



November 18, 2010

Commissioner John R. Norris

STATEMENT

Statement of Commissioner John R. Norris on Integration of Variable Energy Resources NOPR

"It is clear to me that we still face challenges with respect to the reliable integration of variable energy resources such as wind and solar into our electric transmission system. The complexity of this challenge will require us to continually evaluate how best to manage the grid.

Today's notice of proposed rulemaking (NOPR) presents a package of foundational reforms to the *pro forma* OATT that addresses a set of barriers to the integration of variable energy resources that were identified in response to our Notice of Inquiry. My hope is that these reforms will open the door to further development of renewable resources.

It is important to emphasize that the NOPR represents a package: a group of reforms that are complementary and work together. This package would implement intra-hour scheduling, power production forecasting, and a new OATT schedule to address reserves costs that may be incurred as the level of variable generation increases.

This last aspect of the NOPR may very well get the most attention. Our intent with this proposal is to give transmission providers a mechanism to fairly assess the costs of reserves they hold to manage variable energy resources. Transmission operators must hold these reserves in order to maintain system balance between load and generation.

Currently, the costs for holding reserves are generally allocated to load. I believe this is a cost that should not be fully borne by load. Both load and generation are variable and each should bear their fair share of the costs for the reserves. But before we proceed with assessing any costs of reserves to variable energy resources, it is our duty to make sure these costs are efficient and no higher than they need to be. It is, in other words, our duty to ensure just and reasonable rates.

The NOPR therefore proposes that, before costs can be assessed to variable energy resources, the transmission provider will first have to implement the intra-hour scheduling and power production forecasting requirements we propose. These two reforms will enable the transmission provider to more accurately schedule and commit resources, and ultimately reduce the amount of reserves that they must hold to maintain balance, thus helping to ensure just and reasonable rates. Moreover, transmission providers that want to collect the costs of reserves from variable energy resources will bear the full burden under Federal Power Act section 205 to prove that their specific proposed charge is just and reasonable.

Some may perceive the proposal to assess reserve costs to variable resources as a new barrier. I respectfully disagree. In the long run I believe that if the costs of integrating variable resources are fairly allocated, we can get on with the business of fully developing our nation's potential for renewable resources. I view today's proposed rulemaking as the next step to help us get there."