



1 PRESENTERS:

2 M-1: Communication of Operational Information  
3 Between Natural Gas Pipelines and  
4 Electric Transmission Operators (RM13-17-000)

5 CAROLINE DALY, OEPI

6 ANNA FERNANDEZ, OGC

7 DEMETRA ANAS, OGC

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9 E-22: Third-Party Provision of Ancillary Services;  
10 Accounting and Financial Reporting For New  
11 Electric Storage Technologies  
12 (RM11-24-000 and AD10-13-000)

13 RAHIM AMERKHAIL, OEPI

14 GREG BASHEDA, OEMR

15 CHRISTOPHER HANDY, OE

16 ERIC WINTERBAUER, OGC

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23 COURT REPORTER: Jane W. Beach, Ace-Federal Reporters, Inc.

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## P R O C E E D I N G S

(10:01 a.m.)

CHAIRMAN WELLINGHOFF: Come to order, please.

Good morning. This is the time and place that has been noticed for the open meeting of the Federal Energy Regulatory Commission in consideration of matters that have been duly posted in accordance with the Government in Sunshine Act. Please join me for the Pledge of Allegiance.

(Pledge of Allegiance recited.)

CHAIRMAN WELLINGHOFF: Well, it has been, let's see, 65 notationals since we have last met, so we got a few out the door. I don't believe anybody has an opening statement this morning. I'm going to turn this (auxiliary microphone) off. Can you hear me okay? All right.

I don't believe there are any opening statements, so, Madam Secretary, if we could just go immediately to the Consent Agenda, please.

SECRETARY BOSE: Good morning, Mr. Chairman.  
Good morning, Commissioners.

Since the issuance of the Sunshine Act Notice on July 11th of 2013, Items E-10, E-11, E-12, and G-9 have been struck from this morning's agenda.

Your Consent Agenda is as follows:

Electric Items: E-1, E-2, E-3, E-4, E-5, E-6,  
E-7, E-8, E-9, E-13, E-18, E-20, E-23, E-24, E-25, E-26,

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1 E-27, E-28, and E-29.

2 Gas Items: G-1, G-2, G-3, G-4, G-5, G-6, G-7,  
3 and G-8.

4 Hydro Items: H-1 and H-2.

5 Certificate Item is C-1.

6 As required by law, Chairman Wellinghoff is not  
7 participating in Item E-20.

8 Also, as to E-1 Commissioner Clark is dissenting  
9 in part with a separate statement.

10 As to E-2, Commissioner Moeller is dissenting in  
11 part with a separate statement. Commissioner Clark is  
12 dissenting in part with a separate statement.

13 As to E-3, Chairman Wellinghoff is concurring  
14 with a separate statement. And Commissioner Norris is  
15 concurring with a separate statement.

16 As to E-29, Commissioner Moeller is concurring  
17 with a separate statement. And Commissioner Clark is  
18 concurring with a separate statement.

19 As to H-2, Commissioner Norris is concurring with  
20 a separate statement.

21 We will now take a vote on this morning's Consent  
22 Agenda beginning with Commissioner Clark.

23 COMMISSIONER CLARK: Noting my dissent in part in  
24 E-1, my dissent in part in E-2, and my concurrence with a  
25 separate statement in E-29, I vote aye.

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1 SECRETARY BOSE: Commissioner LaFleur.

2 COMMISSIONER LaFLEUR: I vote aye.

3 SECRETARY BOSE: Commissioner Norris.

4 COMMISSIONER NORRIS: Noting my concurrences with  
5 a separate statement in E-3 and H-2, I vote aye.

6 SECRETARY BOSE: Commissioner Moeller.

7 COMMISSIONER MOELLER: Noting my dissent in part  
8 on E-2 and my concurrence in E-29, I vote aye.

9 SECRETARY BOSE: And Chairman Wellinghoff.

10 CHAIRMAN WELLINGHOFF: Nothing my concurrence in  
11 E-3 and my recusal in E-20, I vote aye.

12 With that, Madam Secretary, if we can move on to  
13 the Discussion Agenda, please.

14 SECRETARY BOSE: And the first item for  
15 discussion and presentation this morning is M-1 concerning a  
16 draft Notice of Proposed Rulemaking in Docket No. RM13-17-  
17 000. There will be a presentation by Caroline Daly from the  
18 Office of Energy Policy and Innovation. She is accompanied  
19 by Anna Fernandez from the Office of the General Counsel and  
20 Demetra Anas from the Office of Enforcement.

