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In addition to involvement in the EA scoping process, you may want to become an “intervenor” which is an official party to the Commission’s proceeding. Intervenor’s play a more formal role in the process and are able to file briefs, appear at hearings, and be heard by the courts if they choose to appeal the Commission’s final ruling. An intervenor formally participates in the proceeding by filing a request to intervene. Instructions for becoming an intervenor are in the User’s Guide under the “e-filing” link on the Commission’s Web site.

Additional Information

Additional information about the project is available from the Commission’s Office of External Affairs, at (866) 208–FERC, or on the FERC Web site at www.ferc.gov using the “eLibrary” link. Click on the eLibrary link, click on “General Search” and enter the docket number, excluding the last three digits in the Docket Number field (i.e., CP14–97). Be sure you have selected an appropriate date range. For assistance, please contact FERC Online Support at FercOnlineSupport@ferc.gov or toll free at (866) 208–3676, or for TTY, contact (202) 502–8659. The eLibrary link also provides access to the texts of formal documents issued by the Commission, such as orders, notices, and rulemakings.

In addition, the Commission now offers a free service called eSubscription which allows you to keep track of all formal issuances and submittals in specific dockets. This can reduce the amount of time you spend researching proceedings by automatically providing you with notification of these filings, document summaries, and direct links to the documents. Go to www.ferc.gov/docs-filing/esubscription.asp.

Finally, public meetings or site visits will be posted on the Commission’s calendar located at www.ferc.gov/EventCalendar/EventsList.aspx along with other related information.

Dated: June 17, 2014.

Kimberly D. Bose,
Secretary.

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DEPARTMENT OF ENERGY

Federal Energy Regulatory Commission

[Docket No. AD14–14–000]

Price Formation in Energy and Ancillary Services Markets Operated by Regional Transmission Organizations and Independent System Operators

Take notice that the Federal Energy Regulatory Commission (Commission) is initiating a proceeding in the above-captioned docket to evaluate issues regarding price formation in the energy and ancillary services markets operated by Regional Transmission Organizations (RTOs) and Independent System Operators (ISOs).

On September 25, 2013, the Commission held a technical conference to consider how current centralized capacity market rules and structures in the eastern RTO/ISO regions are supporting the procurement and retention of resources necessary to meet future reliability and operational needs.¹ At that conference and in subsequent comments, a number of parties suggested that the Commission should not assess capacity markets in isolation, noting that the energy and ancillary services markets constitute significant revenue streams for supply resources participating in the organized capacity markets. These commenters requested that the Commission also evaluate whether the energy and ancillary services markets are being operated in a way that produces accurate price signals. Similar concerns were raised at a technical conference held on April 1, 2014, regarding market performance during the 2013–2014 winter.² At that conference and in subsequent comments, market participants again expressed concerns regarding price formation across the energy and ancillary services markets of various RTOs/ISOs, with some offering

¹ Technical Conference on Centralized Capacity Markets in Regional Transmission Organizations and Independent System Operators, September 25, 2013, Docket No. AD13–7–000. The Commission received over 1,000 pages of post-technical conference comments and continues to evaluate what steps may be appropriate to take with respect to capacity markets in light of those comments.

² Technical Conference on Winter 2013–2014 Operations and Market Performance in Regional Transmission Organizations and Independent System Operators, April 1, 2014, Docket No. AD14–8–000. See Technical Conference on Winter 2013–2014 Operations and Market Performance in Regional Transmission Organizations and Independent System Operators, Transcript (April 1, 2014), Statements of Michael Kormos at 113–115, Peter Brandien at 116–119, Wes Yeomans at 121–122, Bruce Rew at 125, and Brad Bouillon at 125–126.

specific examples of price formation issues they experienced during extreme weather events this past winter.³

Ideally, the locational energy market prices in the energy and ancillary services markets would reflect the true marginal cost of production, taking into account all physical system constraints, and these prices would fully compensate all resources for the variable cost of providing service. The RTO/ISO would not need to commit any additional resources beyond those resources scheduled economically. Further, load would reduce consumption in response to price signals such that market prices would reflect the value of electricity consumption without the need to administratively curtail load.

In reality, RTO/ISO energy and ancillary services market outcomes are impacted by a number of technical and operational considerations.⁴ For example, technical limitations in the market software prevent RTOs/ISOs from fully modeling all of the system’s physical constraints, such as a voltage constraint. If physical constraints are not accurately reflected in the system model used to clear the market, the market software outcome may not clear the resources needed to resolve all such constraints. In such a case, system operators may have to manually dispatch a resource that is needed to resolve a constraint (and manually re-dispatch or de-commit other resources), with resulting energy and ancillary service prices not reflecting the marginal cost of production. In addition, market clearing prices do not typically reflect certain components of a resource’s actual operating costs (e.g., startup costs) or operating limits (e.g., minimum run times). As a result, RTOs/ISOs provide make-whole payments, or uplift payments, to resources whose commitment and dispatch by an RTO/ISO resulted in a shortfall between the resource’s offer and the revenue earned through market clearing prices. Further, demand is largely price insensitive, requiring RTOs/ISOs to set market price based on administrative rules during periods of scarcity. These limitations are to some extent inherent in the complexity of the electric system and the tools available today to maintain

³ See Comments of the Electric Power Supply Association, Winter 2013–2014 Operations and Market Performance in Regional Transmission Organizations and Independent System Operators, Docket No. AD14–8–000 (filed May 14, 2014).

