September 17, 2020

News Media Contact:
Craig Cano, mediadl@ferc.gov
Docket No. RM18-9-000

FERC Order No. 2222: A New Day for Distributed Energy Resources

FERC Order No. 2222 will help usher in the electric grid of the future and promote competition in electric markets by removing the barriers preventing distributed energy resources (DERs) from competing on a level playing field in the organized capacity, energy and ancillary services markets run by regional grid operators.

What are distributed energy resources?

DERs are small-scale power generation or storage technologies (typically from 1 kW to 10,000 kW) that can provide an alternative to or an enhancement of the traditional electric power system. These can be located on an electric utility's distribution system, a subsystem of the utility's distribution system or behind a customer meter. They may include electric storage, intermittent generation, distributed generation, demand response, energy efficiency, thermal storage or electric vehicles and their charging equipment.

What does Order No. 2222 do?

This rule enables DERs to participate alongside traditional resources in the regional organized wholesale markets through aggregations, opening U.S. organized wholesale markets to new sources of energy and grid services. It will help provide a variety of benefits including: lower costs for consumers through enhanced competition, more grid flexibility and resilience, and more innovation within the electric power industry.

This rule allows several sources of distributed electricity to aggregate in order to satisfy minimum size and performance requirements that each may not be able to meet individually.

What comes next?

Regional grid operators must revise their tariffs to establish DERs as a category of market participant. These tariffs will allow the aggregators to register their resources under one or more participation models that accommodate(s) the physical and operational characteristics of those resources.

Each tariff must set a size requirement for resource aggregations that do not exceed 100 kW.

- The tariffs also must address technical considerations such as:
- locational requirements for DER aggregations;
- distribution factors and bidding parameters;
- information and data requirements;
- metering and telemetry requirements; and
- coordination among the regional grid operator, the DER aggregator, the distribution utility and the relevant retail regulatory authority.

The rule also directs the grid operators to allow DERs that participate in one or more retail programs to participate in its wholesale markets and to provide multiple wholesale services, but to include any appropriate, narrowly designed restrictions necessary to avoid double counting.

Is this under FERC jurisdiction?

Yes. Importantly, the final rule builds off the DC Circuit Court's recent ruling on Order No. 841, in which the court affirmed the Commission's exclusive jurisdiction over the regional wholesale power markets and the criteria for participation in those markets.

The rule does not allow retail regulatory authorities to broadly prohibit DERs from participating in the regional markets. But it does allow retail regulators to continue prohibitions against distributed energy aggregators bidding the demand response of retail customers into the regional markets.

The rule also establishes a small utility opt-in. Specifically, it prohibits grid operators from accepting bids from the aggregation of customers of small utilities whose electric output was 4 million megawatt-hours or less in the preceding fiscal year, unless the relevant retail regulatory authority for a small utility allows such participation.

The rule explains that state and local authorities remain responsible for the interconnection of individual DERs for the purpose of participating in wholesale markets through a DER aggregation.

When will this rule take effect?

Order No. 2222 takes effect 60 days after publication in the *Federal Register*. Grid operators must make compliance filings FERC within 270 days of publication in the *Federal Register*.

###