SUPPORTING STATEMENT FOR
FERC-516, Electric Rate Schedules and Tariff Filings
(Final Rule, in Docket No. RM10-17-000,
"Demand Response Compensation in Organized Wholesale Electric Markets")

The Federal Energy Regulatory Commission (FERC or Commission) is requesting Office of Management and Budget review and approval of a revision to the information collection requirements contained in FERC-516 (Electric Rate Schedule and Tariff Filings, OMB Control No. 1902-0096) as revised in the Final Rule in Docket No. RM10-17-000 (Order 745, "Demand Response Compensation in Organized Wholesale Electric Markets," issued 3/15/2011, and available at http://elibrary.ferc.gov/idmws/common/opennat.asp?fileID=12587185, and errata, dated 3/21/2011, at http://elibrary.ferc.gov/idmws/common/opennat.asp?fileID=12592194). FERC-516 is currently approved through 2/28/2014.

Overview

The Commission has acted over the last several decades to implement Congressional policy to expand the wholesale energy markets to facilitate entry of new resources and support competitive markets.

This Final Rule addresses compensation for demand response in Regional Transmission Organization (RTO) and Independent System Operator (ISO) organized wholesale energy markets, i.e., the day-ahead and real-time energy markets. As the Commission has previously recognized, a market functions effectively only when both supply and demand can meaningfully participate. The Commission, in the Notice of Proposed Rulemaking (NOPR) issued in this proceeding on March 18, 2010, proposed a remedy to concerns that current compensation levels inhibited meaningful demand-side participation.[1] After nearly 3,800 pages of comments, a subsequent technical conference, and the opportunity for additional comment, we now take final action.

[1] Demand Response Compensation in Organized Wholesale Energy Markets, Notice of Proposed Rulemaking, 75 FR 15362 (Mar. 29, 2010), FERC Stats. & Regs. ¶ 32,656 (2010) (NOPR).

We conclude that when a demand response[2] resource[3] participating in an organized wholesale energy market[4] administered by an RTO or ISO has the capability to balance supply and demand as an alternative to a generation resource and when dispatch of that demand response resource is cost-effective as determined by the net benefits test described in the final rule, that demand response resource must be compensated for the service it provides to the energy market at the market price for energy, referred to as the locational marginal price (LMP).[5] The Commission finds that this approach to compensation for demand response resources is necessary to ensure that rates are just and reasonable in the organized wholesale energy markets. Consistent with this finding, this Final Rule adds section 35.28(g)(1)(v) to the Commission's regulations to establish a specific compensation approach for demand response resources participating in the organized wholesale energy markets administered by RTOs and ISOs. The Commission

[2] Demand response means a reduction in the consumption of electric energy by customers from their expected consumption in response to an increase in the price of electric energy or to incentive payments designed to induce lower consumption of electric energy. 18 CFR 35.28(b)(4) (2010).

[3] Demand response resource means a resource capable of providing demand response. 18 CFR 35.28(b)(5).

[4]The requirements of this final rule apply only to a demand response resource participating in a day-ahead or real-time energy market administered by an RTO or ISO. Thus, this Final Rule does not apply to compensation for demand response under programs that RTOs and ISOs administer for reliability or emergency conditions, such as, for instance, Midwest ISO's Emergency Demand Response, NYISO's Emergency Demand Response Program, and PJM's Emergency Load Response Program. This Final Rule also does not apply to compensation in ancillary services markets, which the Commission has addressed elsewhere. See, e.g., Wholesale Competition in Regions with Organized Electric Markets, Order No. 719, 73 FR 64100 (Oct. 28, 2008), FERC Stats. & Regs. ¶ 31,281 (2008) (Order No. 719).

[5] LMP refers to the price calculated by the ISO or RTO at particular locations or electrical nodes or zones within the ISO or RTO footprint and is used as the market price to compensate generators. There are variations in the way that RTOs and ISOs calculate LMP; however, each method establishes the marginal value of resources in that market. Nothing in the Final Rule is intended to change RTO and ISO methods for calculating LMP.

is not requiring the use of this compensation approach when demand response resources do not satisfy the noted capability and cost-effectiveness conditions.[6]

[Copies of the order in Docket RM10-17, the Commissioners' statements, news release, errata notice, and links to the public comments and other FERC Demand Response information on www.ferc.gov are included under 'Supplementary Documents' in OMB's ROCIS system.]

