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FEDERAL ENERGY REGULATORY COMMISSION **FACTS**

**Chairman Wellinghoff/Reporters Roundtable  
The Rubber Meets the Road:  
Managing the Transition to a Smart Energy Future by Integrating All Resources onto the Grid**

Over the past year, the Federal Energy Regulatory Commission (FERC) has taken concrete steps to fulfill its mission of ensuring consumers have reliable, efficient and sustainable energy.

**1. Transmission Planning and Cost Allocation Proposed Rule/June 2010**

- Regions, not interconnections, develop transmission plans and cost allocation methods that consider the benefits of new transmission facilities, including reliability, economics and complying with state or federal laws or regulations
- Cost allocation methods based on the following principles
  - Costs allocated are roughly commensurate with estimated benefits
  - Costs will be allocated only to those who will benefit
  - Costs will be allocated between regions based on agreements
  - Cost allocation methods and identification of beneficiaries must be transparent
  - Different allocation methods could apply to different types of transmission facilities
- Each pair of neighboring regions coordinate transmission planning and cost allocation
- Regions consider requirements established in state or federal laws or regulations that may drive transmission needs
- Removes federal rights of first refusal from FERC-jurisdictional tariffs and agreements; no pre-emption of states

**2. Demand Response**

- Demand Response Cost Allocation Rule - Order No. 745/March 2011
  - When demand response (DR) resources are capable of balancing supply and demand in the organized energy markets, and when it is cost-effective to pay DR the market price (locational marginal price), those resources should be paid that price for the service provided.
  - Organized markets must meet specific requirements for the establishment of the net benefits test to determine when demand response resources are cost-effective.
- Demand Response Action Plan/June 2010
  - Energy Independence and Security Act (EISA) requirement to solicit input and participation from stakeholders, identify requirements for technical assistance to states and a national communications program, identify analytical tools and other support material.
  - Implementation now under development with DOE

**3. Variable Energy Resources Proposed Rule/November 2010**

- Proposes a limited set of reforms that
  - Provide generators with the option of using 15-minute transmission scheduling intervals so they may adjust their schedules to more accurately reflect power production forecasts



- Require variable energy resources to submit meteorological and operational data to the transmission providers so the providers can implement power production forecasting tools that will reduce the amount of regulation reserves needed to maintain reliability
- Allows transmission providers to require variable energy resources to pay their fair share for regulation services to maintain system reliability

#### 4. Frequency Response Study/January 2011

- The Lawrence Berkeley National Laboratory developed an objective tool that will help manage the planning and operations of the nation's bulk power system with respect to the changing mix of generation resources
  - Frequency response measures how the system performs in responding to a sudden loss of load, a change in resource mix, and a change in location of the resource mix.
  - This tool can be used to examine changes in the amounts of renewable energy, new nuclear plants and coal plants

#### 5. Energy Storage

- Proposed rule on Frequency Regulation Compensation in Organized Wholesale Power Markets/February 2011
  - This is compensation for performance to account for faster ramping up and down
- Request for Comments on rates, accounting and financial reporting for new electric storage technologies
- FERC is further exploring ways to remove regulatory barriers to the adoption of storage technology in wholesale markets

#### 6. Smart Grid

- Working with National Institute of Standards and Technology (NIST) and stakeholders to institute a rulemaking proceeding to adopt standards and protocols to ensure smart grid functionality and interoperability in interstate transmission of electric power and regional and wholesale electricity markets

#### 7. Distributed Generation

- Feed-in tariffs
- Facilitating development of small hydro
  - Expediting review of small hydro applications, developing MOUs with state agencies to expedite the approval process and adding new web-based resources to make it easier for applicants to understand and complete the licensing process