission rights, internal bilateral contracts and interchange pricing
  - Rule does not require regional organized markets to provide data in real time
- Electric Market Transparency Notice of Proposed Rulemaking - Docket No. RM10-12/April 2011
  - Public utilities subject to FERC jurisdiction under FPA Section 205 must file electric quarterly reports (EQRs) that summarize contractual terms and conditions in their agreements for cost-based and market-based rate sales and transmission service
  - EPA 2005 directed FERC to facilitate price transparency by obtaining this information from any market participant that has more than a *de minimus* market presence
  - NOPR would extend the quarterly filing requirement to non-public utilities with annual wholesale sales of more than 4 million megawatt hours (MWh) and non-public utility balancing authorities with 1 million MWh or more in annual sales
  - It also would refine the reporting requirements by directing all filers to report the transaction date, time and type of rate; indicate whether the transaction was reported to an index publisher; identify any broker or exchange used for a sales transaction; and report electronic tag ID data

#### 6. Coordination between Natural Gas and Electricity - AD12-12/February 2012

- Because of electricity generation's growing reliance on natural gas, interdependence of these industries merits careful attention
- This issue was highlighted at a recent National Association of Regulatory Utility Commissioners conference, in a session led in part by Commissioner John Norris, on ways to improve coordination of the two industries
- Commissioner Philip Moeller requested comments on a set of questions, including:
  - What role should the Commission have in overseeing better coordination?
  - To what extent should FERC defer to various regions of the country in addressing these challenges?
  - The expanded use of natural gas for electricity generation is likely to change flows on the natural gas pipeline system. Does FERC need to address this issue?
- Commission staff is now reviewing comments filed by about 80 parties

#### 7. Natural Gas Market Regulation

- Storage Reporting Requirements of Interstate and Intrastate Natural Gas Companies - Order No. 757/January 2012
  - Final rule eliminates certain semi-annual storage reporting requirements found to be largely duplicative with other reporting requirements
- Bidding by Affiliates in Open Seasons - Order No. 894/November 2011
  - Final rule prevents entities from using multiple affiliates to game the natural gas pipeline open season bidding process, a practice that could frustrate competition and deny access to capacity for customers who value it the most
  - Multiple affiliates of the same entity cannot bid in an open season for pipeline capacity in which the pipeline may allocate capacity on a *pro rata* basis, except in cases in which an affiliate has an independent business reason for submitting a bid