



November 18, 2010

Chairman Jon Wellinghoff

STATEMENT

Statement of Chairman Jon Wellinghoff on Integration of Variable Energy Resources NOPR

"Thank you, Team, for this presentation and for the broad ranging outreach that you conducted through the Notice of Inquiry which identified the issues that we address today in this Notice of Proposed Rulemaking.

As the Team indicated, today the Commission is proposing to require public utility transmission providers to offer a new ancillary service- generator regulation service - to transmission customers delivering energy from a generator in its balancing area. This service will provide the resources necessary to continuously balance the system by following the moment-to-moment changes in generation output. We also propose to allow the transmission providers to recover the costs they incur in providing this ancillary service. Transmission customers may purchase this service from the transmission provider or they may make alternate comparable arrangements, which may include use of non-generation resources, such as demand resources, or processes capable of providing this service.

The proposed rule would also require changes in the way the transmission provider operates its system that, at this stage of the rulemaking, we think will help to minimize the costs of providing this service and the volume that customers may need to procure. As the Team outlined, transmission providers would be required to allow transmission customers to schedule transmission service in 15-minute intervals so that their schedule can be adjusted to reflect changes in forecasts of the customer's load and a generator's output. The proposed rule also allows for the transmission provider to develop and use more accurate forecasting of the variability of the power output of certain generators.

These changes are expected to help to operate the transmission system more efficiently and reliably, which should contain the cost to customers of buying transmission service. I think that the changes also prepare the electric grid for the future. Many of the new power plants for which developers are seeking access to the transmission grid are wind and solar generators. The electric industry is preparing to manage the reliable integration of these variable energy resources, as evidenced by the many studies and planning analyses that are underway. Some older generating plants may be retired. The nation's auto and transportation industries are moving towards electric vehicles that will place new demand on the electric system, but can also be operated in ways that help maintain a reliable grid such as providing ancillary services when parked. New industries are emerging that use electricity as a major input in their manufacturing processes, such as the use of nanotechnologies. The changes proposed here will help to manage the cost-effective integration of variable energy resources into the grid and to meet the future's other challenges in a way that maintains reliability.

Based on what we have heard so far, I think this proposal is a fair and balanced way to recognize the characteristics of different energy resources and the associated impacts on system operations. The costs of managing a system with diverse generating plants will be identified, and transmission customers will know the rates that they will be charged for the reserves needed to balance the system when the power production of generators varies. As I noted earlier, the operational practices the proposed rule would require will help to minimize these costs to transmission customers.



The comments received in response to the Notice of Inquiry have provided many good ideas, which helped to forge the proposals we consider today. I look forward to comments on this proposed rule and to discussion of improvements and modification that may be appropriate.

For these reasons, I support the proposed rule.”