21 MS. DALY: Good morning, Mr. Chairman and  
22 Commissioners.

23 CHAIRMAN WELLINGHOFF: Good morning.

24 MS. DALY: M-1 is a draft Notice of Proposed  
25 Rulemaking that proposes revisions to the Commission's  
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1 regulations to authorize expressly the sharing of  
2 non-public, operational information between interstate  
3 natural gas pipelines and electric transmission operators.

4 The draft NOPR follows up on comments the  
5 Commission has received on information sharing and  
6 communications issues between natural gas and electric  
7 industries, both in writing and at a staff technical  
8 conference held earlier this year.

9 In their comments, several industry participants  
10 stated that system reliability and contingency planning in  
11 both industries could be further enhanced by the sharing of  
12 non-public operational information directly between  
13 pipelines and electric transmission operators.

14 Several industry participants also indicated,  
15 however, that there is general reluctance to share such  
16 information because of concerns that doing so could be a  
17 violation of current laws, regulations, or tariffs.

18 While communications occur today in the normal  
19 course of business among pipeline and electric transmission  
20 operators, and those communications have served a valuable  
21 and necessary purpose to help ensure reliability, the  
22 increased reliance on gas-fired generation may make even  
23 greater information-sharing between the industries  
24 desirable.

25 To provide certainty to the industries and  
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1       remove barriers--real or perceived--to the sharing of  
2       non-public operational information, the draft NOPR proposes  
3       to revise the Commission's regulations to authorize  
4       expressly the exchange of non-public operational information  
5       between electric transmission operators and interstate  
6       natural gas pipelines when such information is for the  
7       purpose of promoting reliable service or operational  
8       planning.

9               The proposed regulations seek to remove barriers  
10       to the sharing of non-public operational information not  
11       just during emergencies but also for day-to-day operations,  
12       planned outages, and scheduled maintenance.

13              The draft NOPR states that in using the term  
14       "non-public operational information" natural gas pipelines  
15       and electric transmission operators would be permitted to  
16       share information dealing with actual, anticipated, or  
17       potential effects on the ability to provide and gas service  
18       based on the respective operator's experience and  
19       understanding of the operational capability and customer  
20       demands on their respective systems.

21              Non-public operational information may also  
22       include generator, pipeline, or transmission-specific  
23       information. The draft NOPR does not propose a specific  
24       list of non-public operational information that can be  
25       shared, but is intended to provide flexibility to the  
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1 individual operators--who have the most insight and  
2 knowledge of their systems--to determine what operational  
3 information, if any, would promote reliable service or  
4 operational planning on their systems.

5 The draft NOPR also proposes new protections, in  
6 addition to safeguards that are already in place, to remove  
7 barriers and ensure that any non-public operational  
8 information shared under the proposed regulations remains  
9 confidential, and to ensure that information is shared among  
10 pipeline and electric transmission operators in a manner  
11 that is consistent with the prohibition on undue  
12 discrimination.

13 Specifically, the draft NOPR proposes to adopt a  
14 No-Conduit Rule which prohibits recipients of the non-public  
15 operational information from subsequently disclosing, or  
16 using anyone as a conduit for the disclosure of, that  
17 information to any other entity.

18 Comments on the draft NOPR will be due 30 days  
19 after publication in the Federal Register.

20 This concludes our presentation. We are happy to  
21 take any questions you may have.

22 CHAIRMAN WELLINGHOFF: Thank you, Caroline. And  
23 I want to thank all the members of the team for their work  
24 on this NOPR.