A. JUSTIFICATION

1. CIRCUMSTANCES THAT MAKE THE COLLECTION OF INFORMATION NECESSARY

The Commission has a statutory obligation under Sections 205 and 206 of the Federal Power Act (FPA) to prevent unduly discriminatory practices in transmission access. FPA section 205 specifies that all rates and charges, and related contracts and service conditions, for wholesale sales and transmission of energy in interstate commerce be filed with the Commission and must be "just and reasonable". In addition, FPA section 206 requires the Commission, upon complaint or its own motion, to modify existing rates or services that are found to be unjust, unreasonable, unduly discriminatory or preferential. FPA section 207 further requires the Commission, upon complaint by a state commission and a finding of insufficient interstate service, to order the rendering of adequate interstate service by public utilities, the rates for which would be filed in accordance with FPA sections 205 and 206.

Because "just and reasonable" is not defined by the FPA, the Commission and the courts historically have interpreted this standard in the context of public utilities possessing market power. The courts generally have held that electric rates should be limited to rate levels sufficient to compensate the utility for the cost of rendering service to its customers, including a fair return on the utility's investment devoted to the service at issue.

In Order No. 888, the Commission encouraged the development of independent systems operators (ISOs) as a way to implement the Commission's functional unbundling policy for existing power pools. Properly functioning ISO's serve the public interest by making the electric power market to be more competitive. Trade in bulk power markets

[6] The Commission's findings in this Final Rule do not preclude the Commission from determining that other approaches to compensation would be acceptable when these conditions are not met.

has continued to increase significantly and the nation's transmission grid is being used more heavily and in many new ways.

This has resulted on strains on traditional grid management which could no longer support efficient and reliable systems necessary for the continued development of competitive energy markets. Also, there were indications of continued discrimination in providing transmission services by vertically integrated utilities to hamper the development of fully competitive energy markets. The Commission believed that additional steps were necessary to address grid management if fully competitive energy markets are to be achieved. Therefore, the Commission encouraged all transmission owning entities in the nation, including non-public utility entities, to place their transmission facilities under the control of appropriate regional transmission institutions in a timely manner.

On December 20, 1999, the Commission issued Order No. 2000 "Regional Transmission Organizations". By adopting the final rule the Commission amended its regulations under the Federal Power Act to advance the formation of Regional Transmission Organizations. The regulations required that each public utility that owns, operates, or controls facilities for the transmission of electric energy in interstate commerce makes certain filings with respect to forming and participating in an RTO.

On February 17, 2007, the Commission issued a final rule Order No. 890, to revise the pro forma Open Access Transmission Tariff (OATT).[7] The final rule addressed and remedied opportunities for undue discrimination under the OATT adopted in 1996 by Order No. 888. Order No. 888 fostered greater competition in wholesale power markets by reducing barriers to entry in the provision of transmission service. In the years since Order No. 888, however, the Commission has found that the OATT contained flaws that undermine realizing its core objective of remedying undue discrimination.

The Commission has issued orders in recent years approving various types of ISO and RTO demand response programs. Wholesale customers and qualifying large retail customers may bid demand response directly into the day-ahead and real-time energy markets, certain ancillary service markets and capacity markets.[8] Demand response providers participating as resources in the day-ahead and real-time energy markets are the subject of this rule.

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[7] Preventing Undue Discrimination and Preference in Transmission Service, Order No. 890, 72 Fed. Reg. 12,266 (Mar. 15, 2007), FERC Stats. & Regs. ¶ 31,241, order on reh'g, Order No. 890-A, 112 FERC ¶ 61,297 (2007)).

