

**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

Fast-Start Pricing in Markets Operated by) Docket No. RM17-3-000
Regional Transmission Organizations and)
Independent System Operators)

COMMENTS OF THE ISO/RTO COUNCIL

The ISO/RTO Council (IRC)¹ submits the following comments in response to the Federal Energy Regulatory Commission’s (Commission) Notice of Proposed Rulemaking (NOPR) issued in this docket on December 15, 2016. The NOPR proposes to revise the Commission’s regulations to require that each Regional Transmission Organization (RTO) and Independent System Operator (ISO) incorporate market rules that meet certain requirements with respect to “fast-start” resources. IRC members plan to submit separate comments in addition to these IRC comments. The IRC limits these comments to express a general concern about the need for regional flexibility in the definition and pricing of fast-start resources to account for the specific circumstances and rules of each individual ISO and RTO market.

I. COMMENTS

In the NOPR, the Commission proposes that all ISOs and RTOs amend their market rules to adopt five requirements regarding the definition and pricing of fast-start resources.² The IRC supports the Commission’s goal of ensuring that the markets compensate all resources, including

¹ The IRC is comprised of the Alberta Electric System Operator (AESO), California Independent System Operator Corporation (CAISO), Electric Reliability Council of Texas (ERCOT), the Independent Electricity System Operator of Ontario, Inc. (IESO), ISO New England, Inc. (ISO-NE), Midcontinent Independent System Operator, Inc. (MISO), New York Independent System Operator, Inc. (NYISO), PJM Interconnection, L.L.C. (PJM), and Southwest Power Pool, Inc. (SPP). The AESO, ERCOT, and IESO are not subject to the Commission’s jurisdiction in this regard and are not joining in these Comments.

² The NOPR proposes to define “fast-start” resources as those that are capable of starting up within ten minutes or less, have a minimum run time of one hour or less, and submit economic energy offers to the market.

resources with fast-start capabilities, based on transparent price signals that reflect the value that resources provide to the market in order to incentivize efficient investment decisions and avoid unnecessary uplift payments.

However, the IRC recommends that the Commission allow flexibility for each ISO and RTO to develop fast-start resource pricing methodology that is suitable to their regional needs, including the ability to demonstrate that their current price signals are just and reasonable without modification. Some ISOs and RTOs are concerned that the NOPR, as currently structured, is likely to achieve the contrary result in certain ISO and RTO markets because of its prescriptive “one size fits all” approach to defining and pricing fast-start resources. Each ISO and RTO market faces its own unique set of circumstances, based on factors such as resource mix, market rules, market software, state policy objectives, and grid topology.

The Commission must carefully consider and account for these issues, particularly when it comes to determining how best to define and price resources with special physical attributes and limitations. With respect to resources that can start-up relatively quickly but have a minimum run time before they can be ramped down, the value of such resources can and does vary significantly among ISO and RTO markets. Likewise, the challenges associated with integrating these resources without undermining efficient and reliable operations also varies among the ISO and RTO markets.

Although the Commission has suggested that some fast-start practices may produce unjust and unreasonable outcomes, the NOPR does not clearly explain how or why specific practices are unjust and unreasonable in the context of the various individual ISO and RTO markets. As a result, the IRC is concerned that the rules for defining and pricing fast-start resources proposed in the NOPR do not sufficiently take into account and make allowance for

regional variation amongst ISOs and RTOs. The IRC members discuss in detail the potential impacts the NOPR may have on individual markets in the separate comments they file in this rulemaking proceeding.

Again, the IRC fully supports the Commission's goal of ensuring that market prices appropriately reflect the value that specific types of resources provide to the individual ISO and RTO markets. Therefore, the IRC encourages the Commission to make clear in any final rule that individual ISOs and RTOs will have flexibility to propose and justify alternative definitions and pricing rules that more appropriately reflect their individual situations.

II. CONCLUSION

The IRC respectfully requests that the Commission consider these comments in this proceeding.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I certify that I have served the foregoing document upon the parties listed on the official service list in the captioned proceedings, in accordance with the requirements of Rule 2010 of the Commission's Rules of Practice and Procedure (18 C.F.R. § 385.2010).

Dated at Folsom, California this 28th day of February, 2017.

/s/ Grace Clark
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