



Federal Energy Regulatory Commission
October 16, 2008
Open Commission Meeting
Staff Presentation
Item E-1

"Good morning Chairman Kelliher and Commissioners.

This draft Final Rule, Competition in Regions with Organized Markets, is the result of a process initiated in February 2007 with the first of three public conferences. These conferences, which addressed issues regarding competition in the RTO and ISO regions, produced considerable input from, and discussion with, market participants and stakeholders. Based on this input, the Commission issued an Advance Notice of Proposed Rulemaking, and later a Notice of Proposed Rulemaking, which proposed reforms that were designed to improve wholesale competition in regions with organized markets. This draft Final Rule complements other Commission actions to address wholesale electric power market issues.

This draft Final Rule now implements reforms in four areas to improve the operation of organized wholesale electric power markets, Those areas are: (1) demand response, including the area of market price during periods of operating reserve shortage; (2) long-term power contracting; (3) market monitoring policies and practices; and (4) responsiveness of RTOs and ISOs to their customers and other stakeholders.

In the area of demand response, each RTO and ISO is required to:

- Accept bids in its markets for ancillary services from technically capable demand response resources as it does for other resources, unless this is not permitted by the laws or regulations of the relevant electric retail regulatory authority;
- Eliminate certain charges to buyers in the energy market for voluntarily reducing consumption during a system emergency;
- Permit an aggregator of retail demand response to bid the combined demand response directly into organized markets, unless this is not permitted by the laws or regulations of the relevant electric retail regulatory authority;
- Allow the market price to more accurately reflect the value of energy during a period of operating reserve shortage, while providing for market power mitigation; and
- Assess and report on remaining barriers to comparable treatment of demand response resources in its organized markets.

With regard to long-term power contracting, each RTO and ISO is required to:

- Dedicate a portion of its web site for market participants to post offers to buy or sell power on a long-term basis.

To strengthen market monitoring, each RTO and ISO is required to:

- Increase the independence of the RTO or ISO Market Monitoring Unit or MMU by requiring the MMU to report to the RTO or ISO board, rather than to management;
- Require the RTO or ISO to provide the MMU with access to data, resources and personnel needed to perform its duties;
- Define the expanded functions of the MMU in its tariff;
- Clarify the role of the MMU in market mitigation;
- Remove the MMU from tariff administration; and

- Require ethics standards for MMUs and their employees.

Each RTO and ISO also is required to:

- Enhance information sharing by the MMU by requiring the MMU to make quarterly reports in addition to its annual state of the market report, and expand the recipients of the reports;
- Require regular conferences among the MMU and Commission staff; the RTO or ISO; and with interested state commissions, state attorneys general, and market participants;
- Establish procedures for the MMU to share information with state commissions; and
- Reduce the lag time for release of offer and bid data by the RTO or ISO.

In the area of Improving Responsiveness to Customers and Stakeholders, each RTO and ISO is required to:

- Ensure that it is responsive to the needs of its customers and other stakeholders by providing them some form of direct access to the RTO or ISO board of directors and by posting a mission statement or organization charter on its web site.

This Final Rule will take effect 60 days after publication in the Federal Register. Each RTO or ISO is encouraged to consult with its customers and other stakeholders and is required to make a compliance filing that explains its plans to achieve compliance or how its existing practices comply with the Final Rule. This compliance filing is due six months after the Final Rule becomes effective.

This completes my presentation. We would be happy to answer any questions."