With particular regard to demand response compensation for this latter category of resources, the Commission previously has allowed a system-by-system approach, whereby each RTO and ISO has developed its own compensation methodologies for demand response resources in its energy market. As a result, the levels of compensation for demand response varied significantly among RTOs and ISOs, and they have continued to examine the effectiveness of demand response compensation in their respective regions, with the issue of proper compensation a subject of several proceedings.[9]

As the Commission stated in Order No. 719, and emphasized in the NOPR, there are several ways in which demand response in organized wholesale energy markets can help improve the functioning and competitiveness of those markets. First, when bid directly into the wholesale market, demand response can facilitate RTOs and ISOs in balancing supply and demand, and thereby, help produce just and reasonable energy prices. This is because customers who choose to respond will signal to the RTO or ISO and energy market their willingness to reduce demand on the grid which may result in reduced dispatch of higher-priced resources to satisfy load. Second, demand response can mitigate generator market power. This is because the more demand response that sees and responds to higher market prices, the greater the competition, and the more downward pressure it places on generator bidding strategies by increasing the risk to a supplier that it will not be dispatched if it bids a price that is too high. Third, demand response has the potential to support system reliability and address resource adequacy and resource management challenges surrounding the unexpected loss of generation.

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[8] Other demand response programs allow demand response to be used as a capacity resource and as a resource during system emergencies or permit the use of demand response for synchronized reserves and regulation service. See, e.g., PJM Interconnection, L.L.C., 117 FERC ¶ 61,331 (2006); Devon Power LLC, 115 FERC ¶ 61,340, order on reh'g, 117 FERC ¶ 61,133 (2006), appeal pending sub nom., Maine Pub. Utils. Comm'n v. FERC, No. 06-1403 (D.C. Cir. 2007); New York Indep. Sys. Operator., Inc., 95 FERC ¶ 61,136 (2001); NSTAR Services Co. v. New England Power Pool, 95 FERC ¶ 61,250 (2001); New England Power Pool and ISO New England, Inc., 100 FERC ¶ 61,287, order on reh'g, 101 FERC ¶ 61,344 (2002), order on reh'g, 103 FERC ¶ 61,304, order on reh'g, 105 FERC ¶ 61,211 (2003); PJM Interconnection, L.L.C., 99 FERC ¶ 61,227 (2002).

[9] See PJM Interconnection, L.L.C., Docket No. EL09-68-000; ISO New England, Inc., Docket No. ER09-1051-000; ISO New England, Inc., Docket No. ER08-830-000; Midwest Indep. Transmission Sys. Operator, Inc., Docket No. ER09-1049-000.

This is because demand response resources can provide quick balancing of the electricity grid.

Given the importance of demand response resources to the competitiveness of organized wholesale electricity markets, and based upon the Commission's experience to date with demand response in the ISO- and RTO-administered markets, the Commission addresses compensation for demand response resources participating in organized wholesale energy markets in this rule. This Final Rule also sets forth a method for allocating the costs of demand response payments among all customers who benefit from the lower LMP resulting from the demand response.

2. HOW, BY WHOM, AND FOR WHAT PURPOSE THE INFORMATION IS TO BE USED AND THE CONSEQUENCES OF NOT COLLECTING THE INFORMATION

The information from FERC-516 enables the Commission to exercise its wholesale electric power and transmission oversight responsibilities in accordance with the Federal Power Act. The Commission needs sufficient detail to make an informed and reasonable decision concerning the appropriate level of rates, and the appropriateness of non-rate terms and conditions, and to aid customers and other parties who may wish to challenge the rates, terms, and conditions proposed by the utility.

The major portion of data requested in the Part 35 regulations specifies the rates, terms and conditions of service to support the wholesale customers in a service the utility is proposing to provide. Submission of the information is necessary because of the complexity of the utility conditions and terms to provide service. Sufficient detail must be obtained for the Commission to make informed and equitable decisions concerning the appropriate levels of rates and service, and to aid customers and other parties who may wish to challenge the rate proposed by the utility. Through this data collection process, the Commission is able to regulate public utilities and licensees by exercising oversight and review of the reported rate schedules and tariffs.

With regard to administering tariffs, the RTO is the sole provider of transmission services and sole administrator of its own open access tariff. It has sole authority over facilities under its control to evaluate and approve or deny all requests for transmission service, and also authority to approve requests for new interconnections.

In addition, the Commission has a statutory obligation under section 205 and 206 of the FPA to prevent unduly discriminatory practices in transmission access. To

accomplish this, the Commission added section 35.27 to its regulations concerning the standards a public utility must satisfy regarding nondiscriminatory open access transmission services on the utility's facilities that transmit electric energy in interstate commerce. The regulations require all public utilities owning or controlling facilities for the transmission of electric energy in interstate commerce to file tariffs of general applicability that offer transmission services, including ancillary services, on a network and point-to-point basis. The regulations require the public utility to take transmission service for itself under the rates, terms and conditions of these tariffs. In essence these tariffs as approved by the Commission list the terms and conditions, including a schedule or prices, under which utility services will be provided.

