



December 15, 2016

News Media Contact

Craig Cano | 202-502-8680

Docket No. RM17-3-000

Item No. E-2

FERC Proposes Minimum Pricing Requirements for Fast-Start Resources

The Federal Energy Regulatory Commission (FERC) today took another step in its continuing effort to improve price formation to support efficient investments in wholesale power markets with a proposal that regional grid operators adopt market rules that meet certain requirements when pricing fast-start resources.

A fast-start resource is defined in today's Notice of Proposed Rulemaking (NOPR) as one that can start up in 10 minutes or less, has a minimum run time of one hour or less, and has submitted an economic energy offer to a market run by a regional transmission organization (RTO) or independent system operator (ISO). Fast-start resources typically are committed in real-time, very close to the interval when needed, and can respond quickly to unforeseen system needs. However, without fast-start pricing, some fast-start resources are ineligible to set prices due to inflexible operating limits.

Individual regional markets have developed some elements of fast-start pricing to accommodate the specific characteristics of this class of resources. However, the Commission believes that existing practices may not result in just and reasonable rates, and could produce prices that do not reflect the value of those resources, fail to provide incentives for market participants to make efficient investments, and create unnecessary uplift payments.

The NOPR proposes that, at a minimum, an RTO/ISO:

- Must apply fast-start pricing to any resource committed that can start up within 10 minutes or less, has a minimum run time of one hour or less, and submits economic energy offers to the market;
- Should incorporate commitment costs, such as start-up and no-load costs, of a fast-start resource in energy and operating reserve prices during the resource's minimum run time;
- Must modify its fast-start pricing to relax the economic minimum operating limits of fast-start resources and treat them as dispatchable from zero to the economic maximum operating limits for the purpose of calculating prices;
- May allow an offline fast-start resource to set prices, but only if the resource is feasible and economic for addressing certain system needs; and
- Must incorporate fast-start pricing in both the day-ahead and real-time markets.

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

R-17-12

(30)