

FERC-516E (OMB Control No.: TBD)
Notice of Proposed Rulemaking in Docket No. RM17-3, (issued 12/30/2016)
RIN: 1902-AF32

Supporting Statement

FERC-516E, (Fast-Start Pricing in Markets Operated by Regional Transmission Organizations and Independent System Operators) as modified by the Notice of Proposed Rulemaking (NOPR) in Docket Number RM17-3¹

The Federal Energy Regulatory Commission (Commission or FERC) requests that the Office of Management and Budget (OMB) review and approve the information collection in RM17-3 which implements Fast-Start Pricing in Markets Operated by Regional Transmission Organizations and Independent System Operators.

FERC-516E² (OMB Control No. TBD) is listed in this Order as a temporary information collection number. FERC-516 was at OMB for review. Because only one item per OMB Control No. can be pending OMB review at a time, we are using a new temporary placeholder or interim collection number FERC-516E (OMB Control No. TBD) in order to ensure timely submittal of this supporting statement and related materials in RM17-3 to OMB.

Background

In June 2014, the Commission initiated a proceeding, in Docket No. AD14-14-000, Price Formation in Energy and Ancillary Services Markets Operated by Regional Transmission Organizations and Independent System Operators, to evaluate issues regarding price formation in the energy and ancillary services markets operated by RTOs/ISOs (Price Formation Proceeding). The notice initiating that proceeding stated that there may be opportunities for the RTOs/ISOs to improve the price formation process in the energy and ancillary services markets. As set forth in the notice, prices used in energy and ancillary services markets ideally “would reflect the true marginal cost of production, taking into account all physical system constraints, and these prices would fully compensate all resources for the variable cost of providing service.”³ Pursuant to the notice, staff conducted outreach and convened technical workshops on the following four

1 The Order was issued on December 15, 2016 and is posted at https://elibrary.ferc.gov/idmws/doc_info.asp?document_id=14521615

2 This supporting statement would normally have been submitted under the FERC-516 but is being submitted under the temporary placeholder collection number FERC-516E because only item per OMB Control No. can be pending OMB review at a time.

3 Price Formation in Energy and Ancillary Services Markets Operated by Transmission Organizations and Independent System Operators, Notice, Docket No. AD14-14-000, at 2 (June 19, 2014).

general issues: (1) use of uplift payments; (2) offer price mitigation and offer price caps; (3) scarcity and shortage pricing; and (4) operator actions that affect prices.⁴

In January 2015, the Commission requested comments on questions that arose from the price formation technical workshops.⁵ As a result of these comments, the Commission identified, among other things, five technical topics with potential for reform to improve price formation, but for which further information was needed. In November 2015, the Commission issued an order that directed each RTO/ISO to report on these five price formation topics: fast-start pricing; managing multiple contingencies; look-ahead modeling; uplift allocation; and transparency.⁶ The order directed each RTO/ISO to file a report providing an update on its current practices in the topic areas, outlining the status of its efforts (if any) to address issues in each of the five topics, and responding to specific questions contained in the order. This NOPR addresses the pricing of fast-start resources.

A. Justification

1. CIRCUMSTANCES THAT MAKE THE COLLECTION OF INFORMATION NECESSARY

The Federal Power Act Section 205⁷ requires the Federal Energy Regulatory Commission to ensure that the rates and charges for the wholesale sale of electric energy are just and reasonable. Section 205 also requires that the rules and regulations affecting or pertaining to the rates and charges for the wholesale sale of electric energy be just and reasonable. Federal Power Act Section 206⁸ provides that if the Commission finds that a rate, charge, rule, or regulation is unjust and unreasonable, the Commission shall determine and fix the just and reasonable rate, charge, rule, or regulation. In this NOPR, the Commission proposes to revise its regulations to require that each regional transmission organization (RTO) and independent system operator (ISO) incorporate market rules that meet certain requirements when pricing fast-start resources. These reforms should lead to prices that more transparently reflect the marginal cost of serving load, which will reduce uplift costs and thereby improve price signals to support efficient investments.

⁴ *Id.* at 1, 3-4.

⁵ Notice Inviting Post-Technical Workshop Comments, Docket No. AD14-14-000 (Jan. 16, 2015).

⁶ Order Directing Reports, 153 FERC ¶ 61,221).

⁷ 16 U.S.C. 824d(a)

⁸ 16 U.S.C. 824de(a).

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

The NOPR proposes to require that each RTO/ISO incorporate the following five requirements for its fast-start pricing. First, an RTO/ISO must apply fast-start pricing to any resource committed by the RTO/ISO that is able to start up within ten minutes or less, has a minimum run time of one hour or less, and that submits economic energy offers to the market. Second, when an RTO/ISO makes a decision to commit a fast-start resource, it should incorporate commitment costs, i.e., start-up and no-load costs, of fast-start resources in energy and operating reserve prices, but must do so only during the fast-start resource's minimum run time. Third, an RTO/ISO must modify its fast-start pricing to relax the economic minimum operating limit of fast-start resources and treat them as dispatchable from zero to the economic maximum operating limit for the purpose of calculating prices. Fourth, if an RTO/ISO allows offline fast-start resources to set prices for addressing certain system needs, the resource must be feasible and economic. Finally, an RTO/ISO must incorporate fast-start pricing in both the day-ahead and real-time markets. The consequences of not collecting this information affects the Commission's ability to ensure prices are accurately reflected in the marginal cost of serving load, potentially resulting in prices that do not reflect the value of fast-start resources, potentially creating unnecessary uplift payments, and potentially failing to provide incentives for market participants to make efficient investments.