In Order No. 719, the Commission emphasized the importance of demand response as a vehicle for improving the competitiveness of organized wholesale electricity markets and ensuring supplies of energy at just, reasonable and not unduly discriminatory or preferential rates. This Final Rule in Docket RM10-17 addresses the need for organized wholesale energy markets to provide compensation to demand response resources on a comparable basis to supply-side resources when demand response resources are comparable to supply-side resources, so that both supply and demand can meaningfully participate. This final rule in RM10-17 establishes a specific compensation approach for demand response resources participating in organized wholesale energy markets, administered by RTOs and ISOs. Each Commission-approved RTO and ISO that has a tariff provision providing for participation of demand response resources in its organized wholesale energy market must: (a) pay demand response resources the market price (full LMP) for energy (when found to be cost-effective as determined by the net benefits test described in the order), (b) submit a one-time compliance filing, (c) perform monthly updates to the Price Threshold, and (d) submit a one-time Study on Dynamic Net Benefits Approach.

Without this information, the Commission would be unable to discharge its responsibility to approve or modify electric utility tariff filings in order to improve the competitiveness of organized wholesale energy markets and thus ensure just and reasonable wholesale rates. Failure to issue these requirements would prevent timely Commission determination and approval of just and reasonable rates, which in turn, would prevent public utilities and licensees from being fairly compensated for services rendered.

3. DESCRIBE ANY CONSIDERATION FOR THE USE OF IMPROVED INFORMATION TECHNOLOGY TO REDUCE BURDEN AND TECHNICAL OR LEGAL OBSTACLES TO REDUCING BURDEN

There is an ongoing effort to determine the potential and value of improved information technology to reduce the burden. The Commission adopted user friendly electronic formats and software in order to facilitate the required electronic formats for rate filings.

In Order No. 714 (issued September 19, 2008, in RM01-5-000[10]), FERC revised its regulations to require that all tariffs, tariff revisions and rate change applications for the public utility, natural gas pipeline and oil pipeline industries be filed according to a set of standards developed in conjunction with the North American Standards Board.

Electronically filed tariffs and rate change applications improved the efficiency, convenience, and overall management of the tariff and tariff change filing process, facilitated public access to tariff information, and reduced the burden and expense associated with paper tariffs and tariff changes.

4. DESCRIBE EFFORTS TO IDENTIFY DUPLICATION AND SHOW SPECIFICALLY WHY ANY SIMILAR INFORMATION ALREADY AVAILABLE CANNOT BE USED OR MODIFIED FOR USE FOR THE PURPOSE(S) DESCRIBED IN INSTRUCTION NO. 2.

Electric Rate schedules and tariff filings (containing transmission, rate, and terms and conditions of service) are not available from other sources. Therefore, no use or other modification of existing information can be made to perform oversight and review responsibilities under applicable legislation (e.g. Federal Power Act, Energy Policy Act of 1992, and Energy Policy Act of 2005).

5. METHODS USED TO MINIMIZE BURDEN IN COLLECTION OF INFORMATION INVOLVING SMALL ENTITIES

The six RTO's and ISO's to which the requirements of this rule would apply do not fall within the definition of small entities.[11]

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[10] Electronic Tariff Filings, Order No. 714, 73 FR 57515 (Oct. 3, 2008), FERC Stats. & Regs ¶ 31,276 (2008).

