

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

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

**JOINT COMMENTS OF
WADE USA AND WARTSILA NORTH AMERICA**

I.

Pursuant to the Notice of Inquiry issued by the Federal Energy Regulatory Commission (“FERC or Commission”) in this proceeding on June 16, 2011 (“NOI”), WADE USA (“WADE”), and Wartsila North America (“Wartsila”) hereby submit the following comments on how FERC can facilitate robust competition for ancillary services from all resource types.ⁱ In support, the following is shown:

**II.
Identity of Commenters**

WADE USA, the U.S. affiliate of the World Alliance for Decentralized Energy, is a non-profit trade association representing the interests of companies and organizations seeking to advance clean and efficient distributed generation and decentralized power systems

and technologies. WADE's members include companies that offer ancillary services.

Wartsila is a member of WADE and a manufacturer of combustion engines for natural gas fired electricity generation and a leading supplier of flexible power plants for the decentralized power generation market. Wartsila offers solutions for baseload power generation, grid stability and peaking, industrial self-generation as well generation for the oil and gas industry. Wartsila provides natural gas fired power plants to investor owned utilities, public utilities and independent power producers throughout the United States. Among many other features, these plants have a unique combination of flexibility and efficiency. Their fast response capabilities include features such as quick start (five minutes to full load), high ramp rate performance (30% up/down per minute) and dispatch flexibility. These plants typically produce energy, capacity and all commercially available ancillary services at efficiencies exceeding existing power generation assets.

III. Background

In the NOI, this Commission raises concerns as to the requirement, first stated in *Avista*, 87 FERC P. 61,223 (1999), that prohibited market based sales of ancillary servicesⁱⁱ absent a market study evidencing lack of market power. It was noted in the NOI that providers of ancillary services may be frustrated by certain aspects of the Commission's market based rate policies, and the possible lack of information.

Comments have been sought by the Commission on *inter alia* the following subjects

relevant to its inquiry:

1. Whether the inability of a seller to perform a market power study results from the lack of publicly available information on issues such as frequency regulation, spinning and non spinning reserve capability;
2. Whether there should be a *de minimus* threshold below which market based rates for ancillary services should be authorized; and
3. Whether a seller should be allowed alternative mitigation opportunities to permit rate flexibility.ⁱⁱⁱ

IV.

A Robust Market for Ancillary Services is in the Public Interest

WADE and Wartsila commend the Commission for recognizing in this NOI, similarly to what it is proposing in Order No. 1000,^{iv} the need to insure the reliability and efficiency of transmission services, create a regulatory environment that will allow the construction of new energy infrastructure, and transmission systems with adequate flexibility to accommodate the addition of significant new intermittent renewable resources. These goals can be furthered by incenting third party providers, which offer ancillary services, without ignoring the Commission's responsibilities to protect consumers against abuses of market power. In light of the growing complexity of the transmission system, ancillary services are critical to preserve system integrity.

Development of thriving competitive markets for ancillary services will also serve to

allow service providers to be compensated for the relative value of service provided. For example, as a result of advancements in technology, power plants can be designed to start and synchronize to the grid in a little as 30 seconds and be at full load in less than 5 minutes. However, there is no recognition for the added value rendered by a provider selling a service that is qualitatively superior than 10 minutes (or more in certain markets). Similarly, new power plants can ramp up and down much faster than most current generation assets, effectively allowing integration of intermittent generation from renewables on a much larger scale. These plants can even provide the same responsiveness from standby mode as spinning reserve. As part of the transition to a more competitive system for ancillary services, the Commission should allow the market to work so that service that is qualitatively superior has the opportunity to be compensated at a relatively higher rate.

WADE and Wartsila believe, given the foregoing, that there should be the opportunity to provide ancillary services at market based rates without the unnecessary burden of undertaking a market power study. The markets for such services are sufficiently competitive and there are enough reasonable alternatives for service that a third party provider will not be able to exercise undue market power.

In response to the specific subjects of inquiry *supra*, WADE and Wartsila submit that if the Commission decides not to eliminate the requirement to perform a market study in all cases, then it should, at minimum, do so in cases where the ancillary services provider is

unaffiliated with the buyer, or the buyer's rates are subject to a commission's review, or there are other bidders in the market or if there is an immediate need or an emergency.

Second. it is recommended that a specific minimum level not be set to qualify for the study exemption. This is because if the *de minimus* cap is set too low it will reduce or eliminate competition, and result in higher rates. However, if after a reasonable period, this Commission determines that the cap is not promoting competition, it can seek to adjust it, subject an opportunity to comment.^v

Third, as to alternate mitigation opportunities, in circumstances not discussed above, no market study should be required if there are at least two unaffiliated (with the buyer or each other) bidders seeking to provide ancillary services, or if there only is one bidder, the bid is made public and no timely objection raised.

WHEREFORE for the reasons stated herein, if this Commission adopts a Rule to facilitate competition for ancillary services, the Comments submitted should be implemented.

Respectfully Submitted.

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ⁱ WADE and Wartsila are not commenting on the NOI's inquiry into storage technologies and services.

ⁱⁱ WADE and Wartsila understand "ancillary services" to mean services that ensure reliability and support transmission from generation sites to end-users. Examples of ancillary services include scheduling, system control, dispatch, spinning reserves, imbalances, and reactive power.

ⁱⁱⁱ WADE and Wartsila are not commenting on whether the outcome of this NOI will advance the goals of the pending Frequency Regulation NOPR.

^{iv} In Order No. 1000 (issued July 21, 2011) the Commission, in order to further the reliability and efficiency of the grid, is considering creating opportunities *inter alia* for regarding grid-scale renewable projects as well as smaller scale distributed generation and energy efficiency investments.

^v If a provider sells both ancillary and other services, only the "other services" would have a rebuttal presumption of market power.