

DER Aggregation in Organized Wholesale Markets: FERC Order 2222 – September 17, 2020

Key Highlights

- In Order 2222, FERC asserts jurisdiction over DER aggregation transactions within RTO/ISO wholesale markets, including resources in front of and behind the distribution customer meter.
- A small utility opt-in feature allows almost all distribution cooperatives to maintain local control over the decision to allow aggregator access to their consumer-members.
- NRECA is seeking to defend this opt-in feature at FERC, which is crucial for electric cooperative operations.
- Cooperatives are encouraged to be involved in RTO stakeholder discussions and stay up to date on the many market and technical requirements for implementation as they evolve.

What has changed?

FERC Order 2222 extends jurisdiction over distributed energy resources (DER) aggregation transactions within regional transmission organization (RTO) / independent system operator (ISO) wholesale markets, removes barriers to the participation of DER Aggregations in RTO/ISO markets, and requires RTOs/ISOs to make changes to their tariffs and market rules accordingly. FERC also provides an “*opt-in feature*” for DER aggregations on small utilities, which includes any utility (such as an electric distribution cooperative) that distributed 4 million megawatt-hours or less in the previous fiscal year.

What are the basic elements of the Order?

The basic elements of the FERC Order 2222 include:

- DER may include “resources that are in front of and behind the customer meter, such as electric storage resources, intermittent generation, distributed generation, demand response, energy efficiency, thermal storage, and even electric vehicles and their supply equipment.”
- RTOs/ISOs must allow aggregations “as geographically broad as technically feasible” and may allow them to span multiple pricing nodes, pending the development of detailed implementations plans within its region.
- RTO/ISO minimum size requirement for a DER aggregation can be no greater than 100 kW.
- RTO/ISO compliance filings are due to FERC on or before July 19, 2021.

- RTOs/ISOs can develop and submit their own implementation schedule as determined in discussion between the RTOs, states and utilities.
- FERC preserves state and local authority over retail services and matters related to the distribution system, including design, operations, power quality, reliability and system costs.
- FERC preserved the opt-out and opt-in for demand response from Order 719.
- FERC also reiterates that “nothing in this final rule preempts the right of states and local authorities to regulate the safety and reliability of the distribution system and that all distributed energy resources must comply with any and all applicable interconnection and operating requirements,” such as with the application of IEEE 1547-2018, or its later revisions.
- Under FERC precedent, distribution utilities may, if appropriate, assess wholesale distribution charges on DER aggregators participating in wholesale markets on a case-by-case basis.
- FERC does not change existing DER interconnection policies.

Technical Details Still To Be Addressed

There are many technical details to work out between RTOs, utilities and DER aggregators, including:

- Determination of power system distribution factors and bidding parameters for DER aggregations;
- Information and data requirements (i.e., the what, where, when, how much, and so on);
- Metering and telemetry hardware and software requirements; and
- Coordination process and agreements between the RTO/ISO, the DER aggregator, and the distribution utility including operational coordination, data flows and timing, and so on.

What is the impact on electric cooperatives and what do co-ops need to know/do about it?

- The small utility opt-in feature preserves the local decision-making authority for electric co-op Boards, and currently covers all but the four largest distribution cooperatives that are served by a RTO market.
- This opt-in feature is also being challenged at FERC and could go to the courts and is, therefore, subject to future change or potential removal. NRECA is filing jointly with the American Public Power Association (APPA) to try and preserve this opt-in feature, which is crucial for electric cooperative operations. It is important for cooperatives to be proactive with their members to help strengthen their role as the preferred local energy and electric services provider.
- This Order has no impact on any current market transactions between the RTO/ISO and the electric cooperatives, such as with the use of demand response (DR) in reserve or capacity markets, and so on, unless the cooperative chooses to reconfigure those resources in future market transactions with the RTO.
- The timeline for development of the RTO market rules and the subsequent implementation plans with the utilities and aggregators is long, but the market and technical issues are also very complex. Cooperatives should consider participation in all the relevant RTO stakeholder discussions on these issues and follow the market developments and potential future technical implementation requirements as they evolve.

- NRECA is still in internal discussions over the next steps to take on these issues and will likely provide further updates on these issues as those become available through our regular communication channels with the Members.

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