

**FERC Order  
on Wholesale Competition  
(Docket Nos RM07-19 & AD07-7)  
Issued on 10/17/08**

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**Management Committee Meeting  
December 3, 2008  
Albany, NY**

*Draft – for Discussion Purposes Only*

# *Background*

- ◆ This Order is the culmination of a two-year rulemaking by the Commission
- ◆ Objective is to improve the competitive wholesale markets administered by ISO/RTOs
- ◆ FERC rejected attempts by APPA, ELCON and others to expand the scope of the rulemaking into a forum on the existence of competitive wholesale markets
- ◆ The Order acknowledges the progress that ISO/RTOs have made in implementing competitive markets
- ◆ In his public comments approving the Final Rule, Chairman Kelliher strongly endorsed competition in the electric industry as “settled national policy”

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## *Compliance Filing due April 28, 2008*

- ◆ Each ISO/RTO is required to make a compliance filing:
  - *To either demonstrate that its existing practices are already in compliance; or*
  - *To propose revisions to its tariff or procedures to bring it into compliance*
- ◆ The directives in the Final Rule are aimed at providing further improvements in the wholesale markets

## *Provisions of the Final Rule*

- ◆ The provisions of the Final Rule are broken down into four topical areas:
  - *Demand Response*
  - *Long-Term Contracting*
  - *Market Monitoring*
  - *Stakeholder Responsiveness*
- ◆ ISO/RTOs are directed to consult with their stakeholders in advance of the compliance filing on several topics
- ◆ FERC did not mandate that all improvements must be implemented by the compliance filing date

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## *Demand Response*

- ◆ Technically capable DR resources must be able to bid into ancillary services markets on a comparable basis with other resources
- ◆ Penalty charges for voluntarily reducing demand during a system emergency must be eliminated
- ◆ Aggregators must be allowed to participate in ISO/RTO markets unless prevented under state law or regulation
- ◆ Scarcity pricing must be implemented during times of operating reserve shortages
- ◆ Consulting with stakeholders, ISO/RTOs to assess and report on any remaining barriers to comparable treatment of DR in their markets

## *Long-Term Contracting*

- ◆ Each ISO/RTO must provide a location on its web-site for market participants to post offers to buy or sell power on a long-term basis
- ◆ ISO/RTOs are not to be held liable for the accuracy of such information
- ◆ Regional flexibility permitted—each region to work with its stakeholders to work out the specifics

# *Market Monitoring Unit*

- ◆ MMU must report to the Board rather than to Management
  - *FERC appears to have accepted a “hybrid” structure with both an internal and external MM—such as the NYISO’s*
- ◆ Clarifies the role and responsibilities of the MMU
- ◆ MMU to be removed from “tariff administration”
- ◆ Requires enhanced reporting and information sharing
  - *While protecting confidential information*
- ◆ All MM provisions are to be located in a single place in the Tariff The lag time for release of bid and offer data is reduced to 3 months from the current 6 months

# *Responsiveness to Stakeholders*

- ◆ Each ISO/RTO must provide stakeholders with some form of direct access to the Board of Directors
- ◆ FERC has not endorsed any specific governance model and provides for regional flexibility
- ◆ The NYISO's shared governance already fulfills the four criteria proposed by FERC:
  - *Inclusiveness*
  - *Fairness in balancing diverse interests*
  - *Representation of minority positions*
  - *Ongoing responsiveness*
- ◆ ISO/RTOs to seek stakeholder consensus for their compliance filings



## *Next Steps*

- ◆ In many areas, the NYISO is already in compliance with the Final Rule and our Compliance Filing will demonstrate that to the Commission
- ◆ NYISO will open the dialog with its stakeholders where most appropriate for each topic, including:
  - *MC*
  - *ICAP WG*
  - *PRLWG*
  - *MIWG*
- ◆ Comments and Questions