

February 4, 2010

## FERC Seeks Comments on Efficient Integration of Renewables

The Federal Energy Regulatory Commission (FERC) is seeking comments on whether to reform its rules and procedures to ensure that variable energy resources (VERs) are integrated into the nation's power grid in a manner that is efficient, nondiscriminatory and conducive to reliability. In its Notice of Inquiry (NOI) issued on January 21, 2010 (FERC Docket No. RM10-11-000), FERC stated that it is taking a "fresh look" at its current policies and practices to ensure that they appropriately accommodate the unique challenges posed by integrating the increasing supply of VERs.

### Background

Although VERs (including wind, solar and certain types of hydro power) currently account for only a small percentage of the nation's total generation, FERC explains in its NOI that this percentage is rapidly increasing and will soon be a significant component of the nation's overall energy supply portfolio. FERC notes that the electric grid and a number of its procedures and policies were developed at a time when electricity was generated almost exclusively from centralized, dispatchable resources that were powered by on-demand fuel sources. These policies and procedures today may impose unnecessary barriers to transmission service and wholesale markets for VERs and therefore hinder the promotion of greater efficiencies that could lead to reduced costs to consumers.

FERC has initiated this proceeding to achieve two goals: (1) to ensure that rates for jurisdictional service are just and reasonable, and that they reflect the implementation of practices that increase the efficiency of providing service; and (2) to prevent VERs from facing undue discrimination.

### Comments

In the NOI, FERC encourages broad comments on overall technical, commercial and legal aspects of integrating increasing numbers of VERs into the power grid. In addition, FERC seeks specific comments on the following areas outlined in the NOI as they pertain to VERs:

- FERC's data and reporting requirements
- Forecasting tools and procedures
- Scheduling flexibility and incentives to facilitate accurate scheduling of VERs
- Day-Ahead market participation and reliability commitments
- Balancing Authority coordination for the efficient, nondiscriminatory use of VERs
- Reserve Products and Ancillary Services
- Participation of VERs in capacity markets
- Whether real-time adjustments, including curtailment and re-dispatch practices, are fair and efficient for VERs

The breadth of FERC's request is the latest indication of FERC's intent to promote the development of VERs as a complement to ongoing state initiatives related to siting, renewable portfolio standards and general procurement policies. However, the NOI does not address what is one of the greatest obstacles to bringing new wind and other remotely located VERs online —transmission planning and cost allocation. FERC explains that these issues are being addressed in other pending proceedings.

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Nevertheless, the NOI presents an opportunity to emphasize to FERC that eliminating impediments to development of transmission infrastructure is critical to further development of VERs.

## Comment Procedures

Comments on the NOI are due at FERC by March 29, 2010.



*If you have any questions about this Legal Alert or FERC's NOI, please feel free to contact any of the attorneys listed below or the Sutherland attorney with whom you regularly work.*

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