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Standardization Issues in Wholesale Electricity

Framework for Discussion
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Background, Ancient History

- FERC OASIS Phase II ANOPR
- Formation of Electronic Scheduling Collaborative
- Northeast ISO-MOU catalogues seams issues
- NERC develops Organization Standards Manual
- RTO filings perceived by some as “short on specifics”

Context

- GISB
  - Retail UBP effort approaches GISB
  - GISB Strawman “stirs the pot”
  - Board approves expanded charter
- ESC
  - Goal: Industry consensus on reservation and scheduling under OASIS Phase II
  - October 5 report to FERC
  - Draft business practices nearing “prime time”

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Context (2)

- FERC
  - Chairman Wood, Commissioner Massey, Commissioner Brownell endorse GISB expansion
  - Commissioners' active questioning at RTO Week
  - Continuing debate over RTO functions
- NERC
  - Organization Standards Manual developed, approved
  - October 16 Board resolutions approve "one stop shop"
  - Wholesale Electric Standards Model (WESM) announced in November

Next Steps / Timetable

- FERC RM01-12, announces generic initiative on market design, tariff reform “very soon”
  - What should be standardized?
  - How should standards be developed?
- NERC WESM proposal open for comment, for Board approval February 19
- ESC meets January 16-17

Why standards?

- Support broad public policy goal to provide market discipline to capture efficiency gains in wholesale electricity
- Encourage efficient investment and use decisions with stable market design structures
- Provide price discovery/transparency
- Reduce barriers to entry
- Reduce transactions costs

"What" are Wholesale Electric Standards?

- ESC report identifies 31
  - Transmission procurement (8)
  - Scheduling (18)
  - One-stop shop (2)
  - Loss accounting (1)
  - Miscellaneous (2)
- NERC Standards Transition identifies initial themes
  - Line/equipment ratings
  - Planning/assessments
  - Emergency planning/operations/restoration
  - Load/resource balancing

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ESC: Eight Business Practices Require FERC Policy Calls

- Congestion management
- Nature of transmission service
- Loop flows
- Grandfathering
- Energy imbalance markets
- Ancillary services
- Energy losses
- Nonjurisdictional entities

“What” Issues at Dallas

- Unanimous agreement with ESC list of 31 business practices
- Acknowledgement at Dallas that list is starting point; flexible
- No discussion of reliability, physical, performance standards

“How” Issues at Dallas

- One-stop shop for commercial, reliability
- Sectors, governance, voting, funding
- Connection/coordination with FERC, RTOs
- Standards enforcement
- NERC role, functions
- Legacy/transition issues
- Familiarity/comfort with GISB, unknown quantity
- Need for broad industry consensus, support

One-stop shop

- 1. Can reliability and business practice standards be developed separately without harming either the grid or the market?
- 2. What standards apply to basic reliability, to market interface, and basic commercial?
- 2. Can/should market design, structure, and product mixes “cover” essential reliability objectives?
- 3. Can/should retail and wholesale standards be considered separately?
- 4. Can/should standards be developed by regional reliability councils, RTOs, or states?
- 5. Do all of the four quadrants of the proposed GISB model need to be filled?

Sectors, governance, voting, funding

- 1. Does “balance” require the use of “sectors”?
- 2. If so, how should the sectors be defined, monitored and enforced?
- 3. What procedures are essential for a fair voting process?
- 4. How should votes be taken?
- 5. Do all sectors have equal “votes”?
- 6. Should “super-majorities” be required?
- 7. What are the pros and cons of “independent” and “sector” Boards?
- 8. How does utilizing one or the other affect the standard setting process?

Coordination with FERC, RTOs

- 1. Are there market design elements that must be determined before standards are developed?
- 2. Should standards be filed with and reviewed by FERC?
- 3. Should standards be placed into tariffs to provide a basis for enforcement?
- 4. What is the nature of the relationship between a standards-setting organization and FERC?
- 5. Can/should regional standards be accommodated?
- 6. If so, what criteria might be considered?

Standards enforcement

1. What entity enforces standards?

   FERC?

   RTO?

   NERC; the standards-setting entity?
   - National?
   - Regional?

   States?

NERC Role, Functions

- **1. What are the pros and cons of a professional staff relative to an all "volunteer" standards development process?**

- **2. Can/should existing NERC functions be considered in designing a standards-setting process?**
  - Planning assessments
  - Emergency response
  - Line/equipment ratings
  - Information forum with non-jurisdictional entities

Legacy / transition issues

- 1. Who pays how much for existing hardware/software and rules/regulations that standardized practices could supercede?
- 2. Can/should a transition process be defined as a bridge from “present” to “future” state?

Need for broad industry consensus

- 1. How best can industry groups develop a standards-setting process?
- 2. How important is ANSI certification?
- 3. Do the standards themselves need to be ANSI-certified or is certification of the standards development process alone sufficient?
- 4. If “reformulated” NERC populates GISB electric wholesale, does GISB risk decertification?