



Federal Energy Regulatory Commission

February 20, 2014

Open Commission Meeting

Staff Presentation

Item E-1

"Item E-1 is a draft order addressing requests to clarify certain elements of Order No. 784. In Order No. 784, the Commission revised its regulations to foster competition and transparency in ancillary services markets. Among other things, the Commission relaxed restrictions with respect to the sale of Energy Imbalance, Generator Imbalance, Operating Reserve-Spinning and Operating Reserve-Supplemental services by allowing sellers with market-based rate authority for energy and capacity to make sales of these ancillary services in certain circumstances. The Commission also revised its accounting and reporting requirements to better account for and report transactions associated with the use of energy storage devices in public utility operations. Specifically, the Commission adopted new and revised energy storage plant and operation and maintenance expense accounts, and FERC Form Nos. 1 and 3-Q schedules to provide for reporting financial, operational and statistical data on energy storage assets.

"The draft order clarifies several elements of Order No. 784. For instance, the order clarifies that any intra-hour transmission scheduling practice is sufficient to allow sellers with market-based rate authority for energy and capacity to sell Energy Imbalance and Generator Imbalance services at market-based rates. The draft order notes that this clarification does not extend to the Operating Reserve products due to the need for more timely delivery of the service. Further, the order clarifies that the section 205 filing requirement for sales of ancillary services made pursuant to a competitive solicitation applies only to sales not otherwise authorized in Order No. 784. The order also clarifies that public utility transmission providers must post historical one-minute and ten-minute area control error data to OASIS within 30 days after the issuance of this order.

"Finally, this order clarifies the January 1, 2013 implementation date for reporting rule changes and notes that utilities are not required to resubmit 2013 quarterly reports filed in the FERC Form No. 3-Q. Additionally, in Order No. 784, the Commission directed the Chief Accountant to issue interim accounting guidance due to submission software limitations which prevent the new accounting and reporting requirements of the order from being reported in the FERC Form Nos. 1 and 3-Q as of the respective filing dates of the forms. The Chief Accountant will issue a delegated letter order today that provides the appropriate financial reporting and disclosures required for filers with energy storage assets and operations that must be implemented until the new accounting provisions of Order No. 784 are incorporated into the form submission software.

"I will now discuss a new proceeding directed in Order No. 784. The Commission found in Order No. 784 that the technical and geographic requirements associated with Reactive Supply and Voltage Control (Schedule 2) and Regulation and Frequency Response (Schedule 3) services precluded application of the existing market power screens to the sale of those services. Instead, the Commission provided other options for such sales and stated its intention to gather more information regarding the technical, economic and market issues concerning the provision of these services in a new, separate proceeding.

"To that end, Commission will issue a notice today announcing a staff led workshop to be held on April 22. The notice provides additional background regarding Commission policies and recent actions with respect to reactive power, frequency response, and frequency regulation. We encourage people to attend in person.

"The topics tentatively scheduled for discussion include, among others, the technical, economic and market issues concerning the provision of: (1) Schedule 2 service within the broader context of the Commission's policies with respect to reactive power compensation, (2) Schedule 3 service as it relates to frequency regulation outside of the RTO regions, and (3) Schedule 3 service as it relates to

frequency response. The Commission will issue a subsequent notice providing the detailed agenda for the workshop.

“This completes our presentation, we are happy to answer any questions.”