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

FERC has made no significant changes in information technology use for complying with the FERC-516E as these issues were already addressed by FERC in a rule implementing the Commission's eTariff system (fully implemented in 2010) for the electronic filing of tariffs.

In general, the Commission supports the use of information technology to reduce burden.

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

Filing requirements are periodically reviewed as OMB review dates arise or as the Commission may deem necessary in carrying out its regulatory responsibilities under the FPA in order to eliminate duplication and ensure that filing burden is minimized. There are no similar sources for information available that can be used or modified for these reporting purposes.

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

The Small Business Administration (SBA) classifies an entity as an electric utility if it is primarily engaged in the transmission, generation and/or distribution of electric energy for sale. Under this definition, the six RTOs/ISOs are considered electric utilities, specifically focused on electric bulk power and control. The size criterion for a small electric utility is 500 or fewer employees.⁹ Since every RTO/ISO has more than 500 employees, none are considered small entities.

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

If collection is done less frequently than requested we are concerned the results in rates may not be just and reasonable for several reasons. We are concerned that some existing practices may not ensure that prices accurately reflect the marginal cost of serving load, potentially resulting in prices that do not reflect the value of fast-start resources, potentially creating unnecessary uplift payments, and potentially failing to provide incentives for market participants to make efficient investments.

7. EXPLAIN ANY SPECIAL CIRCUMSTANCES RELATING TO THE INFORMATION COLLECTION

There is no special circumstances related to this collection.

⁹ 13 CFR 121.201 (Sector 22, Utilities).

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

In January 2015, the Commission requested comments on questions that arose from the price formation technical workshops.¹⁰ As a result of these comments, the Commission identified, among other things, five technical topics with potential for reform to improve price formation, but for which further information was needed. In November 2015, the Commission issued an order that directed each RTO/ISO to report on these five price formation topics: fast-start pricing; managing multiple contingencies; look-ahead modeling; uplift allocation; and transparency.¹¹ The order directed each RTO/ISO to file a report providing an update on its current practices in the topic areas, outlining the status of its efforts (if any) to address issues in each of the five topics, and responding to specific questions contained in the order.

Each FERC activity that results in the revision of an information collection is published in the Federal Register thereby providing public utilities and licensees, state commissions, Federal agencies, and other interested parties an opportunity to submit data, views, comments or suggestions concerning the approved collections of data.

This NOPR was issued on 12/15/2016 and published in the Federal Register on 12/30/2016¹². Comments will be available in FERC's eLibrary under Docket No. RM17-3-000.

9. EXPLAIN ANY PAYMENT OR GIFTS TO RESPONDENTS

The Commission does not make payments or provide gifts for respondents related to FERC-516E.

10. DESCRIBE ANY ASSURANCE OF CONFIDENTIALITY PROVIDED TO RESPONDENTS

FERC provides no specific provisions in order to protect confidentiality.

¹⁰ Notice Inviting Post-Technical Workshop Comments, Docket No. AD14-14-000 (Jan. 16, 2015).

¹¹ Order Directing Reports, 153 FERC ¶ 61,221).

¹² 81 FR 96391

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 that are considered private that are associated with FERC-516E reporting requirements.

12. ESTIMATED BURDEN OF COLLECTION OF INFORMATION

There is no existing burden for FERC-516E information collection. FERC-516E is a temporary information collection number intended only to allow the timely submission of these requirement to OMB. These requirement should be submitted to the FERC-516 information collection (OMB Control No. 1902-0096). However there was another unrelated item under FERC-516 pending OMB review, and only one item per OMB Control No. can be pending OMB review at a time. Therefore we are using FERC-516E as a ‘placeholder’ for this submittal. Eventually, these requirements will be administratively moved out of the FERC-516E information collection (along with the discontinuance of FERC-516E) and submitted into the FERC-516 information collection. is a place holder information collection number. When FERC-516 is available, FERC-516E will be administratively transferred by FERC to FERC-516.

The Commission believes that the burden estimates below are representative of the average burden on respondents. The estimated burden and cost for the requirements contained in this NOPR are a one-time implementation burden.

The Commission estimates the annual reporting burden and cost as follows:

FERC-516E in NOPR in RM17-3						
	Number of Respondents	Annual Number of Responses per Respondent	Total Number of Responses	Average Burden Hours & Cost Per Response¹³	Total Annual Burden Hours & Total Annual Cost	Cost per Respondent (\$)
	(1)	(2)	(1)*(2)=(3)	(4)	(3)*(4)=(5)	(5)÷(1)

¹³ The Commission staff anticipates that the average respondent for this collection is similarly situated to the Commission, in terms of salary plus benefits. Based upon FERC’s 2016 annual average of \$154,647 (for salary plus benefits), the average hourly cost is \$74.50/hour.

