

**FERC-516D (OMB Control No. To Be Determined),  
as implemented in the Final Rule (issued 6/16/2016) in Docket No. RM15-24-000  
RIN: 1902-AF12  
(updated 9/13/2016)**

Supporting Statement for  
**FERC-516D, Electric Rate Schedules and Tariff Filings,**  
as implemented by the Final Rule in Docket No. RM15-24-000 (issued on 6/16/2016)

The Federal Energy Regulatory Commission (Commission or FERC) requests that the Office of Management and Budget (OMB) review and approve for three years the reporting and recordkeeping requirements associated with FERC-516D (Electric Rate Schedule and Tariff Filings), as implemented in Order No. 825 (Final Rule in Docket No. RM15-24, Settlement Intervals and Shortage Pricing in Markets Operated by Regional Transmission Organizations and Independent System Operators).

*The requirements in the Notice of Proposed Rulemaking (NOPR) in Docket No. RM15-24 were submitted to OMB under FERC-516 (OMB Control No. 1902-0096) in ICR No. 201509-1902-002. The reporting and recordkeeping requirements in this Final Rule in Docket No. RM15-24 should be part of FERC-516. However, there is another unrelated item<sup>1</sup> which is currently pending OMB review under FERC-516, and only one item per OMB Control No. can be pending OMB review at a time. Therefore, the requirements in this Final Rule in RM15-24 are being submitted under a new temporary or interim collection number (FERC-516D) to ensure timely submittal to OMB. Long-term, the staff plans to administratively move the requirements and associated burden of FERC-516D to FERC-516.*

The FERC-516D requirements are contained in the Final Rule, on “Settlement Intervals and Shortage Pricing in Markets Operated by Regional Transmission Organizations and Independent System Operators ,” in Docket No. RM15-24-000.<sup>2</sup>

In this Final Rule in RM15-24-000, FERC is revising its regulations to require that each regional transmission organization (RTO) and independent system operator (ISO) align settlement and dispatch intervals by: (1) settling energy transactions in its real-time markets at the same time interval it dispatches energy; (2) settling operating reserves transactions in its real-time markets at the same time interval it prices operating reserves; and (3) settling intertie transactions in the same time interval it schedules intertie transactions. The Final Rule also requires that each regional transmission organization and independent system operator trigger shortage pricing for any interval in which a shortage of energy or operating reserves is indicated during the pricing of

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<sup>1</sup> Final Policy Statement in Docket No. PL15-3, ICR 201604-1902-003, which is unrelated to Docket No. RM15-24.

<sup>2</sup> The NOPR is posted in FERC’s eLibrary at <http://elibrary.ferc.gov/idmws/common/opennat.asp?fileID=13989182>. Commissioner LaFleur’s statement is available at <http://elibrary.ferc.gov/idmws/common/opennat.asp?fileID=13991253>; a News Release is posted at <http://elibrary.ferc.gov/idmws/common/opennat.asp?fileID=13989191>.

The Final Rule is posted at <http://elibrary-backup.ferc.gov/idmws/common/OpenNat.asp?fileID=14278082>; the related News Release is posted at <http://elibrary-backup.ferc.gov/idmws/common/OpenNat.asp?fileID=14277617>.

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resources for that interval. Adopting these reforms would align prices with resource dispatch instructions and operating needs, providing accurate incentives for resource performance.

**1. CIRCUMSTANCES THAT MAKE THE COLLECTION OF INFORMATION NECESSARY**

Section 205 of the Federal Power Act (FPA)<sup>3</sup> requires the Commission to ensure that the rates and charges for the wholesale sale of electric energy are just and reasonable. Section 205 of the FPA also requires that the rules and regulations affecting or pertaining to the rates for the wholesale sale of electric energy be just and reasonable.