25 Colleagues? Phil.

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1                   COMMISSIONER MOELLER: Thank you, Mr. Chairman.

2                   I also echo thanks to Caroline and the rest of  
3 the team for working on this now and in the future. I think  
4 in the last 18 months that we have been seriously discussing  
5 this we have made a lot of progress.

6                   We had a number of folks early on, both probably  
7 outside of the building and maybe even inside the building,  
8 who didn't think it was a real big issue. But I think  
9 there's pretty much universal recognition now that it is  
10 something we need to be paying a lot of attention to.

11                  And I want to thank you again, Mr. Chairman, for  
12 devoting the resources to tackling this set of issues.

13                  Whether it's real or perceived, to use the words  
14 Caroline said, there has been a perception that the  
15 standards of conduct, or perhaps other regulations have  
16 inhibited the communication between entities, particularly  
17 in an emergency but more than in those emergency times. And  
18 it is key to remember that the standards of conduct only  
19 apply internally to an organization.

20                  We have tried to make that clear here and through  
21 other presentations. But this is an attempt--and it is  
22 voluntary--to make sure that people are comfortable in  
23 communicating with each other when there are operational  
24 challenges. And we'll have to reserve the right to revisit  
25 that if the voluntary nature of it doesn't work.

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1           But to those who were concerned about specific  
2           commercially sensitive information that could be transmitted  
3           in such a situation, we have put the "No-Conduit Rule" in  
4           here. I think that will be effective, and should assuage  
5           those concerns of entities that don't want to share  
6           sensitive information.

7           Ultimately, as we have seen this week, we can see  
8           demand go up in times when perhaps we didn't expect it,  
9           particularly in the winter when public health and safety is  
10          at risk. So we have to do everything we can to make sure  
11          that communication doesn't inhibit a supply disruption.  
12          Because if that happens, we will all look bad--everybody  
13          across the spectrum.

14          And I am hoping that entities will obviously take  
15          a good look at this proposed rule, comment on it, and get  
16          those communication channels open for particularly next  
17          winter when, again, we are going to get a cold winter one of  
18          these years and we want to make sure that there's enough  
19          energy to go around to keep people safe and warm.

20          This is the first of perhaps several other  
21          actions we will take on this set of issues, so stay tuned.  
22          We will have hopefully more things to present and a way to  
23          get ahead of this challenge before it creates real problems  
24          for the country.

25          So thank you for the opportunity to comment.

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1                   CHAIRMAN WELLINGHOFF: Thank you, Phil. John.

2                   COMMISSIONER NORRIS: Just to echo Phil's  
3 thoughts. Thanks to the team for your work on this, and  
4 everyone else who has been working on this, and industry  
5 that's been working on this with us to assist us in moving  
6 this forward.

7                   I think Phil's right, this is the first in  
8 probably a long line of issues we will be addressing going  
9 forward. I just applaud both the work of the Commission and  
10 industry to take on communication, take on scheduling,  
11 figure out how we maximize our current infrastructure before  
12 we address having to put in additional infrastructure. I  
13 think it's the first step in the process.

14                   But as we see this tremendous shift in gas--to  
15 gas for generation, this is a problem that is going to be  
16 before us for a long time and I think this is a great step  
17 toward dealing with it.

18                   Thanks.

19                   CHAIRMAN WELLINGHOFF: Thank you, John. Cheryl.

20                   COMMISSIONER LaFLEUR: Thank you.

21                   Thank you to the team, also. Just to put this,  
22 today's action, in a little bit of context, last year we  
23 held five regional technical conferences right about this  
24 time on gas/electric and determined at that time--and I  
25 think it has stood the test of time--that most of the issues  
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1       were regional in nature and should be addressed in a  
2       regional level. And I know the regions are working very  
3       hard on that, and we have already gotten some filings in.

4               We did identify at that time at least initially  
5       two cut-across issues, and one was this very issue:  
6       communications between the electric and the gas providers.  
7       And the other of course is scheduling. And those were the  
8       subject of follow-on technical conferences.

