



Federal Energy Regulatory Commission

December 21, 2017

Open Commission Meeting

Staff Presentations

Items E-2, E-3, E-4 & E-5

"Good Morning, Mr. Chairman and Commissioners.

"On December 15, 2016, the Commission issued a Notice of Proposed Rulemaking, or NOPR, proposing certain requirements for Regional Transmission Organizations and Independent System Operators, or RTOs and ISOs, to incorporate the offers of fast-start resources into the prices for energy and ancillary services, commonly referred to as fast-start pricing. Fast-start resources are resources that are able to start quickly. They are often able to respond to unforeseen short-term, real-time system needs. Without some form of fast-start pricing, most fast-start resources are not eligible to set prices, even when they are 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 developed pricing that is generally designed to address these issues and this class of resources.

"In the NOPR, which was the third in the Commission's ongoing price formation initiative, the Commission preliminarily found that some existing fast-start pricing practices may not result in rates that are just and reasonable, and proposed to require that each RTO and ISO establish certain requirements for its fast-start pricing.

"The Commission received over 30 comments in response to the NOPR. Upon further consideration of comments that questioned whether the proposed rule would provide sufficient value in all RTOs and ISOs and that argued for regional flexibility, in the set of draft orders, the Commission would not apply a uniform set of fast-start pricing requirements to all RTOs and ISOs. Thus, item E-2 proposes to withdraw the NOPR and terminate the rulemaking proceeding.

"Instead, the Commission is proposing to pursue the goals of the fast-start pricing NOPR through three draft orders. These orders would focus on specific concerns with the implementation of fast-start pricing in each of three RTOs and ISOs. These orders - items E-3, E-4, and E-5 - involve NYISO, PJM, and SPP. Each of these three orders would initiate investigations, pursuant to section 206 of the Federal Power Act, to determine whether certain fast-start pricing practices of these RTOs and ISOs lead to rates that are unjust and unreasonable.

"Because NYISO, PJM, and SPP implement fast-start pricing in different ways, these three orders address different aspects of fast-start pricing that are specific to each RTO or ISO. The three orders also address some common issues. For each of the three RTOs and ISOs, the orders would generally address:

1. whether the RTO/ISO tariffs should be revised to include fast-start resource's commitment costs in fast-start pricing; and,
2. whether to allow the relaxation of fast-start resources' economic minimum operating limits by up to 100 percent for purposes of setting prices.

"For two of the RTOs and ISOs - PJM and SPP - the orders would also address other specifics, such as whether fast-start resources are being dispatched in a manner that minimizes production costs. Details differ for each RTO and ISO because their fast-start pricing implementation differs.

"Interested parties may file initial briefs on these matters no later than 45 days after publication in the Federal Register, with reply briefs due 30 days thereafter.

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