

FERC Requests Comments on Integration of Variable Energy Resources onto the Electricity Grid

January 28, 2010

On January 27, the *Federal Register* published a Notice of Inquiry (NOI) issued by the Federal Energy Regulatory Commission (FERC) on January 21, 2010 requesting comments from electricity industry participants regarding the integration of Variable Energy Resources (VER) onto America's electricity grid. Publication of the NOI triggers a 60-day comment period, during which industry participants may submit proposals and recommendations sought in the NOI. The NOI is a significant step in FERC's efforts to encourage continued generation and transmission of renewable energy, and provides industry participants an opportunity to assist in shaping FERC policy relating to renewable resource development and deployment.

A VER is a renewable energy resource that is characterized by variability in the resource's fuel source, such as wind, solar, and certain hydroelectric resources. VERs present unique challenges that generally do not exist when integrating conventional generating resources onto the electricity grid. Although conventional generating resources may be developed throughout all areas of the United States and are fully dispatchable, VERs present location constraint and limited dispatchability challenges that were not contemplated in the development of FERC's existing policies. Therefore, the NOI seeks comment on the extent to which barriers exist that may impede the reliable and efficient integration of VERs onto the electricity grid, and whether reforms are needed to eliminate those barriers.

In issuing its NOI, FERC emphasized that in recent years, VERs have been developed and integrated onto the electricity grid in increasing numbers. In 2008, new wind generating capacity comprised 42% of all newly installed generating capacity, and in 2009, approximately 9,000 megawatts of VERs went into commercial operation. FERC explained that VERs result in low marginal energy costs and reduced greenhouse gas emissions (compared to fossil-fueled generation). As a result, renewable portfolio standards had been enacted by 30 states and the District of Columbia by the end of 2009.

Due to the increased development and use of VERs, FERC is exploring whether existing rules, regulations, tariffs, or industry practices within its jurisdiction hinder the reliable and efficient integration of VERs, resulting in rates that are unjust and unreasonable and/or terms of service that unduly discriminate against certain types of resources. FERC is seeking comments on the following seven subject areas:

- Data and reporting requirements, including the use of accurate forecasting tools
- Scheduling practices, flexibility, and incentives for accurate scheduling of VERs

- Forward market structure and reliability commitment processes
- Balancing authority area coordination and/or consolidation
- Suitability of reserve products and reforms necessary to encourage the efficient use of reserve products
- Capacity market reforms
- Redispatch and curtailment practices necessary to accommodate VERs in real time

Although FERC is requesting comments in a variety of areas, FERC is not seeking comments relating to transmission planning or cost allocation because those issues are under consideration in a separate proceeding. Similarly, FERC explained that it is not seeking to adopt rules that favor one type of supply source over an alternative supply source. Rather, FERC's goal in the present proceeding is to evaluate potential operational reforms that will ensure that rates for jurisdictional service are just and reasonable while preventing VERs from facing undue discrimination. Potential operational reforms that FERC will consider must be consistent with the need to maintain system reliability in accordance with FERC-approved mandatory reliability standards. However, FERC will consider comments proposing the modification of existing reliability standards or the development of new reliability standards in conjunction with reform proposals submitted in this proceeding.

Comments are due on or before **March 29, 2010**, and may be filed with FERC electronically using Docket No. RM10-11-000.

If you have any questions or would like more information on any of the topics discussed in this LawFlash, please contact any of the following Morgan Lewis attorneys:

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