



# FEDERAL ENERGY REGULATORY COMMISSION

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## **FERC Finalizes Rule to Strengthen, Improve Organized Wholesale Market Operations**

The Federal Energy Regulatory Commission (FERC) today finalized regulations that will strengthen the operation and improve the competitiveness of organized wholesale electric markets through the use of demand response and by encouraging long-term power contracts, strengthening the role of market monitors and enhancing regional transmission organization (RTO) and independent system operator (ISO) responsiveness.

The final rule generally tracks the proposals outlined in the February 2008 Notice of Proposed Rulemaking.

“Competition is national policy and it is FERC’s duty to foster competition and adopt those policies that will improve the operation of wholesale power markets and benefit consumers,” FERC Chairman Joseph T. Kelliher said. “This final rule is one in a series of reforms FERC has taken to promote competition in wholesale power markets. As markets emerge and other opportunities arise, FERC will continue to evaluate its rules to ensure that the nation’s wholesale power customers have effective competition, a strong market structure and the just and reasonable rates that they deserve.”

Effective wholesale competition protects consumers by providing more supply options, encouraging new entry and innovation, spurring development of new technologies, promoting demand response and energy efficiency, and improving operating performance of market participants, the Commission said.

Organized market regions are those areas in which an RTO or ISO operates day-ahead and/or real-time energy markets. The following RTOs and ISOs have organized markets: PJM Interconnection, LLC; New York Independent System Operator, Inc.; Midwest Independent Transmission System Operator, Inc.; ISO New England, Inc.; California Independent Service Operator Corp.; and Southwest Power Pool.

The final rule directs each RTO and ISO to adopt or implement the following:

### **Demand Response**

- Accept bids in its markets for ancillary services from technically capable demand response resources as it does for other resources;
- Eliminate certain charges to buyers in the energy market for voluntarily reducing demand during a system emergency;
- Permit an aggregator of retail demand responses to bid the combined demand responses directly into an RTO’s or ISO’s organized markets unless this is not permitted by the laws or regulations of the relevant electric retail regulatory authority;
- Allow the market price to more accurately reflect the value of energy during a period of operating reserve shortage, while providing for market power mitigation; and
- Assess and report on any remaining barriers to comparable treatment of demand response resources in its





organized markets.

### **Long-term Power Contracting**

- Require each RTO and ISO to dedicate a portion of its web site for market participants to post offers to buy or sell power on a long-term basis.

### **Strengthen Market Monitoring**

- The final rule increases the independence of the RTO and ISO Market Monitoring Unit (MMU) by: requiring the MMU to report to the RTO or ISO board, rather than to management; requiring the RTO or ISO to provide the MMU with data access, resources and personnel; defining the expanded functions of the MMU; clarifying the role of the MMU in market mitigation; removing the MMU from tariff administration; and requiring ethics standards for MMUs and their employees; and
- The final rule also enhances information sharing by the MMU by: requiring quarterly reports by the MMU, in addition to the annual state of the market report, and expanding the number of report recipients; requiring regular conferences among the MMU and staff of FERC, the RTO or ISO, and interested state commissions, state attorneys general, and market participants; establishing procedures for information sharing by the MMU with state commissions; and reducing the lag time for release of offer and bid data by the RTO and ISO.

### **Responsiveness to Customers and Stakeholders**

- Each RTO and ISO must ensure that it is responsive to the needs of its customers and other stakeholders by providing them some form of effective direct access to the RTO or ISO board of directors.

In each of these four areas, each RTO or ISO is encouraged to consult with its stakeholders and must make a compliance filing within six months of the date that this Final Rule is published in the Federal Register that explains how its existing practices comply with the Final Rule, or details plans to achieve compliance. FERC noted that significant differences exist between regions and does not require adoption of the same solution in all regions to address these issues. “We recognize and respect the differences across various regions. At the same time, wholesale competition can serve customers well in all regions,” the Commission said.

The Final Rule, *Wholesale Competition in Regions with Organized Electric Markets*, takes effect 60 days after publication in the *Federal Register*.

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