



**Federal Energy Regulatory Commission
April 18, 2019
Open Commission Meeting
Staff Presentation
Items E-2, E-3**

Good morning Mr. Chairman and Commissioners.

On December 21, 2017, the Commission opened investigations, pursuant to section 206 of the Federal Power Act, into the fast-start pricing practices of NYISO and PJM as part of the Commission's broader price formation initiative. The Commission preliminarily found that current practices in NYISO and PJM may be unjust and unreasonable because those practices do not allow prices to accurately reflect the marginal cost of serving load when a fast-start resource is needed to quickly respond to unforeseen system needs. Without some form of fast-start pricing, many fast-start resources are not eligible to set prices, even when they are effectively the marginal resource. Further, even when fast-start resources can set prices, they may not be able to recover their commitment costs, such as start-up and no-load costs, through prices. As a result, prices may not reflect the marginal cost of serving load, muting price signals for efficient investments. Several RTOs and ISOs have already implemented fast-start pricing practices to address these issues.

Items E-2 and E-3 largely confirm the preliminary findings from the December 2017 orders, and direct NYISO and PJM, respectively, to implement tariff changes to ensure that their fast-start pricing practices are just and reasonable.

Both items E-2 and E-3 direct NYISO and PJM to allow fast-start resources to set prices and to allow the commitment costs of those resources to be reflected in prices. Items E-2 and E-3 also require NYISO and PJM to apply fast-start pricing to non-block-loaded fast-start resources.

Finally, in December 2017 the Commission also opened an investigation into the fast-start pricing practices in SPP. That proceeding remains pending before the Commission.

Thank you. I would also like to thank the team. This concludes our presentation. We are happy to answer any questions you may have.