**Final Rule in RM15-24-000.** In this Final Rule, FERC addresses certain practices that fail to compensate resources at prices that reflect the value of the service resources provide to the system, thereby distorting price signals, and in certain instances, creating a disincentive for resources to respond to dispatch signals. FERC requires, pursuant to section 206 of the FPA,<sup>4</sup> that each RTO/ISO align settlement and dispatch<sup>5</sup> intervals by: (1) settling energy transactions in its real-time markets at the same time interval it dispatches energy; (2) settling operating reserves transactions in its real-time markets at the same time interval it prices operating reserves;<sup>6</sup> and (3) settling intertie transactions<sup>7</sup> in the same time interval it schedules intertie transactions (settlement interval requirements). The Commission also requires, pursuant to section 206 of the FPA, that each RTO/ISO establish a mechanism to trigger shortage pricing for any interval in which a shortage of energy or operating reserves is indicated during the pricing of resources for that interval (shortage pricing requirement).

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<sup>3</sup> 16 U.S.C. 824d(a) (2012).

<sup>4</sup> 16 U.S.C. 824e (2012).

<sup>5</sup> As mentioned in the Notice of Proposed Rulemaking, the Commission sometimes uses the term “dispatch” as shorthand when describing how RTOs/ISOs acquire and price energy and operating reserves. With respect to operating reserves, the Commission uses dispatch to describe the intervals at which they are acquired and priced. *See Settlement Intervals and Shortage Pricing in Markets Operated by Regional Transmission Organizations and Independent System Operators*, 80 Fed. Reg. 58,393 (Sept. 29, 2015), FERC Stats. & Regs. ¶ 32,710, at P 1 (2015)

<sup>6</sup> Operating reserves refer to certain ancillary services procured in the wholesale market, although they are often defined differently in each RTO/ISO. Operating reserves typically include: (a) Regulating Reserve, used to account for very short-term deviations between supply and demand (e.g., 4 to 6 seconds); (b) Spinning, or Synchronous Reserve, which is capacity held in reserve and synchronized to the grid and able to respond within a relatively short amount of time (e.g., within 10 minutes), to be used in case of a contingency, such as the loss of a generator; and (c) Non-Spinning Reserve, capacity that is not synchronized to the grid and which can take longer to respond (e.g., within 10-30 minutes) in case of a contingency. Federal Energy Regulatory Commission, *Price Formation in Organized Wholesale Electricity Markets: Staff Analysis of Shortage Pricing*, Docket No. AD14-14-000, at 3 n.7 (Oct. 2014), <http://www.ferc.gov/legal/staff-reports/2014/AD14-14-pricing-rto-iso-markets.pdf>.

<sup>7</sup> Intertie transactions are transactions across RTO/ISO borders, including imports, exports and wheel-through transactions.

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Some current RTO/ISO settlement practices fail to reflect the value of providing a given service, thereby distorting price signals and failing to provide appropriate signals for resources to respond to the actual operating needs of the market. One such practice occurs when RTOs/ISOs dispatch resources every five minutes but perform settlements based on an hourly integrated price, or when RTOs/ISOs schedule intertie transactions every fifteen minutes, but perform settlements on an hourly integrated price. This misalignment between dispatch and settlement intervals distorts the price signals sent to resources and fails to reflect the actual value of resources responding to operating needs because compensation will be based on average output and average prices across an hour, rather than output and prices during the periods of greatest need within a particular hour.

FERC also finds that a second problem occurs if there is a mismatch between the time when a system experiences a shortage of energy and operating reserves and the time when prices reflect the shortage condition. This can be particularly problematic when, for example, an RTO/ISO's market rules require a shortage to last a minimum time period before triggering shortage pricing. In this instance, short-term prices fail to reflect system conditions and potential reliability costs, as well as the value of both internal and external market resources responding to a dispatch signal. In addition, inaccurate price signals are provided to market participants if shortage pricing is still in effect after the shortage has been resolved.

To address these problems associated with differing dispatch intervals and settlement intervals, as well as with shortage pricing triggers, FERC is setting forth the settlement interval requirements and the shortage pricing requirement in this Final Rule. These settlement interval and shortage pricing requirements will help ensure that resources have price signals that provide incentives to conform their output to dispatch instructions, and that prices reflect operating needs at each dispatch interval.