⁴ Although the discussion herein focuses on RTO/ISO markets, similar technical and operational limitations impact the efficient commitment of resources by electric utilities operating in other market structures, such as vertically integrated utilities.

reliable operations, and we are unlikely to be able to fully address these issues for the foreseeable future.⁵

Notwithstanding the foregoing technical limitations and operational realities, the Commission believes there may be opportunities for RTOs/ISOs to improve the energy and ancillary service price formation process. To that end, the Commission directs staff to convene workshops as necessary to commence a discussion with industry on the existing market rules and operational practices related to the following topics:

- Use of uplift payments: Use of uplift payments can undermine the market's ability to send actionable price signals. Sustained patterns of specific resources receiving a large proportion of uplift payments over long periods of time raise additional concerns that those resources are providing a service that should be priced in the market or opened to competition.

- Offer price mitigation and offer price caps: All RTOs/ISOs have protocols that endeavor to identify resources with market power and ensure that such resources bid in a manner consistent with their marginal cost. As a backstop to offer price mitigation, RTOs/ISOs also employ offer price caps that are designed to be consistent with scarcity and shortage pricing rules. These protocols require that the RTO/ISO's measure of marginal cost be accurate and allow a resource to fully reflect its marginal cost in its bid. To the extent existing rules on marginal cost bidding do not provide for this, bids and resulting energy and ancillary service prices may be artificially low.

- Scarcity and shortage pricing: All RTOs/ISOs have tariff provisions governing operational actions (e.g., dispatching emergency demand response, voltage reductions, etc.) to manage operating reserves as they approach a reserve deficiency. These actions often are tied to administrative pricing rules designed to reflect degrees of scarcity in the energy and ancillary services markets. In addition, in the event of an operating reserve shortage, all RTOs/ISOs have adopted separate administrative pricing mechanisms designed to set prices that reflect the economic value of scarcity. To the extent that actions taken to avoid reserve deficiencies are not priced appropriately or not priced in a manner consistent with the prices set during a

reserve deficiency, the price signals sent when the system is tight will not incent appropriate short- and long-term actions by resources and loads.

- Operator actions that affect prices: RTO/ISO operators regularly commit resources that are not economic to address reliability issues or un-modeled system constraints. Some activity may be necessary to maintain system reliability and security. However, to the extent RTOs/ISOs regularly commit excess resources, such actions may artificially suppress energy and ancillary service prices or otherwise interfere with price formation.

The Commission directs its staff to engage in outreach and, as appropriate, convene workshops and technical conferences to explore improvements to market designs and operational practices in the areas identified above, as well as other topics raised in discussions with RTOs/ISOs and market participants. The Commission anticipates that the first workshop will explore the topic of uplift in detail, while also providing an opportunity to begin a discussion on the remaining topics identified above. Additional workshops will be announced in the coming months on other price formation topics. To the extent practicable, the Commission may release staff analysis of various topics to help guide the workshop discussions. Based on information gathered by staff, the Commission may take action regarding the foregoing or other issues in future orders.

For Further Information Please Contact Individuals Identified For Each Topic:

Use of Uplift

William Sauer, Office of Energy Policy and Innovation, Federal Energy Regulatory Commission, 888 First Street NE., Washington, DC 20426, (202) 502-6639, william.sauer@ferc.gov.

Offer Price Mitigation, Offer Price Caps and Operator Actions

Emma Nicholson, Office of Energy Policy and Innovation, Federal Energy Regulatory Commission, 888 First Street NE., Washington, DC 20426, (202) 502-8846, emma.nicholson@ferc.gov.

Scarcity/Shortage Pricing

Robert Hellrich-Dawson, Office of Energy Policy and Innovation, Federal Energy Regulatory Commission, 888 First Street NE., Washington, DC 20426, (202) 502-6360, bob.hellrich-dawson@ferc.gov.

Dated: June 19, 2014.

Kimberly D. Bose,
Secretary.

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DEPARTMENT OF ENERGY

Federal Energy Regulatory Commission

[Docket No. CP14-500-000]

Arlington Storage Company, LLC; Notice of Request Under Blanket Authorization

Take notice that on June 13, 2014, Arlington Storage Company, LLC (Arlington), 700 Louisiana Street, Suite 2060, Houston, Texas 77002, filed in the above Docket, a prior notice request pursuant to sections 157.205, and 157.211 of the Commission's regulations under the Natural Gas Act (NGA) for authorization to construct a new delivery point on a pipeline that is part of its Seneca Lake Storage Project in Schuyler County, New York, all as more fully set forth in the application. The application is on file with the Commission and open to public inspection. The filing may also be viewed on the web at <http://www.ferc.gov> using the "eLibrary" link. Enter the docket number excluding the last three digits in the docket number field to access the document. For assistance, please contact FERC Online Support at FERCOnlineSupport@ferc.gov or toll free at (866) 208-3676, or TTY, contact (202) 502-8659.

Any questions concerning this application may be directed to James F. Bowe, Jr., King & Spalding LLP, 1700 Pennsylvania Avenue NW., Suite 200, Washington, DC 20006, by telephone at (202) 626-9601, by facsimile at (202) 626-3737, or by email at jbowe@kslaw.com.

Pursuant to section 157.9 of the Commission's rules, 18 CFR 157.9, within 90 days of this Notice the Commission staff will either: Complete its environmental assessment (EA) and place it into the Commission's public record (eLibrary) for this proceeding; or issue a Notice of Schedule for Environmental Review. If a Notice of Schedule for Environmental Review is issued, it will indicate, among other milestones, the anticipated date for the Commission staff's issuance of the final environmental impact statement (FEIS) or EA for this proposal. The filing of the EA in the Commission's public record for this proceeding or the issuance of a Notice of Schedule for Environmental Review will serve to notify federal and

⁵ Other efforts, like staff's annual meeting with RTO/ISO operations staff and the annual market software conference, are intended to make progress on these longer term issues. See <http://www.ferc.gov/industries/electric/indus-act/market-planning.asp>.