



NEWS RELEASE

April 19, 2018

News Media Contact

Mary O'Driscoll | 202-502-8680

Docket Nos. RM17-2-000, RM17-8-000

Agenda Items: E-1, E-2

FERC Issues Final Rules to Improve Regional Market Transparency, Interconnections

The Federal Energy Regulatory Commission (FERC) today issued two final rules that will improve transparency in organized electric power markets, and help make all electricity interconnections more effective and efficient.

Transparency Final Rule

The first final rule (E-1, RM17-2-000) addresses transparency regarding uplift payments, operator-initiated commitments and transmission constraint penalty factors in organized electric power markets. It marks the last generic action in the initial set of price formation topics FERC identified when the price formation inquiry began in 2014.

Uplift refers to a payment that a regional grid operator makes to a resource when market revenues are insufficient to cover the resource's operating costs. An operator-initiated commitment is a decision to start a resource made by a market operator when the resource is not economic, but is needed to ensure reliability. A transmission constraint penalty factor is the maximum price that the system will pay to re-dispatch resources before allowing power flow to exceed a transmission element's maximum operating level.

Today's rule finds that market operators' practices with respect to reporting uplift payments and operator-initiated commitments, and their tariff provisions regarding transmission constraint penalty factors, are insufficiently transparent and result in rates that are not just and reasonable.

To address those concerns, the rule requires regional market operators to report, on a monthly basis: total uplift payments for each transmission zone, broken out by day and uplift category; total uplift payments to each resource; and the commitment size, transmission zone, commitment reason, and commitment start time of each operator-initiated commitment. The rule also requires regional market operators to include in their tariffs the transmission constraint penalty factors used in their market software, the circumstances under which those factors can set locational marginal prices, and any processes by which they can be changed.

The Commission withdrew from the final rule a proposal that each market operator that allocates the costs of real-time uplift to deviations allocate such costs only to those market participants whose transactions are reasonably expected to have caused the costs. Commenters had raised substantial concerns about the applicability of the proposed reforms to certain regional markets and whether certain regional markets could implement the proposed reforms.

-more-

Generator Interconnection Procedures and Agreements Final Rule

The second final rule (E-2, RM17-8-000) addresses reform of generator interconnection procedures and agreements for generators of more than 20 megawatts, and adopts reforms designed to improve certainty for interconnection customers, promote informed interconnection decisions and enhance the interconnection process. This final rule culminates an extensive process involving a large number of stakeholders and addresses systemic inefficiencies, including those caused or exacerbated by changing market forces and by the emergence of new technologies.

Interconnection customers have voiced concerns around a variety of issues including the frequency of delays in the interconnection study process, the lack of transparency and consistency of information in the process and the overall time required for new generation to connect to the grid. Transmission providers have expressed concern that the interconnection study process can be difficult to manage because some interconnection customers submit requests for interconnection service associated with new generating facilities that the transmission providers maintain have little chance of reaching commercial operation. The final rule's transparency reforms should enhance the timeliness, clarity and consistency of information which should improve interconnection customers' ability to assess potential generation projects, and would mitigate factors that lead to submission of interconnection requests for generation projects that have little chance of reaching commercial operation. The final rule's reforms to improve certainty for interconnection customers and enhance the interconnection process provide opportunities to bring new generation online faster and mitigate the construction of unnecessary upgrades through interconnection service alternatives.