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Docket Nos. RM15-2-000, RM16-1-000

Item Nos. E-1, E-3

FERC Orders Address Sale, Provision of Ancillary Services

The Federal Energy Regulatory Commission (FERC) today issued a final rule to allow the sale of primary frequency response service at market-based rates by sellers with market-based rate authority for sales of energy and capacity. The rule will promote competition in anticipation of growing demand for primary frequency response service as a result of a reliability standard taking effect in 2016 that requires balancing authorities to meet a minimum frequency response obligation.

Today's final rule defines primary frequency response service as a resource standing by to provide autonomous, pre-programmed changes in output to rapidly arrest large changes in frequency until dispatched resources can take over. Primary frequency response service is one of the tools available to help maintain system frequency within predetermined boundaries above and below 60 Hertz to ensure reliable operation of the North American electric system.

Most balancing authorities should be able to use their own resources to meet the Frequency Response and Frequency Bias Setting Reliability Standard (BAL-003-1), approved by FERC in January 2014. However, the standard does not limit balancing authorities in how they meet the requirements of the standard, and the Commission believes that some may be interested in voluntary purchases of a primary frequency response product if doing so would be economically beneficial.

Under Order No. 2001, any entity selling the service at either market- or cost-based rates must report those sales in its Electric Quarterly Report to the Commission. The rule takes effect 90 days after publication in the *Federal Register*.

In a separate order today, FERC proposed to eliminate the exemption for wind generators from the requirement to provide reactive power. Reactive power is needed to control system voltage for efficient and reliable operation of the transmission system.

The proposal would require all new interconnecting generators to provide reactive power by revising both the *pro forma* Large Generator Interconnection Agreement (facilities larger than 20 megawatts) and the *pro forma* Small Generator Interconnection Agreement to eliminate the reactive power exemption for wind generators. The requirement also would apply to generators making upgrades that require new interconnection requests.

Comments on the proposal are due 60 days after publication in the *Federal Register*.

R-16-02