9               So today's rule is really the next step in one of  
10       those cut-across issues, following on the February tech  
11       conference that we held. And at every tech conference I  
12       went to, whether regional or that one in February, this  
13       communication issue was raised every single time, but  
14       frequently without anyone being able to cite a specific  
15       piece of the law or regulations that was causing the  
16       problem.

17               And so partly for that reason today's Notice of  
18       Proposed Rulemaking takes a permissive approach. It doesn't  
19       mandate something new, but it says this is just to clarify  
20       that this is permitted under our existing regulations. So  
21       rather than prescribing new communications, it makes sure  
22       that people understand what is lawful.

23               Speaking to the loyal bunch of folks who came  
24       here on a hot July day to be with us in their suits, and all  
25       the people out on the Web, we're very interested in  
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1 receiving comments from a wide range of participants: the  
2 pipelines, the RTOs, and the generators, and transmission  
3 owners, as to whether this will be helpful; if there's  
4 anything more that they would like to see or, you know, what  
5 their comments are on this issue so we can take it to a  
6 final rule in time for the winter.

7 Thank you.

8 CHAIRMAN WELLINGHOFF: Thank you. Tony.

9 COMMISSIONER CLARK: Just thanks to the team, and  
10 I would echo and concur in the thoughts of my fellow  
11 Commissioners.

12 SECRETARY BOSE: And the vote begins with  
13 Commissioner Clark.

14 COMMISSIONER CLARK: I vote aye.

15 SECRETARY BOSE: Commissioner LaFleur.

16 COMMISSIONER LaFLEUR: I vote aye.

17 SECRETARY BOSE: Commissioner Norris.

18 COMMISSIONER NORRIS: Aye.

19 SECRETARY BOSE: Commissioner Moeller.

20 COMMISSIONER MOELLER: Aye.j

21 SECRETARY BOSE: And Chairman Wellinghoff.

22 CHAIRMAN WELLINGHOFF: I vote aye.

23 Let's go to the next presentation item, please.

24 SECRETARY BOSE: And the next item for discussion  
25 and presentation this morning is E-22 concerning a draft  
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1 Final Rule on third-party provisions of ancillary services;  
2 accounting and financial reporting for new electric storage  
3 technologies.

4 There will be a presentation by Rahim Amerkhail,  
5 from the Office of Energy Policy and Innovation; Greg  
6 Basheda, from the Office of Energy Market Regulation; and  
7 Christopher Handy, from the Office of Enforcement. They are  
8 accompanied by Eric Winterbauer from the Office of the  
9 General Counsel.

10 MR. AMERKHAIL: Good morning, Mr. Chairman, and  
11 Commissioners:

12 E-22 is a Final Rule entitled Third-Party  
13 Provision of Ancillary Services; Accounting and Financial  
14 Reporting for New Electric Storage Technologies.

15 This Final Rule is the culmination of a multi-  
16 office, multi-year effort to proactively review and adjust  
17 various Commission rules and practices in anticipation of  
18 changing industry circumstances, including the increasing  
19 need for ancillary services in some areas, and the  
20 development and adoption of new power system technologies.

21 This effort began with a relatively broad staff-  
22 level request for comments, and then progressed through both  
23 a Notice of Inquiry and a Notice of Proposed Rulemaking. At  
24 each phase, in response to stakeholder feedback, the  
25 Commission has refined the focus of its efforts onto the  
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1 most promising reforms.

2 As a result, this Final Rule addresses three main  
3 areas: Reforms to our regulations governing market-based  
4 sales of ancillary services to a public utility transmission  
5 provider that is purchasing to satisfy its own OATT  
6 requirements to offer ancillary services to its own  
7 customers; reforms to the pro forma Open Access Transmission  
8 Tariff related to the speed and accuracy of resources used  
9 for Regulation and Frequency Response Service; and reforms  
10 to the Commission's Uniform System of Accounts and related  
11 reporting requirements.

12 Greg Basheda from the Office of Energy Market  
13 Regulation will now discuss the first two areas of reform,  
14 and then Christopher Handy from the Office of Enforcement  
15 will discuss the accounting and reporting reforms.

