Federal Energy Regulatory Commission
December 15, 2016
Open Commission Meeting
Staff Presentation
Item E-2

"Good morning Mr. Chairman and Commissioners.

"Item E-2 is a draft Notice of Proposed Rulemaking, or NOPR, in Docket Number RM17-3-000. This item proposes certain requirements for regional transmission organization and independent system operator (or RTO and ISO) markets to incorporate the offers of fast-start resources into the prices for energy and ancillary services, commonly referred to as fast-start pricing. This draft NOPR is the third in the Commission's ongoing price formation initiative.

"Without some form of fast-start pricing, most fast-start resources are not eligible to set prices even when they are the marginal resource. Further, even when fast-start resources can set prices, they may not be able to recover their commitment costs, such as start-up and no-load costs, through prices. As a result, prices may not reflect the marginal cost of serving load. To address these issues, the proposed requirements address when a fast-start resource sets prices and how its commitment costs are incorporated into prices.

"Several RTOs and ISOs have already developed pricing that is generally designed to address these issues and this class of resources. Building on that experience, the proposed requirements should lead to prices that more transparently reflect the marginal cost of serving load. In turn, such prices would reduce uplift costs and thereby improve price signals to support efficient investments.

"The draft NOPR proposes the following five requirements for fast-start pricing.

"First, the draft NOPR proposes to standardize the definition of fast-start resources to which the reforms would apply. Specifically, the RTOs/ISOs would apply fast-start pricing to any resource committed by the RTO/ISO that is able to start up within ten minutes or less, has a minimum run time of one hour or less, and that submits economic energy offers to the market. Further, any resource, regardless of technology type, that meets the above definition would qualify as a fast-start resource.

"Second, the draft NOPR proposes to require that, when an RTO/ISO makes a decision to commit a fast-start resource, it must incorporate the fast-start resource's commitment costs – that is, start-up and no-load costs –in energy and operating reserve prices. The draft NOPR proposes a specific manner by which these commitment costs are incorporated into prices. Notably, the proposal would limit the incorporation of these commitment costs to the fast-start resource's minimum run time.

"Third, the draft NOPR proposes that the RTOs/ISOs relax the economic minimum operating limit of fast-start resources and treat them as dispatchable from zero to the economic maximum operating limit, solely for the purpose of calculating prices. This requirement addresses the operating limit inflexibility that often prevents fast-start resources from setting prices.

"The fourth proposed requirement addresses offline fast-start resources in the RTOs/ISOs that allow such resources to set prices. The draft NOPR would allow offline fast-start resources to set prices under certain system conditions, but only when such resources are both economic and feasible.

“Lastly, the draft NOPR proposes that each RTO/ISO incorporate fast-start pricing in both the day-ahead and real-time markets. The draft NOPR preliminarily finds that, among other benefits, doing so supports price convergence between the day-ahead and real-time markets.

“Comments on the draft NOPR will be due 60 days after it is published in the Federal Register.

“Thank you. I would also like to thank the team. This concludes our presentation. We are happy to answer any questions you may have.”