The goals of price formation are to: (1) maximize market surplus for consumer and suppliers; (2) provide correct incentives for market participants to follow commitment and dispatch instructions, make efficient investments in facilities and equipment, and maintain reliability; (3) provide transparency so that market participants understand how prices reflect the actual marginal cost of serving load and the operational constraints of reliably operating the system; and, (4) ensure that all suppliers have an opportunity to recover their costs.<sup>8</sup>

As part of this Final Rule, the RTOs/ISOs will be required to make a compliance filing.

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

The Final Rule in RM15-24-000 addresses existing practices that may result in resources not being paid a price that reflects the value of a service provided to the system, thereby distorting price signals. The Commission is requiring each RTO/ISO to align settlement and dispatch intervals by settling energy transactions in its real-time markets at the same time interval it

<sup>8</sup> See Notice Inviting Post-Technical Workshop Comments, Docket No. AD14-14-000, at 2 (Jan. 16, 2015); Notice, Docket No. AD14-14-000 (June 19, 2014).

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dispatches energy and to settle operating reserves transactions in its real-time markets at the same time interval prices operating reserves.

FERC is requiring each RTO/ISO to submit, within 120 days of the effective date of this Final Rule, a compliance filing (FERC-516D) that includes tariff changes that adopt the requirements in this Final Rule, or demonstrates how the RTO/ISO already complies. FERC will allow a further 12 months from the compliance filing date for the tariff changes implementing reforms to settlement intervals to be effective, and 120 days from that same compliance filing date for the tariff changes implementing shortage pricing reforms to be effective.

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

FERC implemented its eTariff system (fully implemented in 2010) for the electronic filing of tariffs. (eTariff is described more fully at <http://www.ferc.gov/docs-filing/etariff.asp>.) The tariff compliance filing will be eFiled.

**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**

FERC rules and data requirements are periodically reviewed in conjunction with OMB clearance expiration dates. This includes a review of FERC's regulations and data requirements to identify duplication. The information to be submitted, generated, kept, or posted, pursuant to this Final Rule is not readily available from other sources.

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

The Small Business Administration's (SBA) Office of Size Standards develops the numerical definition of a small business.<sup>9</sup> The SBA revised its size standard for electric utilities (effective January 22, 2014) to a standard based on the number of employees, including affiliates (from a standard based on megawatt hours).<sup>10</sup>

The reforms would apply to six RTOs/ISOs, all of which are transmission organizations and are included in the NAICS code 221121 (for Electric Bulk Power Transmission and Control), which has a threshold for small businesses of 500 employees. The Commission understands that each RTO/ISO has more than 500 employees, so the RTOs and ISO are not small entities.

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

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<sup>9</sup> 13 CFR 121.101 (2014).

<sup>10</sup> SBA Final Rule on "Small Business Size Standards: Utilities," 78 FR 77,343 (Dec. 23, 2013).

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FERC requires the compliance tariff filing in order to perform its mandated oversight and review responsibilities with respect to electric market-based rates being just and reasonable. Without this information, the Commission would be unable to meet its statutory responsibility under section 205 of the FPA to ensure electric utility rates are just and reasonable. Failing to meet this responsibility could result in public utilities charging rates that are not just and reasonable.

**7. EXPLAIN ANY SPECIAL CIRCUMSTANCES RELATING TO THE INFORMATION COLLECTION**

This information collection is consistent with the guidelines in 5 CFR 1320.5(d).

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

The NOPR in RM15-24-000 requested public comment and was published in the Federal Register (80 FR 58393, 9/29/2015). No comments were submitted on the burden or cost estimates related to the compliance filing or other PRA issues. (Comments related to non-PRA items are addressed in the Final Rule. Note that the hardware and software will be used for company operations and will enable the companies to align settlement and dispatch intervals; these costs do not affect or contribute to the PRA information collection or other PRA activities.

The Final Rule will also be published in the Federal Register.

**9. EXPLAIN ANY PAYMENT OR GIFTS TO RESPONDENTS**

There are no payments or gifts to respondents associated with this collection.

