

Supporting Statement for  
**FERC-516G Electric Rates Schedules and Tariff Filings,  
Modifications Proposed in the NOPR in RM17-2-000**

The Federal Energy Regulatory Commission (FERC or Commission) requests that the Office of Management and Budget (OMB) review the FERC-516G as proposed in the Notice of Proposed Rulemaking (NOPR) in Docket No. RM17-2.

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

In June 2014, the Commission initiated a proceeding, in Docket No. AD14-14-000, Price Formation in Energy and Ancillary Services Markets in Regional Transmission Organizations and Independent System Operators, to evaluate issues regarding price formation in the energy and ancillary services markets operated by Regional Transmission Operators/Independent Service Operators<sup>1</sup> (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.”<sup>2</sup> Pursuant to the notice, staff conducted outreach and convened technical workshops on the following four 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.<sup>3</sup>

In January 2015, the Commission requested comments on questions that arose from the price formation technical workshops.<sup>4</sup> As a result of these comments, the Commission identified, among other things, five 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.<sup>5</sup> Specifically, the order

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1 RTOs/ISOs

2 Price Formation Notice, Docket No. AD14-14-000, at 2 (June 19, 2014).

3 *Id.* at 1, 3-4.

4 Notice Inviting Comments, Docket No. AD14-14-000 (Jan. 16, 2015).

5 *Price Formation in Energy and Ancillary Services Markets Operated by Regional Transmission Organizations and Independent System Operators*, 153 FERC

¶ 61,221 (2015) (Order Directing Reports).

directed each RTO/ISO to file a report providing an update on its current practices in the five topic areas, outlining the status of its efforts (if any) to address issues in each of the five topic areas, and responding to specific questions contained in the order. In the reports filed and the subsequent comments, RTOs/ISOs and other commenters addressed the issues of uplift cost allocation and transparency,<sup>6</sup> which are the subject of this NOPR.

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

In this NOPR in RM17-2, the Commission seeks to remedy potential unjust and unreasonable rates by proposing that, pursuant to Section 206 of the Federal Power Act<sup>7</sup>, each RTO/ISO:

- Report total uplift payments for each transmission zone on a monthly basis, broken out by day and uplift category;
- Report total uplift payments for each resources on a monthly basis;
- Report the megawatts of operator-initiated commitments in or near real-time and after the close of the day-ahead market (broken out by zone and commitment reason); and
- And list in its tariff the transmission penalty factors, the circumstances under which they can set LMPs<sup>8</sup>, and the procedure by which they can be temporarily changed.

### Uplift Reporting

The Commission proposes to require that, within 20 days of the end of each month, each RTO/ISO post on its website two reports, at a minimum, regarding uplift payments. Each RTO/ISO must post the total amount of uplift in dollars in each category (e.g. day-ahead, real-time, voltage, and local reliability) paid to resources in each transmission zone for each day within the calendar month. The Commission proposes to require that each RTO/ISO post uplift payment amounts based on its specific uplift categories to allow market participants to distinguish between different types of uplift. Second, each RTO/ISO must post the resource name and the total amount of uplift paid in dollars aggregated across the month to each resource that received uplift payments within the calendar month.

In this NOPR, the Commission proposes that information on uplift payments should be posted in a machine readable format on a publicly accessible portion of the RTO's/ISO's website. The Commission does not prescribe how RTOs/ISOs generate the proposed

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<sup>6</sup> A list of commenters and the abbreviated names used in this NOPR appears in the Appendix.

<sup>7</sup> FERC, *Staff Analysis of Uplift in RTO and ISO Markets*, Docket No. AD14-14-000, at 5-7

<sup>8</sup> LMP = locational marginal pricing

uplift reports.

As noted in the NOPR, the lack of this information will hinder market participants' ability to plan and efficiently respond to system needs. Requiring the RTOs/ISOs to report this information will facilitate market participants' ability to evaluate possible solutions to reduce the incurrence of uplift. For example, with more granular information on the location, amounts, and types of uplift, market participants can better evaluate the benefits of additional transmission upgrades that could reduce the need for unit commitments. Market participants can also use the information to raise issues of concern in the relevant stakeholder process.

#### *20-day timeline for uplift reports*

While each of the six jurisdictional Regional Transmission Operators (RTOs) and Independent System Operators (ISOs) currently provide monthly uplift reports on their websites, each does so on a different timeline. Most RTOs/ISOs provide these reports within the month following the reporting period. Prior to the NOPR, some commenters suggested that having this information earlier would improve the transparency of uplift payments and charges. As explained in the NOPR, such transparency supports the efficient functioning of RTO/ISO markets by improving market participants' understanding of how uplift is calculated, how uplift relates to system needs, and the predictability of uplift payments and charges going forward.