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Tariff filing	6	1	6	80 hours, \$5,920	480 hours, \$35,520	80 hours \$5,920
Implementation	6	1	6	3,853 hours, \$285,122	23,118 hours, \$1,710,732	3,853 hours \$285,122
TOTAL				3,933 hours, \$291,042	23,598 hours, \$1,746,252	

Costs related to Burden Estimate:

Year 1-3: For administrative purposes for reginfo.gov, ROCIS and this submittal to OMB, one-time implementation (23,118 hours) is averaged over Years 1-3. Year 1-3 will have 7,706 hours (23,118 ÷ 3 years) + 480 hours (for ongoing burden related to tariff filings) = 8,186 total annual burden hours) is the total annual burden estimate used for administrative purposes.

FERC-516E has a one-time burden we have spread the cost over three years, after the three years we will retire the implementation portion of the collection.

13. ESTIMATE OF THE TOTAL ANNUAL COST BURDEN TO RESPONDENTS

There are no start-up or other non-labor costs.

Total Capital and Start-up cost: \$0

Total Operation, Maintenance, and Purchase of Services: \$0

All of the costs in the proposed rule are associated with burden hours (labor) and described in Questions #12 and #15 in this supporting statement.

14. ESTIMATED ANNUALIZED COST TO FEDERAL GOVERNMENT

The federal effort as a result of this RM17-3 NOPR is one FTE for analysis and processing of the filings.

The estimated annualized cost to the Federal Government for FERC-516E as related to the requirements in the Final Rule in RM17-3, is as follows:

FERC-516E	Number of Full-Time Equivalent Employees	Estimated Annual Federal Cost
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	(FTE)	
Analysis and Processing of filings ¹⁴	1	\$154,647
PRA Administrative Cost		\$5,481
FERC Total		\$160,128

The only additional cost to FERC-516E will be one FTE (\$154,647) and the PRA administrative cost (\$5,481.00). The FERC total cost for the RM17-3 NOPR is \$160,128.

The Commission bases the cost of administration of the Paperwork Reduction Act of 1995 (PRA) on staff time, and other costs related to compliance with the Paperwork Reduction Act of 1995. These costs include: reviewing and analyzing the posting/reporting/recordkeeping requirements; developing, processing, and issuing the public notices and PRA supporting statement and materials, analyzing and addressing any public comments, and publishing notices in the Federal Register.

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

In this Notice of Proposed Rulemaking (NOPR), the Commission is proposing to address the pricing of energy from resources that are able to start quickly (fast-start resources). In this context, fast-start pricing addresses the software algorithms by which a regional transmission organization (RTO) or independent system operator (ISO) incorporates the offers of fast-start resources into the market prices for energy and ancillary services.¹⁵

¹⁴ Based upon FERC’s 2016 FTE average salary plus benefits (\$154,647)

¹⁵ In the November 20, 2015 Order Directing Reports issued in Docket No. AD14-14-000, the Commission noted that inflexible resources “are generally referred to as block-loaded fast-start resources.” *Price Formation in Energy and Ancillary Services Markets Operated by Regional Transmission Organizations and Independent System Operators*, 153 FERC ¶ 61,221, at P 9 (2015) (Order Directing Reports). The Commission also stated that

[a]n inflexible resource generally refers to a resource that may not be able to physically operate much below its maximum output and therefore cannot be dispatched up or down. For this reason, the energy supply offer parameters for these resources may stipulate that they be dispatched either to zero or to a minimum level that is at (or close to) their maximum output, but not in between.

Id. P 9 n.8. The Commission further noted that “[a] block-loaded resource is a resource whose economic minimum operating limit is equal to its economic maximum output.” *Id.* P 9 n.9. While this NOPR seeks to address issues discussed in the Order Directing Reports and the subsequent reports and comments submitted in that docket, we do not limit terms used in this NOPR to the definitions provided in the Order Directing Reports.

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The following table show the total burden hours and costs for FERC-516E information collection and the impact of the change discussed in this supporting statement. For administrative purposes for this submittal to OMB, the additional one-time burden was spread out into three years.

FERC-516E	Total Request	Previously Approved	Change due to Adjustment in Estimate	Change Due to Agency Discretion
Annual Number of Responses	6	0	0	6
Annual Time Burden (Hr.)	8,186	0	0	8,186
Annual Cost Burden (\$)	0	0	0	0

16. TIME SCHEDULE FOR PUBLICATION OF DATA

There is no publication of data associated with FERC-516E information collection.

17. DISPLAY OF EXPIRATION DATE

The expiration date is displayed in a table posted on ferc.gov at <http://www.ferc.gov/docs-filing/info-collections.asp>.

18. EXCEPTIONS TO THE CERTIFICATION STATEMENT

There are no exceptions.