**10. DESCRIBE ANY ASSURANCE OF CONFIDENTIALITY PROVIDED TO RESPONDENTS**

Data filed are public information and, therefore, not confidential. However, a company may request confidential treatment of some or all parts of the information requirement under the FERC regulations at 18 CFR 388.112. The Commission will review each request for confidential treatment on a case-by-case basis.

**11. PROVIDE ADDITIONAL JUSTIFICATION FOR ANY QUESTIONS OF A SENSITIVE NATURE, SUCH AS SEXUAL BEHAVIOR AND ATTITUDES, RELIGIOUS BELIEFS, AND OTHER MATTERS THAT ARE COMMONLY CONSIDERED PRIVATE.**

There are no questions of a sensitive nature in the reporting requirements.

**12. ESTIMATED BURDEN OF COLLECTION OF INFORMATION**

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The estimated burden and cost<sup>11</sup> for the requirements contained in this Final Rule follow.<sup>12</sup>

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<sup>11</sup> The estimated hourly cost (salary plus benefits) provided in this section are based on the salary figures for May 2015 posted by the Bureau of Labor Statistics for the Utilities sector (available at [http://www.bls.gov/oes/current/naics2\\_22.htm#00-0000](http://www.bls.gov/oes/current/naics2_22.htm#00-0000)) and scaled to reflect benefits using the relative importance of employer costs in employee compensation from December 2015 (released March 10, 2016 and available at <http://www.bls.gov/news.release/ecec.nr0.htm>). The hourly estimates for salary plus benefits are:

- Legal (code 23-0000), \$128.94
- Computer and Mathematical (code 15-0000), \$60.54
- Information Security Analyst (code 15-1122), \$57.99
- Accountant and Auditor (code 13-2011), \$53.78
- Information and Record Clerk (code 43-4199), \$37.69
- Electrical Engineer (code 17-2071), \$64.20
- Economist (code 19-3011), \$74.43
- Computer and Information Systems Manager (code 11-3021), \$91.63
- Management (code 11-0000), \$88.94

The average hourly cost (salary plus benefits), weighting all of these skill sets evenly, is \$73.13. For the calculations here, the Commission rounds it to \$73 per hour.

<sup>12</sup> The RTOs/ISOs (California ISO (CAISO), New England ISO (ISO-NE), Midcontinent ISO (MISO), New York ISO (NYISO), PJM, and Southwest Power Pool (SPP)) are required to comply with the reforms in this Final Rule. Three RTOs/ISOs (ISO-NE, MISO, and PJM) currently do not align real-time settlement with dispatch intervals and thus likely would be burdened more by that aspect of the reforms in this Final Rule.

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<b>FERC 516D,<sup>13</sup> as implemented in Final Rule in RM15-24-000)</b>	<b>Number of Respondents</b>	<b>Annual Number of Responses per Respondent</b>	<b>Total Number of Responses</b>	<b>Average Burden Hours &amp; Cost per Response</b>	<b>Annual Burden Hours &amp; Total Annual Cost</b>
	<b>(1)</b>	<b>(2)</b>	<b>(1)×(2)=(3)</b>	<b>(4)</b>	<b>(3)×(4)=(5)</b>
Tariff filings one-time in Year 1, for RTOs/ISOs that currently align real- time settlement with dispatch intervals	3 RTOs or ISOs	1	3	80 hrs; \$5,840	240 hrs; \$17,520
Tariff filings one-time in Year 1, for RTOs/ISOs that <i>do not</i> currently align real- time settlement with dispatch intervals	3 RTOs or ISOs	1	3	160 hrs; \$11,680	480 hrs; \$35,040
<b>TOTAL (one-time in Year 1)<sup>14</sup></b>	6		6		720 hrs.; \$52,560

This Final Rule requires that RTOs/ISOs make compliance tariff filings, etc. in order to conform their tariffs to the reforms in the Final Rule, or to show how they already comply with one or more of the reforms. FERC requires this information in order to perform its mandated oversight and review responsibilities with respect to electric market-based rates being just and reasonable. Without this information, the Commission would be unable to meet its statutory responsibility under section 205 of the FPA to ensure public utility rates and tariffs are just and reasonable.