In the NOPR, the Commission recognizes that the timing of uplift reporting is driven, in part, by each individual RTO's/ISO's market settlement process, which needs to be completed before an uplift report can be compiled. The Commission proposes requiring uplift reports within 20 days to allow a cushion for RTOs/ISOs to take any additional steps needed to process and provide the uplift information, while providing a baseline level of transparency for market participants. RTOs/ISOs each produce a variety of public reports daily, monthly, and over longer time intervals. If the Commission determines that 20 days is the appropriate deadline in a Final Rule, each RTO/ISO has the flexibility to align the production of the uplift report with any other public report it generates in order to reduce its burden. The Commission sought comment on whether 20 days is an appropriate and feasible amount of time.

#### *Transmission Zones*

Prior to the NOPR, many commenters argued that understanding the origin of each RTO's/ISO's uplift charges would improve market participants' ability to reduce the need for uplift. In the NOPR, the Commission seeks to identify the appropriate level of geographic granularity that would balance the improved transparency that comes from more geographically granular information with protecting confidential information such

as sensitive market participant information. All RTOs/ISOs have several types of zones within their footprint, each with different terminology and definitions. "Transmission zone" is not a universal term among RTOs/ISOs; for the purposes of reporting uplift the Commission proposes to define a "transmission zone" as a geographic area that is used for the local allocation of charges. By proposing this definition, the Commission aims to ease the reporting burden on RTOs/ISOs by allowing them to use existing zones, rather than requiring them to adjust data and the geographic level of their reporting to fit a new prescribed level of geographic granularity.

### Reporting Operator-Initiated Commitments

The Commission also proposes to require that each RTO/ISO post all operator-initiated commitments on its website. For the purposes of this NOPR, we propose to define operator-initiated commitments as a commitment that is not associated with a resource clearing the day-ahead or real-time market on the basis of economics and that is not self-scheduled. This definition would include any commitment (whether manual or automated) made after the execution of the day-ahead market that is made outside of the real-time market. Such commitments include those made through a residual unit commitment processes after the execution of the day-ahead market, commitments made through look-ahead commitment processes, and manual commitments made in real-time.

The report posted on each RTO's/ISO's website would include the following:

- The upper economic operating limit of the committed resource in megawatts (i.e. its economic maximum);
- The transmission zone in which the resource is located; and
- The reason for commitment.

### Transmission Constraint Penalty Factors

The Commission proposes to require that all RTOs/ISOs include certain provisions related to transmission constraint penalty factors in their tariffs because transmission constraint penalty factors can significantly impact market clearing prices.

First, the Commission proposes to require that all RTOs/ISOs include their transmission constraint penalty factor values in their tariffs. This requirement would only apply to penalty factors used for transmission constraints and would not include other penalty factors used in commitment and dispatch algorithms. If the RTO/ISO uses different transmission constraint penalty factors for different processes, the Commission proposes to require that all sets of transmission constraint penalty factors be included in the tariff.

Second, the Commission proposes to require that RTOs/ISOs include in their tariffs an explanation regarding if and when transmission constraint penalty factors may be used to

set LMPs. If the RTO/ISO has different processes for allowing transmission constraint penalty factors to set LMPs in different circumstances, this should be explained in the tariff. As part of its explanation, the RTO/ISO should also elucidate whether there are any specific restrictions or conditions under which transmission constraint penalty factors are allowed to set LMPs, such as a minimum duration for transmission constraint violations.

Finally, if RTOs/ISOs wish to have the flexibility to temporarily change transmission constraint penalty factors to account for changes in system conditions, they must include the procedures for doing so in their tariffs. The Commission also proposes to require these procedures to include a requirement that notice of the temporary change be provided to market participants.

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

Commission staff expects to receive all filings via eTariff. In 2010, the Commission fully implemented its eTariff system for the electronic filing of tariffs. Further, Commission staff does not believe that improved information technology would have a meaningful impact on the burden of this proposed rulemaking on RTOs/ISOs.

**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.**

The Commission periodically reviews filing requirements concurrent with OMB review or as the Commission deems necessary to eliminate duplicative filing and to minimize the filing burden. The proposed actions here relate to a Commission jurisdictional tariff and the company posting information on its website. Therefore, the Commission would be the only entity requiring and collecting this information.

**5. METHODS USED TO MINIMIZE 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.<sup>9</sup> 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**

To conduct these filings less frequently (i.e. not conducting them at all), the Commission would be unable to ensure that rates are just and reasonable and not unduly discriminatory or preferential.

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

There are no special circumstances.

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

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 1/19/2017 and published in the Federal Register on 2/7/2017<sup>10</sup>. Comments will be available in FERC's eLibrary under Docket No. RM17-2-000.

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

There are no payments or gifts to respondents of this collection.

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

The data involved and affected by the revisions proposed in this NOPR is public. In general, for all submittals to the Commission, filers may submit specific requests for

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<sup>9</sup> 13 CFR 121.201 (Sector 22, Utilities).  
<sup>10</sup> 82 FR 9539

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confidential treatment to the extent permitted by law, as set forth in 18 CFR Section 388.112.

