



Federal Energy Regulatory Commission
FACT SHEET
February 21, 2008
Notice Of Proposed Rulemaking
Wholesale Competition In Regions
With Organized Electric Markets
Docket No. RM07-19-000

Introduction

The Federal Energy Regulatory Commission (FERC) is issuing a Notice of Proposed rulemaking (NOPR) to consider potential reforms to improve the operation of organized wholesale power markets administered by RTOs and ISOs.

This NOPR builds on a year-long discussion and an Advance NOPR that was issued in June 2007. As such, this is another step in the Commission's process to improve competitive markets for the benefit of consumers.

The NOPR proposes reforms to improve the operation of organized wholesale electric power markets. It is intended to complement other Commission actions to address wholesale power market challenges both inside and outside RTO and ISO regions. The NOPR makes proposals in four areas: demand response, long term power contracting, market monitoring, and the responsiveness of RTOs and ISOs to customers and other stakeholders. The Commission seeks comment on these proposals from interested parties.

In addition to the proposed reforms, the Commission is ordering a technical conference to be held by Commission staff to consider proposals for modifying the design of organized markets. The Commission is also ordering a separate technical conference, to be held by staff shortly after receiving comments on the NOPR, to discuss barriers to demand response in organized markets.

The reforms proposed in the NOPR reflect the four areas where proposed improvements were supported by the law, facts and economic theory. This order represents only the latest in a series of actions by FERC to strengthen competitive markets. FERC is continuing to evaluate other market reforms and will act on them when appropriate.

Proposals

Demand Response and Pricing During Periods of Operating Reserve Shortages

- Purchase demand response resources in their markets for certain ancillary services, similar to any other resources.
- eliminate, during a system emergency, a charge to a buyer in the energy market for voluntarily taking less electric energy in the real-time market than purchased in the day-ahead market.

- permit an aggregator of retail customers (ARC) to bid demand response on behalf of retail customers directly into the organized energy market.
- modify their market rules, as necessary, to allow the market-clearing price, during periods of operating reserve shortage, to reach a level that rebalances supply and demand so as to maintain reliability while providing sufficient provisions for mitigating market power.
- study whether further reforms are necessary to eliminate barriers to demand response in organized markets.

Long-term Power Contracting

- Require RTOs and ISOs to dedicate a portion of their web sites for market participants to post offers to buy or sell power on a long-term basis.

Market Monitoring Policies and Information Sharing

- Require RTOs and ISOs to provide its MMU with access to market data, resources and personnel sufficient to carry out its duties.
- Require the MMU (or the external MMU in a hybrid structure) to report directly to the RTO or ISO board.
- Expand the list of recipients to receive MMU recommendations regarding rule and tariff changes, and broaden the scope of behavior to be reported to the Commission.
- Remove the MMU from tariff administration, including mitigation.
- Require each RTO and ISO to include ethics standards for MMU employees in its tariff and consolidate all its MMU provisions in one section of its tariff.
- Expand the dissemination of MMU market information to a broader constituency, with reports made on a more frequent basis.
- Reduce the time period before energy market bid and offer data are released to the public.

Responsiveness of RTOs and ISOs

- Establish new criteria intended to ensure that an RTO or ISO is responsive to its customers and stakeholders, and ultimately to the consumers who benefit from and pay for electricity services. These criteria would include: (1) inclusiveness; (2) fairness in balancing diverse interests; (3) representation of minority positions; and (4) ongoing responsiveness.

What's Next

Comments from interested parties on the NOPR are due 45 days from publication in the *Federal Register*.