



June 21, 2012

Chairman Jon Wellinghoff

STATEMENTDocket Nos. **RM11-24-000, AD10-13-000 and RM10-11-000**

Item Nos. E-2 & E-3

Statement of Chairman Jon Wellinghoff on Variable Energy Resources Final Rule and Notice of Proposed Rulemaking on Ancillary Services and Storage Technologies

“Thank you Arnie, Rahim and Jessica and both Teams for your work on these items.

You present us with two further steps in the Commissions efforts to foster competitive and efficient markets with the objective of managing wholesale electric costs for customers.

I would like to highlight some of the features that I think will be helpful to new entrants who may be able to provide lower cost services for customers.

The Avista/Electric Storage NOPR proposes to provide tools for third parties wishing to sell ancillary services in bilateral markets, in particular to public utility transmission providers for use in their OATT service, to demonstrate that they do not have market power and thus can make sales of ancillary services at market-based rates. This could provide greater opportunities for competitive sellers of ancillary services to have access to such buyers and, in turn, potentially provide these buyers with new lower cost sources of ancillary services. Thus, the overall effect is to lower costs to transmission customers.

The VERs final Rule provides, among other things, for two important tools to improve the efficiency of the power system. First, the opportunity to schedule transmission service on a 15 minute basis, and the associated cost savings, will be available for all types of resources, and is not confined to VERs. Second, the data and other requirements related to power production forecasting are designed to reflect the operational characteristics of VERS and to, accordingly, use the transmission system more efficiently. Variable energy resources make up an increasing share of new capacity coming on-line. This Final Rule eliminates undue burdens on these resources and will help transition providers and their customers to effectively manage the costs of integration.

Finally, both the Final Rule and the NOPR note the obligation of the transmission provider to provide information to customers who wish to self-supply their ancillary services about the rules and requirements to implement such a choice. This will facilitate efforts by transmission customers who choose to manage their energy costs by self-supplying some or all of the ancillary services needed to make transmission service to then reliable.

I am pleased to vote for these items.”