[11] The RFA definition of "small entity" refers to the definition provided in the Small Business Act, which defines a "small business concern" as a business that is independently owned and operated and that is not dominant in its field of operation. See 5 U.S.C. § 601(3), citing to Section 3 of the Small Business Act, 15 U.S.C. § 632 (2000). The Small Business Size Standards component of the North American Industry

- California Independent System Operator Corp. (CAISO) is a non-profit organization with over 54,000 megawatts of capacity and over 25,000 circuit miles of power lines.
- New York Independent System Operator, Inc. (NYISO) is a non-profit organization that oversees wholesale electricity markets, dispatches over 500 generators, and manages a nearly 11,000-mile network of high-voltage lines.
- PJM Interconnection, L.L.C. (PJM) is comprised of more than 600 members including power generators, transmission owners, electricity distributors, power marketers, and large industrial customers, serving 13 states and the District of Columbia.
- Southwest Power Pool, Inc. (SPP) is comprised of 61 members serving over 6.2 million households in nine states and has almost 50,000 miles of transmission lines.
- Midwest Independent Transmission System Operator, Inc. (Midwest ISO) is a non-profit organization with over 145,000 megawatts of installed generation. Midwest ISO has over 57,000 miles of transmission lines and serves 13 states and one Canadian province.
- ISO New England, Inc. (ISO-NE) is a regional transmission organization serving six states in New England. The system is comprised of more than 8,000 miles of high-voltage transmission lines and over 350 generators.

6. CONSEQUENCE TO FEDERAL PROGRAM IF COLLECTION WERE CONDUCTED LESS FREQUENTLY

The Commission proposes to require that each RTO and ISO make certain filings to amend their tariffs, in order to comply with the compensation for demand resources requirements specified in the final rule. The RTO's and ISO's are required to make:

- one-time filing (tariff changes needed to implement the compensation approach required in this Final Rule, including the net benefits test, measurement and verification explanation and proposed changes, and the cost allocation mechanism due on or before July 22, 2011)
- a one-time Study on Dynamic Benefits Approach (examining the requirements for and impacts of implementing a dynamic approach which incorporates the billing

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Classification system defines a small utility as one that, including its affiliates, is primarily engaged in the generation, transmission, or distribution of electric energy for sale, and whose total electric output for the preceding fiscal years did not exceed 4MWh. 13 C.F.R. § 121.202 (Sector 22, Utilities, North American Industry Classification System, NAICS) (2004).

unit effect in the dispatch algorithm to determine when paying demand response resources the LMP results in net benefits to customers in both the day-ahead and real-time energy markets, due on or before September 21, 2012

- a monthly update to the Dynamic Price Threshold. (To implement the net benefits test described herein, we direct each RTO and ISO to develop a mechanism as an approximation to determine a price level at which the dispatch of demand response resources will be cost-effective. The RTO or ISO should determine, based on historical data as a starting point and updated for changes in relevant supply conditions such as changes in fuel prices and generator unit availability, the monthly threshold price corresponding to the point along the supply stack beyond which the overall benefit from the reduced LMP resulting from dispatching demand response resources exceeds the cost of dispatching and paying LMP to those resources. This price level is to be updated monthly, as the historic data and relevant supply conditions change.)

The required information should impose the least possible burden for companies to comply with the Commission's open access policies.

7. EXPLAIN ANY SPECIAL CIRCUMSTANCES RELATING TO THE INFORMATION COLLECTION

This proposed program meets all of OMB's section 1320.5 requirements.

8. DESCRIBE EFFORTS TO CONSULT OUTSIDE THE AGENCY: SUMMARIZE PUBLIC COMMENTS AND AGENCY'S RESPONSE TO THESE COMMENTS

The Commission, in the Notice of Proposed Rulemaking (NOPR) issued in this proceeding on March 18, 2010, proposed a remedy to concerns that current compensation levels inhibited meaningful demand-side participation.[12] After nearly 3,800 pages of comments, a subsequent technical conference, and the opportunity for additional comment, we now take action in the Final Rule in RM10-17.

Links to the public comments (as of 3/17/2011) in FERC's eLibrary are provided in OMB's ROCIS system under 'Supplementary Documents' in files titled: Introduction to Files Containing Links to Public Comments in RM10-17, as of 3/17/2011; Comments file A; Comments file B; Comments file C; Comments file D; and Comments file E. In Section IV (Discussion) of the Final Rule at

[12] Demand Response Compensation in Organized Wholesale Energy Markets, Notice of Proposed Rulemaking, 75 FR 15362 (Mar. 29, 2010), FERC Stats. & Regs. ¶ 32,656 (2010) (NOPR).

http://elibrary.ferc.gov/idmws/common/opennat.asp?fileID=12587185, FERC discusses (by subject area, including Compensation Level, Implementation of a Net Benefits Test, Measurement and Verification, Cost Allocation, and Commission Jurisdiction) the proposal, public comments, and 'Commission Determination'.

