

UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

Third-Party Provision of Primary
Frequency Response Service

Docket No. RM15-2-000

**COMMENTS OF THE
ELECTRICITY CONSUMERS RESOURCE COUNCIL (ELCON)**

ELCON appreciates the opportunity to comment on the Commission's February 19, 2015 *Notice of Proposed Rulemaking* (NOPR) proposing to revise the regulations governing market-based rates for public utilities pursuant to the Federal Power Act to permit the sale of primary frequency response service at market-based rates by sellers with market-based rate authority for energy and capacity.

ELCON is the national association representing large industrial consumers of electricity. ELCON member companies produce a wide range of products from virtually every segment of the manufacturing community. ELCON members operate hundreds of major facilities and are consumers of electricity in the footprints of all organized markets and other regions throughout the United States. Reliable electricity supply is essential to our members' operations.

ELCON supports the NOPR. The NOPR is an appropriate Commission market-based response to the approval of NERC's Reliability Standard BAL-003-1 to require Balancing Authorities to maintain a minimum frequency response obligation. This development may stimulate a demand for purchase of primary frequency response service from third parties where doing so would be economically beneficial.

The NOPR also is the logical outgrowth of a long line of FERC initiatives relating to ancillary services. These include Order No. 888, which recognized that certain ancillary services could be more cost-effectively supplied by third parties (and sold at

market-based rates if determined that the seller lacks market power), the 1999 adoption of the *Avista* policy, which allowed sales (with restrictions) of certain ancillary services at market-based rates even where the seller could not a study of the lack of market power in the provision of the particular ancillary service product, and Order No. 784, which found that sales of certain ancillary products at market based rates could be supported by existing market power screens for energy and capacity. However, the Commission found at that time that further information about the nature of the markets for frequency response was needed before extending Order No. 784's approach to that ancillary service.

ELCON agrees with FERC that current circumstances now support market-based rate sales of primary frequency response service. There are numerous sources of supply, as most generators can provide primary frequency response service and there is locational flexibility as the primary frequency response obligations are imposed on interconnection-wide bases. On the other side of the equation, NERC's new Reliability Standard will promote demand.

As FERC recognizes, the key threshold issue is the nature of the horizontal market power issues relevant to a primary frequency response service product. That analysis needs to account for the nature of the resource at issue, the respective geographic markets, and any potential barriers impacting transmission. Analysis of these factors supports market-based rate sales of primary frequency response service.

First, ELCON agrees with FERC that passing the existing market-based rate screens for energy and capacity provides sufficient support for a rebuttable presumption that a seller would lack horizontal market power for primary frequency response service. As a technical matter, FERC observes that "essentially all synchronous resources and some non-synchronous resources have governors or equivalent control equipment capable of autonomous and automatic responses such as those necessary for primary frequency response." Therefore, there is a close relationship between the generation resources reflected in the market power screens and the resources technically capable of supplying primary frequency response service.

Second, as primary frequency response service can be effectively supplied throughout an interconnection, the geographic market is certainly no smaller than that for generation as reflected in the existing market power screens.

Finally, as individual frequency responses are not sustained for long enough time periods to require transmission service or schedule changes, as they are temporary and are quickly replaced by dispatch of and response by regulation service. Thus there are no barriers that would limit the ability of particular sellers to supply primary frequency response service.

To avoid unnecessary procedure or delay, ELCON also believes that the new authority should automatically take effect for sellers with existing market based rate authority as of the effective date of the Final Rule, to be followed by a tariff amendment in conjunction with the seller's next market based rate filing.

In sum, for the reasons stated in these comments, ELCON supports the NOPR and believes that it will further promote reliable service on a cost effective basis.

NOTICES AND COMMUNICATIONS

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Respectfully submitted,

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Dated: April 27, 2015

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon each person designated on the official service list compiled by the Secretary of this proceeding.

Dated at Washington, D.C.: April 27, 2015

/s/ W. RICHARD BIDSTRUP
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