16 Greg.

17 MR. BASHEDA: Thank you, Rahim. Good morning,  
18 Mr. Chairman and Commissioners.

19 CHAIRMAN WELLINGHOFF: Good morning.

20 COMMISSIONER LaFLEUR: Good morning.

21 MR. BASHEDA: The Final Rule reforms the  
22 Commission's existing regulations governing the sales of  
23 certain ancillary services at market-based rates, commonly  
24 referred to as the "Avista policy."

25 Under the Avista policy, a third-party seller  
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1 authorized to make sales of energy and capacity at market-  
2 based rates may also sell ancillary services at market-based  
3 rates without first providing a market power study showing a  
4 lack of market power for those ancillary services.

5           However, as relevant here, the seller may not  
6 make such sales to a public utility transmission provider  
7 that would purchase the ancillary services to meet its OATT  
8 obligation, absent case specific authorization from the  
9 Commission based on a market power study from the seller  
10 showing that it lacks market power in the sale of that  
11 ancillary service.

12           The Final Rule modifies the Avista restrictions  
13 in several ways.

14           First, any entity with market-based rate  
15 authority for sales of energy and capacity will be permitted  
16 to sell imbalance services at market-based rates to a public  
17 utility transmission provider in the same balancing  
18 authority area, or to a public utility transmission provider  
19 in a different balancing authority area if those areas have  
20 implemented intra-hour scheduling for transmission service  
21 without the need to provide a separate market power study.

22           The intra-hour scheduling requirement is  
23 necessary to support the assumption in the existing market  
24 power screens that first-tier resources are able to compete  
25 with home balancing authority area resources.

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1           All public utility transmission providers should  
2           have implemented intra-hour scheduling prior to the  
3           effective date of this rule in compliance with the  
4           requirements of Order No. 764 to do so by November 12,  
5           2013.

6           In addition, the Final Rule allows an entity with  
7           market-based rate authority for sales of energy and capacity  
8           and to sell operating reserve services at market-based rates  
9           to a public utility transmission provider in the same  
10          balancing authority area, or to a public utility  
11          transmission provider in a different balancing authority  
12          area, if those areas have implemented intra-hour scheduling  
13          for transmission service that supports the delivery of  
14          operating reserve resources from one balancing authority  
15          area to another.

16          Because operating reserve services have different  
17          requirements than imbalance services, and because these  
18          differences translate into a different potential impact on  
19          the assumption in the existing market power screens that  
20          first-tier resources are able to compete with home balancing  
21          authority area resources, entities seeking authorization to  
22          sell operating reserves at market-based rates to a public  
23          utility transmission provider will have to demonstrate to  
24          the Commission how the particular intra-hour scheduling  
25          practices in their region support the delivery of operating  
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1 reserves from one balancing authority area to another.

2 The Final Rule does not remove the general  
3 prohibition on third-party market-based sales of regulation  
4 and frequency response service and reactive supply and  
5 voltage control service to a public utility transmission  
6 provider that is purchasing to satisfy its own OATT  
7 requirements to offer ancillary services to its own  
8 customers.

9 However, sales of these services will be  
10 permitted at rates not to exceed the buying utility  
11 transmission provider's OATT rate for the same  
12 service.

13 In addition, third-parties may sell reactive  
14 supply and voltage control service or regulation and  
15 frequency response service to a public utility transmission  
16 provider at market-based rates if such sales are made  
17 pursuant to a competitive solicitation that meets the  
18 requirements of this Final Rule.

19 While the record in this proceeding was  
20 insufficient to relieve the restrictions on reactive supply  
21 and voltage control service and regulation and frequency  
22 response service in the same manner as imbalance and  
23 operating reserves service, the Final Rule announces a new,  
24 separate proceeding to explore the technical, economic, and  
25 market issues concerning the provision of these services.

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1           The second broad area of market-oriented reforms  
2 relates to how public utility transmission providers must  
3 consider speed and accuracy of resources in making  
4 regulation reserve requirement determinations.