9. EXPLAIN ANY PAYMENT OR GIFTS TO RESPONDENTS

Not applicable. The Commission does not provide compensation or remuneration to entities subject to its jurisdiction.

10. DESCRIBE ANY ASSURANCE OF CONFIDENTIALITY PROVIDED TO RESPONDENTS

An entity seeking confidential treatment of the information must ask the Commission to treat this information as confidential and non-public, consistent with 18CFR 388.112 of the Commission's regulations. Generally, the Commission does not consider this information to be confidential.

11. PROVIDE ADDITIONAL JUSTIFICATION FOR ANY QUESTIONS OF A SENSITIVE NATURE THAT ARE CONSIDERED PRIVATE.

There are no questions of a sensitive nature that are considered private.

12. ESTIMATED BURDEN ON COLLECTION OF INFORMATION and 13. ESTIMATED OF THE TOTAL COST BURDEN TO RESPONDENTS

The estimated Public Reporting burden and cost[13] for the requirements contained in the final rule in RM10-17 follow.

FERC-516 Data Collection, changes in RM10-17 final rule	**Number of Respondents (a)**	**No. of Responses Per Respondent Per Year (b)**	**Hours Per Response (c)**	**Total Annual Hours (d) [a*b*c]**

[13] The Commission reviewed both the hourly rate figures of the Bureau of Labor Statistics and salary.com. and applied where possible market rates per occupational series. The hourly rates represent a composite of the respondents who will be responsible for implementing and responding to the final rule (legal and financial staff).

Compliance filing, including tariff provisions and analysis (one-time filing, due 7/22/2011)	6 (RTOs and ISOs)	1 (one-time filing)	300	1,800 (one-time filing)
Study on dynamic net benefits approach (one-time filing, due 9/21/2012)	6 (RTOs and ISOs)	1(one-time filing)	2,000	12,000 (one-time filing)
Monthly update to price threshold and web posting (due monthly, starting after the compliance filing due 7/22/2011)	6 (RTOs and ISOs)	12	50	3,600

In Year 1, the following requirements are imposed[14]: (1) compliance filing due on or before July 22, 2011, and (2) monthly updates (for months 5-12, and starting after the compliance filing). The total corresponding burden hours are estimated to be: 1,800 hrs. + (8 filings * 6 respondents * 50 hrs./filing), for a total of 4,200 hours. The corresponding total cost is estimated to be: 4,200 hours * $220/hour, for a total of $924,000.

In Year 2, (a) the monthly update to the price threshold, and (b) the study on dynamic net benefits approach (due on or before September 21, 2012) are imposedError: Reference source not found. The corresponding total burden is estimated to be 3,600 + 12,000 hours, for a total of 15,600 hours. The corresponding total cost estimate is: 15,600 hours * $220/hour, for a total of $3,432,000.

[14] The one-time study is due on or before September 21, 2012. For the purpose of the burden and cost estimates, we are including all of the burden and cost related to the study in Year 2, although filers may perform part of the work in Year 1.

In Year 3, the monthly update to the price threshold is imposed. The corresponding total burden and cost are estimated to be 3,600 hours and $792,000 (3,600 hours * $220/hour).

Therefore, over the 3-year period (Years 1-3 above), the average additional annual burden associated with the Final Rule in RM10-17 is 7,800 hours (or (4,200+15,600+3,600)/3). This figure of 7,800 average annual hours will be used below for the clearance package and for OMB's ROCIS system for this 3-year period. [We plan to remove burden for the one-time filings from OMB's inventory after the first 3-year period.]