<sup>13</sup>The information collection requirements and related burden for the NOPR in Docket No. RM15-24 were submitted to OMB under FERC-516 (Electric Rate Schedules and Tariff Filings, OMB Control No. 1902-0096). Currently, there is an unrelated package (in Docket No. PL15-3) pending OMB review under FERC-516. Because only one item per OMB Control No. can be pending OMB review at a time, the reporting requirements in the Final Rule in RM15-24 are being submitted to OMB for review under FERC-516D (a temporary ‘placeholder’ collection number, OMB Control No. to be determined). Long-term, the staff expects to transfer administratively the requirements and burden of this final rule to FERC-516 (OMB Control No. 1902-0096) from FERC-516D.

<sup>14</sup>The burden costs (one-time in Year 1) consist of filing proposed tariff changes to the Commission within four months of the effective date of the Final Rule.

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The following table shows total inventory.

<b>FERC-516D</b>	<b>Total Request</b>	<b>Previously Approved</b>	<b>Change due to Adjustment in Estimate</b>	<b>Change Due to Agency Discretion</b>
Annual Number of Responses	6	0	0	+6
Annual Time Burden (Hr.)	720	0	0	+720
Annual Cost Burden (\$)	0	0	0	0

**13. ESTIMATE OF THE TOTAL ANNUAL COST BURDEN TO RESPONDENTS**

The Commission notes that the estimates include only the cost related to burden hours (and do not include costs for software and hardware which do not relate to the data collection or other PRA-related items<sup>15</sup>). The estimated costs in the final rule are addressed in Questions 12 and 15.

**14. ESTIMATED ANNUALIZED COST TO FEDERAL GOVERNMENT**

The estimated annualized cost to the Federal Government for the Final Rule in RM15-24-000 follows:

	<b>Annual Federal Employee Hours</b>	<b>Estimated Annual Federal Cost</b>
FERC-516 Analysis and Processing of Filings due in Year 1 <sup>16</sup>	400 hrs.	\$29,800
PRA <sup>17</sup> Administrative Cost		\$5,481

<sup>15</sup> The hardware and software are used for company operations and will enable the companies to align settlement and dispatch intervals by: (1) settling energy transactions in its real-time markets at the same time interval it dispatches energy; (2) settling operating reserves transactions in its real-time markets at the same time interval it prices operating reserves; and (3) settling intertie transactions in the same time interval it schedules intertie transactions. Those costs are not related to PRA items.

<sup>16</sup> The Federal Cost of analysis and processing of filings is based upon FERC’s 2016 FTE (full time equivalent) average salary plus benefits of \$154,647 (or \$74.50 per hour).

<sup>17</sup> The PRA Administrative Cost is a Federal Cost associated with preparing, issuing, and



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Total		\$35,281
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The Commission bases its cost estimate of the “Analysis and Processing of Filings” for the Federal Government on salaries and benefits for professional and clerical support. This estimated cost represents staff analysis, decision making, and review of any actual filings made in response to the information collection.

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

**FERC-516D.** This collection is a new and temporary ‘placeholder’ collection number. (As stated earlier, long-term, the burden and requirements will be moved to FERC-516.) Because this is a new placeholder collection number, all of the burden indicated in #12 above is new.

**16. TIME SCHEDULE FOR PUBLICATION OF DATA**

FERC does not publish any the data associated with this collection. The public filings are available on [ferc.gov](http://ferc.gov).

**17. DISPLAY OF EXPIRATION DATE**

The clearance information and expiration dates are available at <http://www.ferc.gov/docs-filing/info-collections.asp>.

**18. EXCEPTIONS TO THE CERTIFICATION STATEMENT**

There are no exceptions.

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submitting materials necessary to comply with the PRA for rulemakings, orders, or any other vehicle used to create, modify, extend, or discontinue an information collection. This average annual cost includes requests for extensions, all associated rulemakings (not just this proposed rule), and other changes to the collection.