5           Rather than adopting the initial proposal  
6 requiring the development of detailed tariff language  
7 describing the specific process to be used, the Final Rule  
8 requires each public utility transmission provider to add to  
9 its OATT Schedule 3 a statement that it will take into  
10 account the speed and accuracy of regulation resources to  
11 its determination of reserve requirements for Regulation and  
12 Frequency Response Service, including as it reviews whether  
13 a self-supplying customer has made "alternative comparable  
14 arrangements" as required by the Schedule.

15           This statement will also acknowledge that, upon  
16 request by the self-supplying customer, the public utility  
17 transmission provider will share with the customer its  
18 reasoning and any related data used to make the  
19 determination of whether the customer has made "alterative  
20 comparable arrangements."

21           In addition, to aid the transmission customer's  
22 ability to make an apples-to-apples comparison of regulation  
23 resources, the Final Rule also requires each public utility  
24 transmission provider to post certain Area Control Error  
25 Data which will provide information about the speed and  
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1 accuracy of regulation resources used by the public utility  
2 transmission provider.

3 So while the Final Rule does not adopt all of the  
4 reforms proposed in the NOPR, based on the record in this  
5 proceeding we expect that the package of reforms that are  
6 adopted in this Rule will substantially enhance the  
7 opportunities for third parties to compete to make sales of  
8 ancillary services while continuing to limit the exercise of  
9 market power.

10 So Christopher will now discuss the accounting  
11 and reporting reforms.

12 MR. HANDY: Thank you, Greg.

13 Good morning, Mr. Chairman, and Commissioners.

14 The Final Rule revises the accounting and  
15 reporting requirements under the Commission's Uniform System  
16 of Accounts for public utilities and licensees and the  
17 annual and quarterly FERC forms, statements, and reports to  
18 better track and account for transactions associated with  
19 the user of energy storage assets in public utility  
20 operations.

21 Specifically, the Final Rule adds new electric  
22 plant and Operating and Maintenance expense accounts to  
23 report the installed cost and operation and maintenance cost  
24 of energy storage assets.

25 In addition, the Rule also amends the Form Nos.  
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1 1, 1-F, and 3-Q to include the new accounts and amended  
2 schedules to report statistical and operational information  
3 on energy storage operations. These reforms accommodate the  
4 increasing availability of these new storage resources for  
5 use in public utility operations and help ensure that the  
6 activities and costs of energy storage operations are  
7 sufficiently transparent to inform affected stakeholders and  
8 facilitate adequate oversight by state and federal  
9 regulators.

10 This concludes our presentation. We are happy to  
11 take any questions you may have.

12 CHAIRMAN WELLINGHOFF: Thank you, Christopher,  
13 and Greg, Rahim, and Eric.

14 I want to in fact thank the entire multi-office  
15 team that staffed this rulemaking. I think it is a very  
16 important rule.

17 And as with many of the Commission's rulemaking  
18 proceedings, this Final Rule I believe is about efficiency  
19 and opportunity. The Rule we vote on today will provide new  
20 opportunities for public utility transmission providers to  
21 procure imbalance services and operating reserves at the  
22 lowest cost, and will open new opportunities for third-party  
23 suppliers to sell these services to public utilities at  
24 market-based rates.

25 It will provide customers who wish to self-supply  
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1 or buy required ancillary services from a third party such  
2 as a wind farm seeking frequency regulation service, with  
3 new actionable information about the quality and quantity of  
4 regulation reserves required.

5 As these new opportunities open, the Rule  
6 establishes procedures and safeguards to ensure that the  
7 potential to exercise market power in the sale of ancillary  
8 services is detected and can be mitigated.

9 While the average consumer is probably unaware of  
10 ancillary services, they are crucial to the reliable  
11 operation of the electric grid. I view this Final Rule as  
12 part of the Commission's ongoing efforts to make the grid  
13 operate more efficiently so that electric services to homes  
14 and hospitals and businesses are reliable and reasonably  
15 priced.