Current Approved Annual OMB Inventory for FERC-516

FERC-516 [split by Information Collection, as currently listed in OMB's ROCIS system]	**No. of Respondents (a)**	**Annual No. of Responses (b)**	**Hours Per Response (c)**	**Total Annual Hours (d=b X c)**
Electric Rates Schedules and Tariff Filings	1,230	4468	103.27	461409
FERC-516, Final Rule in RM05-5-017 (one-time filing)	6	6	6	36
FERC-516, (one-time filing) RM05-5-013 Final Rule, Standards for Business Practices and Communications Protocols for Public Utilities	176	176	6	1056
Total	1,230	4,650		462,501

Revised Estimated Annual Total, incorporating the Final Rule in RM10-17*:

FERC-516	No. of Respondents	Annual No. of Responses	Hours Per Response	Total Hours
Total*		4,650+((6+6+8+12+12)/3) =4665 *		462,501 +7,800 =470,301*

* As noted above, the figures use an annual average of the RM10-17 burden over the 3-year period. In addition, the no. of responses is rounded.

14. ESTIMATED ANNUALIZED COST TO THE FEDERAL GOVERNMENT

For the reporting requirements included in the Final Rule in RM10-17, the estimated average annual costs to the Commission (averaged over Years 1-3) follow.

	No. of FTE's	Annual Cost (averaged over Years 1-3)
Estimated Average Annual Figure for analysis and processing (averaged over Years 1-3) [average cost for 1 FTE (including salary + benefits) is $142,372 per year.]	1.033	$147,070
Estimated Average Annual Forms Clearance Review		$1,575
Total Estimated Annualized Federal Cost (averaged over Years 1-3)		$148,645

15. REASONS FOR CHANGES IN BURDEN INCLUDING THE NEED FOR ANY INCREASE

This final rule amends the Commission's regulations to obligate ISOs and RTOs to pay the market price for energy to demand response resources for demand reductions within each respective ISO and RTO region, as applicable. Requiring ISOs and RTOs to pay the market price for energy to demand response resources for demand reductions in response to price signals will potentially reduce the market clearing price of electricity. The Commission has emphasized the importance of demand response as a vehicle for improving the competitiveness of organized wholesale electricity markets and ensuring supplies of energy at just, reasonable and not unduly discriminatory or preferential rates.[15]

Paragraphs 83-84 of Order 745 [footnote 166 from the order omitted here] state:

[15] Order No. 719 at P 16.

"Nearly every participant in the net benefits panel at the September 13, 2010 Technical Conference agreed that it would be counterproductive to defer to the RTO or ISO stakeholder process to determine when demand response provides net benefits without explicit guidance from the Commission. We believe that this result, and the guidance provided in this Final Rule will provide for timely improvements to RTO and ISO market pricing for demand response resources participating in organized wholesale energy markets.

In addition to requiring each RTO and ISO to construct the net benefits test described herein, the Commission also imposes a second requirement for each RTO and ISO to undertake a study, examining the requirements for and impacts of implementing a dynamic approach to determine when paying demand response resources LMP results in net benefits to customers. We believe that integration of the billing unit effect into RTO and ISO dispatch algorithms holds promise for more accurately integrating demand resources on a dynamic basis into the dispatch of the RTOs and ISOs. In theory, this could help ensure that the cost-effective level of demand response resources is dispatched or scheduled into the organized wholesale energy markets. Given the potential of software enhancements to determine the amount of cost-effective demand response resources purchased in the day-ahead and real- time energy markets, we believe that it would be useful for the Commission to know more about the feasibility of and requirements for implementing improvements to the existing dispatch algorithms. Therefore, we will require each RTO and ISO to undertake a study, either individually or collectively, examining the requirements for, costs of, and impacts of implementing a dynamic net benefits approach to the dispatch of demand resources that takes into account the billing unit effect in the economic dispatch in both the day-ahead and real-time energy markets, and to file the results of their study with the Commission on or before September 21, 2012."

See "Overview" section above for further discussion.

16. TIME SCHEDULE FOR THE PUBLICATION OF DATA

The data are being collected for regulatory purposes and not for the purposes of publication.

17. DISPLAY OF EXPIRATION DATE

The information collected is not collected on standardized filing formats or a preprinted form that would avail itself of displaying the OMB control number. The control numbers for the eTariff information collection are displayed on the eTariff instructional manual posted on the Commission's web site at http://www.ferc.gov/docs-filing/etariff/implementation-guide.pdf .

18. EXCEPTION TO THE CERTIFICATION STATEMENT

The data collected for these reporting and recordkeeping requirements are not used for statistical purposes.

B. COLLECTION OF INFORMATION EMPLOYING STATISTICAL METHODS.

This is not a collection of information employing statistical methods.