

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

Third-Party Provision of Ancillary Services;)	
Accounting and Financial Reporting for)	Docket Nos. RM11-24-000
New Electric Storage Technologies)	AD10-13-000

COMMENTS OF THE BUSINESS COUNCIL FOR SUSTAINABLE ENERGY

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Date: August 22, 2011

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The Business Council for Sustainable Energy (“BCSE” or “Coalition”) respectfully submits the following comments in response to the Federal Energy Regulatory Commission’s (“Commission” or “FERC”) June 16, 2011 Notice of Inquiry regarding Third-Party Provision of Ancillary Services and Accounting and Financial Reporting for New Electronic Storage Technologies (“NOI”).

I. INTRODUCTION AND SUMMARY

BCSE is a coalition of companies and trade associations from the energy efficiency, natural gas and renewable energy sectors, and also includes independent electric power producers, investor-owned utilities, public power, commercial end-users and environmental market service companies. BCSE was founded in 1992, and advocates for policies at state, national and international levels that increase the use of commercially-available clean energy technologies, products and services. The coalition’s diverse business membership is united around the revitalization of our economy and creation of a secure and sustainable energy future for America.¹ However, because BCSE is a diverse coalition, not all members endorse or take positions on the issues included in these comments. The comments contained in this filing

¹ More information about BCSE is available at: www.bcse.org

represent the position of BCSE as an organization, but not necessarily the view of any particular member with respect to any specific issue.

The NOI requests comments on how FERC can encourage development of ancillary services markets for all potential providers of ancillary services. BCSE's comments focus on this aspect of the NOI. As discussed below, BCSE supports FERC's efforts to develop robust, competitive ancillary services markets. Consistent with Federal Power Act requirements, BCSE requests FERC to prevent undue discrimination among generators and ensure just and reasonable rates for consumers by mandating open, non-discriminatory access to ancillary services markets. BCSE also supports the development of ancillary services markets outside of regional transmission organization ("RTO") regions. These and other comments are detailed below.

BCSE also requests that service in this proceeding be made upon, and communications directed to:

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II. DISCUSSION

1. **BCSE Supports Robust Ancillary Services Markets, with Open Access to all Entities that Wish to Participate in these Markets.**

Robust ancillary services markets will yield many benefits, including grid reliability, integration of renewable energy resources, and cost savings for ratepayers. Ancillary services

markets can also encourage technological innovation when there is a clear price signal to provide more flexible resources. BCSE therefore supports the creation of robust, competitive ancillary services markets.

The encouragement of ancillary services markets should be predicated on open access to all entities that wish to participate in the markets, regardless of size or resource type. Natural gas generators, demand side resources, distributed resources, energy storage, and renewable resources are all capable of providing ancillary services and should all have access to the ancillary services markets. Currently, in many parts of the country, natural gas generators and other flexible resources sit available to provide balancing services (ramping up and down in response to system excess/shortage of power), but without access to markets enabling them to compete to do so. As more variable resources are integrated, system balancing demands rise. Flexible generation resources such as natural gas-fired generators, distributed resources, pumped storage hydro generators and others should be given opportunities to sell their balancing services to Transmission Providers and should be paid a just and reasonable rate for these services.

Moreover, in addition to being purchasers of ancillary services for integration, renewable resources can also participate in ancillary services markets as sellers. Wind generators, for example, are capable of providing downward response and, once curtailed, can also provide fast upward response. These services can help meet reliability needs and should be recognized as ancillary services. In sum, a primary focus of this NOI should be to focus on how FERC can remove market barriers that preclude open access to ancillary services markets. BCSE believes that suppliers of ancillary services should be paid according to the value of the ancillary services they provide.

The NOI specifically asks whether stakeholders believe the *Avista* restriction should be modified or eliminated. BCSE believes that any effort to change or remove the *Avista* restriction must address concerns about market power.

2. FERC Should Encourage Development of Ancillary Services Markets Outside of RTO Regions.

RTO and ISO markets are the best setting for encouraging competition among ancillary service providers. Currently, there are few, if any, real markets for ancillary services outside of the RTO and ISO markets. This is problematic because many non-RTO/ISO regions are experiencing aggressive renewable energy penetration. Moreover, there are significant resources located outside of the RTO/ISO markets that are capable of providing ancillary services. Allowing them to compete will encourage greater reliability as more renewable energy comes online in the non-RTO regions. BCSE therefore requests that FERC encourage ancillary markets in the non-RTO regions. BCSE also believes that RTO and ISO ancillary services markets should continue to evolve in response to market needs.

3. To Encourage Robust Ancillary Services Markets, BCSE Supports a Market-Based Approach for Acquiring Ancillary Services where All Resources Are Treated Equally.

BCSE believes that a competitive market approach for acquiring ancillary services is the most cost-effective and fair way to address grid reliability. Such an approach will not only result in the lowest costs for ratepayers, but will also drive innovation for meeting reliability needs. If there is a clear price signal for ancillary services, innovation will come from all resources and they will find ways to operate more flexibly. In other words, the presence of a price signal will encourage the greatest supply of ancillary services at the least cost to ratepayers.

To best encourage innovation, suppliers of ancillary services should be paid according to the value of the ancillary services they provide. Some RTO and ISO tariffs do not sufficiently reward flexibility, and thus, clear direction from FERC is needed to provide price signals for ancillary services.

The quantity and type of ancillary services required should be driven by the electric power system (grid) needs, and definitions and rules for ancillary services products should also be determined by what is needed to maintain overall grid reliability. Similarly, the quantity of reserves required should be based on the need to maintain a reliable electric power system, which may change as the power system evolves.

Notwithstanding the comments above, BCSE believes that if a competitive market is not possible, sufficient safeguards should be in place to ensure that ancillary services costs remain just and reasonable and that any potential for the abuse of market power is prevented.

4. No Preferences Should Be Given For Specific Technologies in the Design of Ancillary Services Markets.

BCSE encourages FERC to ensure that all resources are treated comparably to the extent they are able to provide equivalent ancillary services. Equal treatment is necessary to ensure the greatest amount of competition in the ancillary services market. BCSE is concerned that if FERC provides special treatment to certain resources, ancillary services markets will not be able to develop and flourish as envisioned by FERC.

III. CONCLUSION

BCSE supports FERC's efforts to encourage robust, competitive ancillary services markets. These efforts will spur innovation, reduce costs and help integrate renewable energy resources.

In addition to ensuring open access, FERC should also ensure that generators are not unduly discriminated against. BCSE appreciates the opportunity to provide these comments and looks forward to participating in this NOI and subsequent rulemakings.

Date: August 22, 2011

Respectfully submitted,



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CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon each person designated on the official service list of RM11-24-000 and AD10-13-000 in these proceedings and in accordance with the requirements of Rule 2010 of the Commission's Rules of Practice and Procedure.

Dated at Sacramento, California, this 22nd day of August 2011.

A handwritten signature in blue ink, appearing to read "Eric Janssen", written over a horizontal line.

Eric Janssen