16 With that, I am very pleased to vote for this  
17 rule. Colleagues? Phil?

18 COMMISSIONER MOELLER: Thank you, Mr. Chairman.

19 Rahim, I am going to ask you a question. What I  
20 am going to do is I'm going to talk to give you a couple of  
21 minutes to think about it--

22 (Laughter.)

23 COMMISSIONER MOELLER: --because the question is:  
24 In that rare case where we actually have members of the  
25 public who don't eat and breathe this stuff all the time,  
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1 and perhaps even for some of the folks who are reporting on  
2 it, could you give some real-world examples of what we're  
3 talking about here in terms of the products, ancillary  
4 services, how this would actually work in the power system?

5 So if you can break it down into common language,  
6 I think people would appreciate it. I want to thank the  
7 team for a very comprehensive and detailed presentation.  
8 And as you noted, Mr. Chairman, this has been a multi-year  
9 effort. There's a little bit of a conundrum where we are  
10 trying to essentially make a market, which is difficult, but  
11 the Order No. 764 certainly greatly enhanced what we are  
12 proposing today.

13 The intra-hour scheduling helps facilitate such a  
14 market for these new, hopefully, competitive services. And  
15 so I think it's been an outstanding effort. It's taken a  
16 lot of work, a long time, but we're moving in the right  
17 direction.

18 With that--and I didn't warn you that I'd ask  
19 this question--

20 (Laughter.)

21 COMMISSIONER MOELLER: --but as I read the  
22 presentation again, I just want to make sure that those few  
23 people who might actually be tuning in and not being able to  
24 translate, if you could perhaps do so.

25 MR. AMERKHAIL: Well, I'll take a shot.  
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1           I think that's actually a very good idea. I  
2 think a lot of people who don't follow what we do may not  
3 fully appreciate all the effort that goes into serving them  
4 with electricity.

5           There really has to be a real-time balancing of  
6 generation and load. You turn on your light. A generator  
7 somewhere is ramping up almost instantaneously.

8           For purposes of this discussion, people sell  
9 ordinary power and energy. Generally over a longer period  
10 of time, they are called block sales, often. But the system  
11 operators, the balancing authority area operators, need to  
12 balance load and resources on a variety of shorter time  
13 scales.

14           That is where the ancillary services we're  
15 dealing with here come into play. The imbalance ancillary  
16 services require a balancing over a period within an hour,  
17 but it doesn't have to be immediate; it just has to be  
18 within the hour. And the operating reserves are contingency  
19 related. If there's a loss of a generator, or even a large  
20 load, or a transmission line, these are resources that stand  
21 by to ramp up, or down conceivably, to address the issue.

22           So in the past, vertically integrated utilities  
23 and public utility transmission providers today, had largely  
24 addressed these within-hour needs using their own resources.  
25 There are some areas of the country where it's becoming more  
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1       difficult to do that.

2                   There are competing suppliers, both traditional  
3       and new, that could help address this issue. And so we are  
4       trying to make it possible for them to participate and help  
5       the incumbents.

6                   COMMISSIONER MOELLER: Well done.

7                   (Laughter.)

8                   COMMISSIONER MOELLER: Essentially these are  
9       products that we are trying to inject some competition into,  
10      balancing the needs of consumers to make sure that those  
11      providers are not exercising market power.

12                   And where we didn't think that was possible, we  
13      didn't do it.

14                   MR. AMERKHAIL: Correct.

15                   COMMISSIONER MOELLER: All right. Well thank you  
16      again to the team, and for the explanation.

17                   CHAIRMAN WELLINGHOFF: Thank you, Phil. And  
18      thank you, Rahim, for that explanation. John?

19                   COMMISSIONER NORRIS: Thanks. I don't know if  
20      you guys do the same thing, but I was thinking through last  
21      night what I wanted to say about this, and I realized, as  
22      Chris and Greg were giving their explanations, and you  
23      provided a little summarization, Jon, and you, Phil,  
24      probably I'll spare you my summary of what this Order does,  
25      is what I'm saying.

