



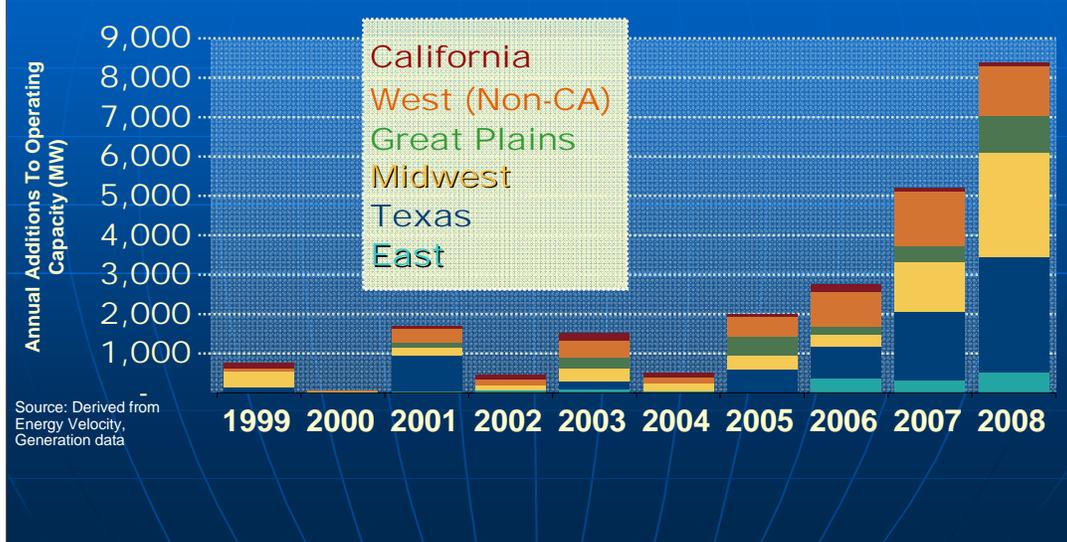
Integration of Variable Energy Resources

E-4

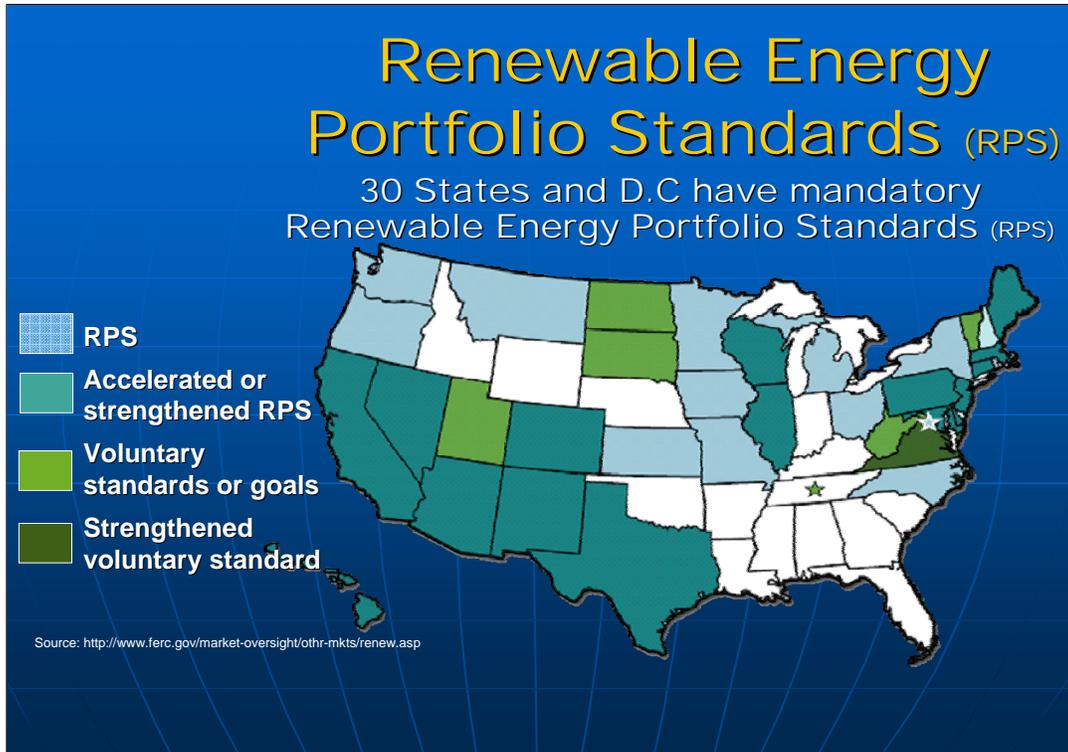
January 21, 2010

Good morning Chairman and Commissioners. The draft Notice of Inquiry seeks comments on the extent to which existing market rules, tariffs, or policies present barriers to the efficient integration of variable energy resources into the United States' electric grid, and whether reforms are needed to eliminate those barriers while maintaining the reliability of the transmission system.

VERs are Growing Regional Wind Capacity Growth 1999-2008



Although the number of variable energy resources, such as wind and solar resources, is relatively small as a percentage of total generation, the on-going development of these resources has accelerated to where such resources are becoming a significant component of the nation's energy supply portfolio. For example, in 2008, new wind generating capacity, totaling 8,376 MW, made up 42 percent of all newly installed generating capacity.



Moreover, in recent years, a number of state renewable portfolio standards and other incentives/mandates have been passed to encourage the development of renewable energy resources. As of December 2009, 30 states, and the District of Columbia, had a renewable portfolio standard.

The NOI's preliminary view is that the efficient procurement and use of reserves is one of the most important operational issues affecting the costs of integrating variable energy resources. Addressing this issue means examining a broad range of Commission policies and operational practices that impact the amount, type and cost of reserves deployed to maintain reliable service. Specifically, the NOI looks beyond whether more or less of an existing reserve product is needed, and instead seeks to uncover whether targeted reforms in multiple areas, and on the part of multiple industry participants, can unlock efficiencies that will ultimately lead to the more efficient use of reserves.

NOI-Subject Areas

- Data, Reporting, and Forecasting
- Scheduling Practices
- Forward Market and Reliability Commitment

Accordingly, the draft Notice of Inquiry seeks comments on the impact of integrating variable energy resources in the following subject areas:

1. data and reporting requirements, including the use of accurate forecasting tools;
2. scheduling practices, and incentives;
3. forward market structures and reliability commitment processes;

NOI-Subject Areas [cont.]

- Balancing Authority Area Size and Coordination
- Reserve Products
- Capacity Markets
- Re-dispatch and Curtailment

4. balancing authority area coordination and/or consolidation;
5. the efficient use of reserve products;
6. capacity market reforms; and,
7. re-dispatch and curtailment practices.

This concludes staff's presentation. We are happy to answer any questions you may have.



Integration of Variable Energy Resources

E-4

January 21, 2010