

On the Subject

Energy & Commodities Advisory

January 22, 2010

FERC's objective is to eliminate unnecessary barriers to transmission service and access to wholesale power markets for variable energy sources.

FERC Seeks Industry Comments on Ways to Improve Wind and Solar Access to Grid

On January 21, 2010, the Federal Energy Regulatory Commission (FERC) issued a Notice of Inquiry to examine the integration of variable energy sources (VERs) into the wholesale power grid. Specifically, FERC is soliciting comments on existing barriers that may impede the reliable and efficient integration of VERs (e.g., wind and solar) into the grid, as well as market and operational reforms to reduce such barriers. Comments are due 60 days after publication of the notice in the Federal Register.

Challenges Facing Variable Energy Resources

Citing the proliferation of wind and solar generating capacity, FERC recognizes that the unique characteristics of these generation resources may hinder their integration into the wholesale power grid that FERC regulates. Specifically, FERC notes the inability of VERs to store their fuel, which hampers their ability to control electrical output. Further, the weather factors that drive VERs are often difficult to forecast. Output from VERs also is often negatively correlated to energy demand. Finally, FERC points out that VERs can experience substantial changes in output, known as ramp.

FERC's Call for Input

FERC explains in its Notice of Inquiry that it is taking a "fresh look" at its policies and practices in light of the increased share of VERs in the United States' generation portfolio. FERC's objective is to eliminate unnecessary barriers to transmission service and access to wholesale power markets for VERs. The agency also aims to reduce the ultimate costs to electricity

consumers by promoting greater efficiencies relating to VERs. However, FERC cautions that its goal is not to favor one form of generation over another.

FERC is receptive to comments on a wide range of topics relating to VERs, except transmission planning and cost allocation. Topics on which FERC expressly seeks comment include the following:

- **Data and Forecasting** – FERC seeks comments on enhanced forecasting techniques in order to address the challenges related to predicting the exact output of VERs.
- **Scheduling Flexibility** – Recognizing that today's scheduling practices reflect a period when virtually all generation was based on technologies that allowed precise scheduling, FERC seeks suggestions on improved scheduling protocols that better accommodate VERs. For instance, FERC questions whether shorter scheduling intervals or intra-hour scheduling would improve VERs' access to the grid.
- **Scheduling Incentives** – FERC asks whether it should examine the impacts of an existing exemption from imbalance penalties for intermittent resources.
- **Day-Ahead Market Participation** – FERC notes the relative lack of involvement by VERs in the Day-ahead markets administered by ISOs/RTOs. FERC seeks input on the reasons behind such low participation, as well as whether the lack of Day-ahead market participation by VERs may ultimately increase the costs of electricity to consumers.
- **Reliability Commitments** – ISO/RTO system operators enter into reliability unit commitments following the close of the Day-ahead market if the results of the market show a shortfall in generation to meet forecast demand. FERC questions whether the creation of a formalized and transparent intra-day assessment and commitment process would result in more efficient reliability commitment decisions by operators, thus reducing unnecessary uplift costs.
- **Balancing Authority Coordination** – FERC is seeking comments on whether increased coordination among balancing coordinators might reduce costs and improve their

ability to manage the variability of VERs, since the resources will be spread across a larger base of generation and demand. Specifically, FERC is interested in the industry's views on the use of pseudo-ties, dynamic scheduling, and other such tools and agreements.

- **Reserve Products and Ancillary Services** – FERC asks for comments on the nature and degree to which expensive reserves, such as regulation reserves, are used by system operators to cope with the variability associated with increased VER deployment.
- **Capacity Markets** – FERC seeks comments on whether the existing rules for capacity markets administered by ISOs/RTOs result in unjust and unreasonable rates, and whether the rules unnecessarily restrict the ability of VERs to supply capacity services.
- **Real-Time Adjustments** – FERC calls for comments on whether VERs are too frequently curtailed as a result of congestion, minimum generation events and ramping events. FERC explains that it seeks to explore whether the curtailment and redispatch practices applied to VERs are transparent, non-discriminatory and efficient.

The January 21, 2010, notice by FERC comes nine months after a special report by the North American Electric Reliability Corporation, in which the reliability authority proposed measures

for addressing the challenges to grid reliability posed by the increased contribution of renewable generation. For more information, please see McDermott's *On the Subject* "U.S. Reliability Authority Issues Recommendations for Integrating Renewable Generation into Interstate Power Grid."

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