



Federal Energy Regulatory Commission
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Staff Presentation
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"Good morning Chairman and Commissioners. The draft order before you follows up on two technical conferences convened by the Commission: the September 25, 2013 Technical Conference on Centralized Capacity Markets in Regional Transmission Organizations and Independent System Operators (RTOs/ISOs) and the April 1, 2014 Technical Conference on Winter 2013/2014 Operations and Market Performance in RTOs/ISOs. Specifically, as we will explain in more detail, the draft order requires RTO/ISOs to file reports with the Commission on the status of their efforts to address fuel assurance issues in their respective regions. The draft order also provides guidance to assist RTOs/ISOs in those efforts.

"Of issues explored at the two technical conferences, generator performance and efficient market operations were among the most pressing concerns raised. Throughout the conferences and subsequent post-technical conference comments, and in continued analyses by the RTOs/ISOs and the Commission, generator access to sufficient fuel supplies and the firmness of generator fuel arrangements were consistently identified as a significant issue contributing to poor generator performance and inefficient market operations.

"The draft order before you uses the term "fuel assurance" to describe a broad concept that includes a range of generator-specific and system-wide issues, including the overall ability of an RTO's/ISO's portfolio of resources to access sufficient fuel to meet system needs and maintain reliability. The draft order emphasizes that the need to address fuel assurance applies to all resources, regardless of fuel type.

"The draft order explains that fuel assurance has a direct and immediate impact on generator performance, and thus system reliability. Failure to address fuel assurance could potentially lead to volatile and often high fuel prices or require costly operator actions to ensure reliability. The draft order finds that, in light of these potential risks to reliability and just and reasonable rates, it is appropriate at this time to initiate a review of how each RTO/ISO is addressing fuel assurance. Additionally, the draft order recognizes that the Commission has already acted in several individual proceedings to put in place a number of market rule and tariff changes that can help address fuel assurance concerns, but that a more comprehensive review of these issues, and the efforts RTOs/ISOs have undertaken or plan to undertake, is warranted.

"Finally, to assist RTOs/ISOs in their efforts, the draft order describes a range of potential approaches – in the capacity markets and resource adequacy constructs, energy and ancillary services markets, or both – that could be considered to address market and system performance concerns associated with fuel assurance.

"RTOs/ISOs will be required to file reports within 90 days of the date of this order on the status of their efforts to address fuel assurance issues. Each RTO/ISO should describe the nature of fuel assurance concerns specific to its regions, the comprehensive strategy or strategies it has implemented or plans to implement to address market and system performance in light of each of its fuel assurance concerns, and the specific programs and mechanisms it will use to carry out its strategies. Following the submission of the RTO/ISO reports, there will be a 30-day public comment period.

"This concludes our presentation. We are happy to answer any questions. Thank you."