



**Federal Energy Regulatory Commission**  
**November 18, 2010**  
**Open Commission Meeting**  
**Staff Presentation**  
**Item E-1**

“Good morning, Mr. Chairman and Commissioners. Item E-1, before you this morning, is a Notice of Proposed Rulemaking to address the challenges associated with the Integration of Variable Energy Resources. As used in the Proposed Rule, the term Variable Energy Resources, or VERs, refers to electric generating facilities that rely on an energy source that: (1) is renewable; (2) cannot be stored by the facility owner or operator; and (3) has variability that is beyond the control of the facility owner or operator.

As was noted in the Notice of Inquiry, issued in January of this year, the composition of the national generation portfolio has and will continue to change. Specifically, there is an increasing number of VERs (primarily wind and solar resources) being connected to the interstate transmission system. In response to this development, the Commission sought comments in the Notice of Inquiry on whether existing rules, regulations, tariffs or industry practices hindered the efficient integration of these resources. The Commission received significant response from the industry, stakeholders and interested commenters.

In addition to our extensive review of the submitted comments, Commission staff has monitored ongoing industry studies examining the current and likely effects of integrating large numbers of VERs. In addition, the Commission has recently acted on several applications submitted by public utility transmission providers that have proposed.

As a result of all of these efforts, the Commission has identified a number of reforms that are designed to address the issues confronting transmission providers and VERs and allow for the more efficient utilization of transmission, generation and non-generation resources to the benefit of all customers. The Proposed Rule proposes three basic reforms:

- 1) It requires public utility transmission providers to offer to all transmission customers the option of using intra-hourly transmission scheduling at 15-minute intervals;
- 2) It incorporates a provision into the *pro forma* Large Generator Interconnection Agreement that provides for interconnection customers whose generating facilities are VERs to submit to transmission providers meteorological and operational data to the extent such data are needed for the transmission provider to develop and deploy VER power production forecasting; and
- 3) Finally, it adds a generic ancillary service rate schedule, for what has heretofore been a case-by-case process, through which transmission providers will offer generator regulation service to transmission customers delivering energy from a generator located within the transmission provider's balancing authority area.

From a broad perspective, the reforms proposed in E-1 are intended to remove barriers to the integration of VERs and to ensure the costs of services to integrating these new resources are just and reasonable. The proposed reforms focus on creating operational efficiencies that should equip transmission providers with the tools and procedures to maintain system balance—a task that can be exacerbated by the variable power output characteristic of VERs—while reducing the need for transmission providers to unnecessarily procure additional reserve products.

Commenters argued that transmission providers should be required to adopt operational reforms to mitigate the volume of regulation reserves that would be charged to VERs prior to charging VERs for reserve products. The Proposed Rule agrees and accordingly proposes

to require transmission providers to offer intra-hourly scheduling and develop and deploy power production forecasting to mitigate the volume of generator regulation reserve necessary to maintain system balance and charged to VERs.

The Proposed Rule does not address all of the issues explored in the Notice of Inquiry. In many instances, industry is already actively addressing and developing solutions to particular issues. The Proposed Rule acknowledges and supports such efforts by providing foundational reforms that can be implemented in the near term. In other instances, the issues identified in the Notice of Inquiry and in the resulting comments would benefit from further study and/or the development of solutions that would reflect the unique challenges of individual regions. Commission Staff will continue to monitor and conduct outreach with the industry to stay informed of developments.

Staff believes that the package of reforms included in E-1 represents an important foundational step toward integrating variable energy resources. These resources comprise an ever increasing and significant percentage of new generation. The Proposed Rule will allow transmission providers a level of flexibility in crafting solutions to account for their unique characteristics and regional differences.”