**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**

This collection does not include any questions of a sensitive nature.

**12. ESTIMATED BURDEN COLLECTION OF INFORMATION**

There is no existing burden for the FERC-516G information collection. It is a temporary information collection number intended only to allow the timely submission of these requirements to OMB. These requirements 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-516G as a 'placeholder' for this submittal. Eventually, these requirements will be administratively moved out of the FERC-516G information collection (along with the discontinuance of FERC-516G) and submitted into the FERC-516 information collection.

The following table contains the reporting burden related to proposed revisions in the NOPR in Docket RM17-2-000:

<b>FERC-516G, as modified by the NOPR in Docket RM17-2-000</b>						
	<b>Number of Respondents (1)</b>	<b>Number of Responses per Respondent (2)</b>	<b>Total Number of Responses (1)×(2)=(3)</b>	<b>Average Burden Hours &amp; Cost Per Response<sup>11</sup> (4)</b>	<b>Total Burden Hours &amp; Total Cost (3)×(4)=(5)</b>	<b>Cost per Respondent (\$) (5)÷(1)</b>
Uplift Allocation	6 <sup>12</sup>	1	6	500 hrs.; \$36,500	3,000 hrs.; \$219,000	\$36,500
Transparency	6	1	6	500 hrs.; \$36,500	3,000 hrs.; \$219,000	\$36,500
<b>TOTAL</b>				1000 hrs.; \$73,000	6,000 hrs.; \$438,000	

After Year 1, the proposed requirements in the RM17-2-000 NOPR would not significantly affect ongoing burden imposed on RTOs/ISOs. As such, the burden estimate here is considered a one-time burden and will be averaged over Years 1-3:

6,000 hours (total burden estimate for the RM17-2-000 NOPR) ÷ 3 = 2,000 hours<sup>13</sup>

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

<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 30, 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), \$129.12
- Computer and Mathematical (code 15-0000), \$60.63
- Information Security Analyst (code 15-1122), \$58.08
- Accountant and Auditor (code 13-2011), \$53.86
- Information and Record Clerk (code 43-4199), \$37.75
- Electrical Engineer (code 17-2071), \$64.29
- Economist (code 19-3011), \$74.53
- Computer and Information Systems Manager (code 11-3021), \$91.76
- Management (code 11-0000), \$89.07

The average hourly cost (salary plus benefits), weighting all of these skill sets evenly, is \$73.23. For the calculations here, the Commission rounds it to \$73 per hour.

<sup>12</sup> Respondent entities are either RTOs or ISOs.

<sup>13</sup> This figure will be treated as an annual average for submission purposes in ROCIS.



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**

	<b>Number of Employees (FTE)</b>	<b>Estimated Annual Federal Cost</b>
Analysis and Processing of Filings <sup>14</sup>	0.25	\$38,662
PRA <sup>15</sup> Administrative Cost <sup>16</sup>		\$5,481
<b>FERC Total</b>		<b>\$44,143</b>

The Commission bases its estimate of the “Analysis and Processing of Filings” cost to 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 submitted in response to the information collection.

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

The RM17-2-000 NOPR is imposing a one-time burden increase on RTOs/ISOs due to one-time revisions requiring that each RTO/ISO:

- Report total uplift payments for each transmission zone on a monthly basis, broken out by day and uplift category;
- Report total uplift payments for each resources on a monthly basis;
- Report the megawatts of operator-initiated commitments in or near real-time and after the close of the day-ahead market (broken out by zone and commitment reason); and

<sup>14</sup> Based upon 2016 FTE average annual salary plus benefits (\$154,647).

<sup>15</sup> Paperwork Reduction Act of 1995 (PRA).

<sup>16</sup> The PRA Administrative Cost is a federal cost associated with preparing, issuing, and submitting materials necessary to comply with the Paperwork Reduction Act (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, and other changes to the collection.

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- List in its tariff the transmission penalty factors, the circumstances under which they can set LMPs, and the procedure by which they can be temporarily changed.

The one-time burden in RM17-2-000 regards changes to reports posted on publically accessible websites and tariffs filed by each of the RTOs/ISOs. Once these changes are in place (past Year 1), the requirements in RM17-2-000 will impose no significant ongoing burden upon RTOs/ISOs.

For the purposes of ROCIS and reginfo.gov, we are averaging the number of responses and burden hours over Years 1-3 in the table below; the one-time implementation burden will be removed after Year 3.

<b>FERC-516G</b>	<b>Total Request</b>	<b>Previously Approved</b>	<b>Change due to Adjustment in Agency Estimate</b>	<b>Program Change Due to Agency Discretion</b>
Annual Number of Responses	6	0	0	6
Annual Time Burden (Hours)	2,000	0	0	2,000
Annual Cost Burden (\$)	\$0	\$0	\$0	\$0

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

There are no tabulating, statistical or tabulating analysis or publication plans for the collection of information.

**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.