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1 (Laughter.)

2 COMMISSIONER NORRIS: But thank you to the team  
3 for the work on this. I just think this is an important  
4 area, extremely important. And thanks, Rahim, for your  
5 summary of what it does. Because our system is changing.  
6 And as the system changes, we've got to accommodate that  
7 change in the system, the change in the resource mix, to  
8 make sure we are striving to maximize the utilization of our  
9 generation, our storage assets, and other good balancing  
10 services.

11 And as you mentioned, Rahim, I think in  
12 particular areas of the country this is becoming more  
13 difficult. And that is not going to change. And in fact  
14 with measures like this we are accommodating our rules and  
15 regulations to develop competitive markets so that both  
16 existing resources can be better utilized, and incent new  
17 folks, new resources, new technologies, to have the  
18 opportunity to address the changing needs of our system.

19 I think this is what we're about doing here, is  
20 making sure the system works in the most efficient way  
21 possible. This goes in that direction.

22 I would say that I was hopeful this would be able  
23 to apply to the full set of ancillary services. But I think  
24 we struck a good step forward on regulation in frequency  
25 response, voltage control, and I'm pleased that we are

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1 opening up another proceeding to continue to explore ways to  
2 get them fully engaged in this provision of those services,  
3 as well, in a more competitive market atmosphere.

4 So thanks for your work.

5 CHAIRMAN WELLINGHOFF: Thank you, John. Cheryl.

6 COMMISSIONER LaFLEUR: Well thank you, very much.

7 I would also like to thank the whole team that  
8 worked on this, and all the folks who commented on the  
9 Notice of Inquiry and Notice of Proposed Rulemaking and  
10 really helped shape the final results.

11 I think my colleagues have said it well. This in  
12 some ways is the quintessential FERC market rule. Because  
13 if you went home and tried to explain it to your husband or  
14 kids, it sounds like a bunch of technical gobbledegook, but  
15 actually something significant is going on in all those  
16 words. And it reflects changes in the delivery of  
17 electricity and the needs of customers.

18 In my mind, I am really happy to vote for the  
19 Rule. I think it does three important things. First, it  
20 increases opportunities for market transactions in ancillary  
21 services in the bilateral market regions of the country, and  
22 I want to thank the Western States Power Pool and others for  
23 bringing this to our attention as a need.

24 Second, it takes the first steps to extend the  
25 benefits of Order No. 755, recognizing the speed and  
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1 accuracy of regulation services into those bilateral market  
2 regions.

3 And finally, and very important in my mind, it  
4 creates a new accounting category for electric storage. To  
5 cite the old saw: what gets measured gets managed. And as  
6 storage becomes more important, we have to recognize it as a  
7 resource in everything that we do at the Commission. It  
8 doesn't fit neatly in the traditional categories, so I think  
9 that is the important step.

10 Thank you, very much.

11 CHAIRMAN WELLINGHOFF: Tony.

12 COMMISSIONER CLARK: Thanks for all your work,  
13 and good job, Rahim, in distilling down a not insubstantial,  
14 almost 200-page Order into a fairly good answer to  
15 Commissioner Moeller's question.

16 Thanks.

17 SECRETARY BOSE: And the vote begins with  
18 Commissioner Clark.

19 COMMISSIONER CLARK: Vote yes.

20 SECRETARY BOSE: Commissioner LaFleur.

21 COMMISSIONER LaFLEUR: I vote aye.

22 SECRETARY BOSE: Commissioner Norris.

23 COMMISSIONER NORRIS: Aye.

24 SECRETARY BOSE: Commissioner Moeller.

25 COMMISSIONER MOELLER: Aye.

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1                   CHAIRMAN WELLINGHOFF: And Chairman Wellinghoff.

2                   CHAIRMAN WELLINGHOFF: I vote aye.

3                   The meeting is adjourned.

4                   (Whereupon, at 10:36 a.m., Thursday, July 18,  
5                   2013, the 996th open meeting of the Federal Energy  
6                   Regulatory Commissioners was adjourned.)

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