

## FERC Proposes New Rules to Integrate Variable Energy Resources

November 19, 2010

In a Notice of Proposed Rulemaking (NOPR) issued on November 18 in Docket No. RM10-11-000, the Federal Energy Regulatory Commission (FERC) proposes several reforms to the *pro forma* Open Access Transmission Tariff (OATT) that are intended to remove barriers to the integration of variable energy resources (VERs) into the transmission grid. Comments on the VER NOPR will be due 60 days after its publication in the *Federal Register*.

Through the NOPR, FERC responds to comments filed on its Notice of Inquiry on the Integration of VERs (NOI), where FERC sought comment on the state of VER integration in various regions of the country. Based on the comments it received concerning the NOI, FERC preliminarily finds in the NOPR that the practice of hourly scheduling, a lack of VER power production forecasting, and the lack of a clear mechanism to recover the cost of providing generator regulation service may be contributing to undue discrimination and unjust and unreasonable rates in light of the entry and increasing presence of VERs on the transmission grid.

As a remedy, FERC proposes three basic reforms: (1) to require public utility transmission providers to offer intrahourly transmission scheduling, at 15-minute intervals; (2) to incorporate provisions into the *pro forma* Large Generator Interconnection Agreement requiring interconnection customers whose generating facilities are variable energy resources to provide meteorological and operational data to public utility transmission providers for the purpose of power production forecasting; and (3) to amend the OATT to add a generic ancillary service rate schedule through which public utility transmission providers will offer regulation service to transmission customers delivering energy from a generator located within the transmission provider's balancing authority area.

FERC states that taken together, the proposed reforms will affect the energy industry in the following ways:

- VERs and other resources will be able to adjust schedules within the operating hour, allowing public utility transmission providers to commit fewer generation and nongeneration resources to providing reserves.
- Public utility transmission providers will be supplied with improved meteorological and operational information by the interconnection customers whose generating facilities are VERs and will be able to use this information to develop power production forecasts for use in operating their systems, thus mitigating the volume of regulation reserves they deploy.
- Public utility transmission providers will have a new OATT schedule from which to recover the costs of providing generator regulation service, and customers and other market participants will

know the cost of such service. This new schedule, Schedule 10 – Generator Regulation and Frequency Response, would be based on OATT Schedule 3 – Regulation and Frequency Response, and FERC proposes that it would be just and reasonable for transmission providers to use the rate in their Schedule 3 when charging for Schedule 10 service (although transmission providers could not charge a customer both Schedule 3 and Schedule 10 charges for the same transaction).

FERC proposes that each public utility transmission provider must submit a compliance filing within six months of the effective date of the final rule revising its OATT, LGIA, or other documents subject to FERC jurisdiction to meet the requirements of the final rule. Transmission providers that are not public utilities would have to adopt the requirements of the final rule as a condition of maintaining their safe harbor tariff status or otherwise satisfying the reciprocity requirements of Order No. 888.

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

**Washington, D.C.**

John D. McGrane	202.739.5621	<a href="mailto:jmcgrane@morganlewis.com">jmcgrane@morganlewis.com</a>
Floyd L. Norton, IV	202.739.5620	<a href="mailto:fnorton@morganlewis.com">fnorton@morganlewis.com</a>
Joseph W. Lowell	202.739.5384	<a href="mailto:jlowell@morganlewis.com">jlowell@morganlewis.com</a>

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