



# FEDERAL ENERGY REGULATORY COMMISSION

NEWS

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## FERC Reforms Aim to Improve Operations of Organized Wholesale Power Markets

The Federal Energy Regulatory Commission (FERC) today proposed new rules to improve operations in organized electric markets, boost competition and bring additional benefits to consumers.

The proposed reforms, outlined today in a Notice of Proposed Rulemaking (NOPR) on competition, are designed to ensure just and reasonable rates and to remedy undue discrimination and preference and improve wholesale competition in organized markets. They address demand response and market pricing during a period of reserve shortage, long-term power contracting, market-monitoring policies, and responsiveness of regional transmission operators (RTOs) and independent system operators (ISOs) to stakeholders and customers.

The reforms follow a process that began when FERC convened a series of public conferences on competition a year ago and continued in recent months with thousands of pages of public comment on a June 2007 Advance Notice of Proposed Rulemaking (ANOPR) on challenges facing organized electric markets.

“Today’s proposal constitutes the next step, not the final step, in the process of improving competition in wholesale electric power markets,” FERC Chairman Joseph T. Kelliher said. “We began this process a year ago, when we initiated a comprehensive review of the state of competition in wholesale power markets. We asked a broad range of market participants for their best ideas on how we can make wholesale markets more competitive. We placed no limits on this debate. The reforms we are proposing today reflect four areas of the competitive markets debate 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 we will act on them when ready. We are issuing this package today because we do not want to delay any of the consumer benefits from these reforms.”

The specific proposals include:

### Demand Response

- Accept bids from demand response resources in their markets for certain ancillary services comparable to other resources.
- During a system emergency, eliminate a charge to a buyer for taking less energy in the real-time market than it purchased in the day-ahead market.
- Permit an aggregator of retail customers to bid demand response on behalf of retail customers.
- Modify market rules to allow market-clearing prices, during a period 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.

### Long-term Power Contracting

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





### Improved Market Monitoring

- Require each RTO and ISO to provide its Market Monitoring Unit (MMU) with access to market data, resources and personnel necessary to carry out its duties.
- Require the MMU to report directly to the RTO or ISO board.
- Expand the list of recipients who would receive MMU recommendations regarding rule and tariff changes, and broaden the scope of behavior reported to FERC.
- Remove the MMU from tariff administration, including mitigation, and require each RTO and ISO to include in its tariff ethics standards for MMU employees.
- Expand dissemination of MMU market information to a broader constituency, with more frequent reports.

### Responsiveness to Customers and Stakeholders

- Adopt principles for RTOs and ISOs to ensure inclusiveness, fairness in balancing diverse interests, representation of minority positions, and ongoing responsiveness.

FERC directed all RTOs and ISOs to consult with their stakeholders and make compliance filings that detail their plans for compliance.

FERC noted that while there are differences on the appropriate scope of the proposed rulemaking, the process was guided by the record in the proceeding and the need to undertake timely reforms.

As the proposed reforms are not the final effort to strengthen competition in organized markets, FERC encouraged each RTO or ISO to study whether further reforms are necessary to eliminate barriers to demand response. Any reforms must ensure that demand response resources are treated on a comparable basis as other resources.

FERC also ordered staff technical conferences. One technical conference will address proposals by the American Forest and Paper Association and Portland Cement Association *et al.* to modify the design of organized markets. A separate technical conference, to be convened by staff shortly after receiving comments on the NOPR, will discuss barriers to demand response in organized markets.

Finally, FERC encouraged each RTO or ISO to provide a forum to consider any specific proposals from consumer organizations or other entities to strengthen competitive markets.

Comments on today's proposed rulemaking, *Wholesale Competition in Regions with Organized Electric Markets*, are due 45 days after the NOPR is published in the *Federal Register*.