

June 29, 2012

FERC ACTS TO HELP ENTRY OF RENEWABLE RESOURCES, INCREASE COMPETITION IN GRID SERVICE MARKETS, AND REVISE REPORTING PROCEDURES

At its recent public meeting, FERC took two actions to help the entry of clean electric generating resources and to improve competition and efficiency in wholesale power markets. FERC approved new rules to integrate Variable Energy Resources, such as wind and solar generators, into the electric grid. FERC also proposed new rules to ease restrictions on selling ancillary (grid balancing) services that may be impeding the development of competitive markets for those services, and proposed accounting and reporting requirements for new electricity storage devices, such as flywheels and large batteries, which can provide ancillary services. In another action, FERC proposed revised procedures for jurisdictional public utilities to file quarterly data regarding service agreements and sales and purchases.

These actions by FERC will be of interest to those with interests in renewable energy resources and those with interests in generating and other facilities that participate in wholesale electricity markets in the U.S.

VARIABLE ENERGY RESOURCE RULE

FERC defines a Variable Energy Resource (VER) as a device for the production of electricity that is characterized by an energy source that: (1) is renewable; (2) cannot be stored by the facility owner or operator; and (3) has variability that is beyond the control of the facility owner or operator. Examples include wind, solar, and hydrokinetic generating facilities. The substantial recent entry by VERs can increase operational uncertainty for grid operators, and the protocols for grid management were developed for generation resources that can be scheduled with more precision. As a result, protocols can discriminate against VERs or otherwise impair the ability of transmission providers and customers to manage costs associated with VER integration.

To address these problems, FERC issued Order No. 764 setting out new rules that provide VERs and other transmission customers more scheduling flexibility and require new interconnection customers whose facilities are VERs to provide meteorological and forced outage data to the transmission provider to improve scheduling.

Intra-Hour Scheduling

In regions without an RTO or ISO, resources typically schedule transmission service on an hourly basis. Hourly scheduling protocols, however, were developed when virtually all generation could be scheduled with relative precision. As more VERs interconnect, hourly scheduling makes maintaining system balance more difficult. To address this increased intra-hour variability, transmission providers rely on ancillary services to keep the system in balance. Hourly scheduling protocols also expose transmission customers, especially VERs, to excessive generator imbalance charges. Generator imbalance charges are assessed on differences between scheduled and actual generator output to pay for the energy needed to make up those differences and maintain grid balance. But

under the Open Access Transmission Tariff (OATT), transmission customers cannot mitigate imbalance charges by adjusting their transmission schedules within the hour to reflect anticipated changes in generation output.

Under the new rule, the OATT must provide transmission customers the option of more frequent transmission scheduling intervals within each operating hour, at 15-minute intervals. The flexibility of intra-hour scheduling will allow VERs and other customers to limit their exposure to imbalance charges, and allow transmission providers to rely more on planned scheduling and dispatch procedures and less on costly ancillary services to maintain grid balance.

Forecasting Data Requirements

Another way to lower the costs of maintaining grid balance is by using power production forecasts. Power production forecasts give transmission providers advance knowledge of system conditions needed to manage the variability of VER generation through the unit commitment and dispatch process instead of using ancillary services. Using power production forecasting requires meteorological and forced outage data from VERs.

Accordingly, FERC is requiring new interconnection customers whose generating facilities are VERs to provide site-specific meteorological and forced outage data to the transmission provider with which the customer is interconnected, where necessary for that transmission provider to develop and deploy power production forecasting. If meteorological and forced outage data are needed for power production forecasting, they must be provided even if that means investment in additional equipment by the customer.

The new rules become effective 60 days after publication in the *Federal Register*. Order No. 764 is available [here](#).

THIRD PARTY PROVISION OF ANCILLARY SERVICES

FERC generally allows electricity to be sold at market-based rates (instead of more restrictive cost-based rates) if the seller can demonstrate that it does not have market power. For sales of ancillary services, it can be difficult for generators to show a lack of market power. Ancillary services require certain equipment characteristics and only generators with these characteristics can be counted as competing suppliers in a market power study. However, detailed information on the pertinent generator characteristics is not always publicly available for use in a study.

To address this data limitation, FERC allows generators to sell ancillary services at market-based prices without a study but not to a transmission provider purchasing the service to satisfy its OATT obligation to provide ancillary services to its customers at cost-based rates. A study is required for those sales at market-based rates. This restriction does not apply to most RTOs and ISOs because they have developed formal ancillary services markets.

The restriction on market based sales is seen as a barrier to developing competitive ancillary services markets and the new electricity storage technologies that can provide those services. The most significant likely market for ancillary services is transmission providers seeking to meet their OATT obligations.

FERC issued a Notice of Proposed Rulemaking (NOPR) with reforms to address these problems.

Developing Competitive Markets for Ancillary Services

The NOPR proposes alternative ways for suppliers to show they do not have market power in ancillary service markets and thus sell at market-based rates.

- *Current market power screen.* For any market in which a seller passes FERC's current market power screens for energy and capacity, a rebuttable presumption is created that the seller does not have market power with respect to imbalance services. Imbalance services do not appear to impose any special technical requirements or geographic limitations.
- *Optional ancillary service market power screen.* A rebuttable presumption that a seller lacks market power is created if the capacity the seller can dedicate to providing the service is no more than 20% of the amount of the service the buyer requires. The buyer's requirement for the service will be available as the result of a proposed reporting requirement under which each transmission provider must post on its OASIS information as to the amount of each ancillary service that it has historically required.
- *Price caps.* One proposed cap is the existing rate in the purchaser's OATT for the same ancillary service. A second proposed cap is the highest rate for the same ancillary service in an OATT within the geographic region the service can be traded.
- *Competitive solicitations.* Sales of ancillary services may be made at market-based rates pursuant to a competitive solicitation that meets certain guidelines and that is shown to have attracted sufficient seller interest to discipline market prices.

FERC also proposes changes to its accounting and reporting requirements for electric storage devices. The current requirements were adopted for facilities that fit into traditional generation, transmission or distribution categories. Storage resources, however, are capable of providing multiple services to the grid and can operate in ways that resemble production or transmission. For example, storage resources can act as a power marketer by arbitraging peak and off-peak prices and providing ancillary services, or they can act like a transmission asset by providing voltage support on the grid.

In the NOPR, FERC proposes changes to its accounts and new or revised reporting forms to provide financial and operational information on energy storage assets.

Comments on the NOPR are due 60 days after publication in the Federal Register.

The NOPR is available [here](#).

ELECTRONIC QUARTERLY REPORT PROPOSAL

FERC requires jurisdictional public utilities to file Electronic Quarterly Reports (EQRs) that summarize the terms and conditions of power sales and transmission service agreements and transaction information for all power sales. EQRs are now filed using Microsoft Visual FoxPro software downloaded from FERC's website. However, this process will soon be outmoded because Microsoft will not support the software after 2015 and its data size limitations will soon restrict FERC's ability to add data fields to the EQR.

FERC issued a NOPR proposing a new filing system that will provide two new options.

- File directly through a web interface on FERC's website. A software download is not needed.
- File an EQR in XML format via the Commission's website.

Comments on the NOPR are due 60 days after publication in the *Federal Register*. FERC will convene a staff-led public conference on July 11, 2012 to demonstrate the two new options.

The EQR NOPR is available [here](#).

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