

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

**PRLWG Meeting
December 8, 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”

Compliance Filing due April 28, 2009

- ◆ 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

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