



BILLING CODE 6717-01-P

DEPARTMENT OF ENERGY

Federal Energy Regulatory Commission

State Policies and Wholesale Markets

[Docket No. AD17-11-000]

Operated by ISO New England Inc., New York

Independent System Operator, Inc., and

PJM Interconnection, L.L.C.

### Notice Inviting Post-Technical Conference Comments

On May 1 and May 2, 2017, Federal Energy Regulatory Commission (Commission) staff convened a technical conference to discuss the interplay between state policy goals and the wholesale markets<sup>1</sup> operated by ISO New England Inc., New York Independent System Operator, Inc., and PJM Interconnection, L.L.C. (Eastern RTOs/ISOs).

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<sup>1</sup> Unless otherwise indicated, all references herein to wholesale markets refer to the capacity, energy, and ancillary services markets.

All interested persons are invited to file initial and reply post-technical conference comments on the topics discussed during the technical conference, including the questions listed in the Supplemental Notice issued in this proceeding on April 28, 2017.

In order to provide structure to the technical conference discussion, staff identified the following potential paths forward with respect to the interplay between state policy goals and the wholesale markets:

- **Path 1 – Limited or No Minimum Offer Price Rule:** an approach that would either not apply the minimum offer price rule to state-supported resources, or limit application of the minimum offer price rule to only state-supported resources where federal law preempts the state action providing that support.
- **Path 2 – Accommodation of State Actions:** an approach that would accommodate state policies that provide out-of-market support with the operation of the wholesale markets by allowing state-supported resources to participate in those markets and, when relevant, obtain capacity supply obligations, subject to adjustments necessary to maintain certain wholesale market prices consistent with the market results that would have been produced had those resources not been state-supported.
- **Path 3 – Status Quo:** an approach that would rely on existing tariff provisions applying the minimum offer price rule to some state-supported resources, and continuing case-by-case litigation over the specific line to be drawn between categories of state actions that may, or may not, result in a state-supported resource being subject to the minimum offer price rule.
- **Path 4 – Pricing State Policy Choices:** an approach in which state policies, to the extent possible, would value the attributes (e.g., resilience) or externalities (e.g., carbon emissions) that states are targeting in a manner that can be readily integrated into the wholesale markets in a resource-neutral way. For those state policies that cannot be readily valued and integrated into the wholesale markets, Path 4 would also require consideration of what, if anything, the Commission should do to address the market impacts of these state policies. For instance, other approaches for these state policies may include accommodation, application of the

minimum offer price rule, or an exemption from the minimum offer price rule.

- **Path 5 – Expanded Minimum Offer Price Rule:** an approach that would minimize the impact of state-supported resources on wholesale market prices by expanding the existing scope of the minimum offer price rule to apply to both new and existing capacity resources that participate in the capacity market and receive state support.

Commenters are invited to address these paths, to describe alternative potential paths forward in the wholesale markets, or to describe individual solutions. Commenters are encouraged to discuss the following with regard to any approach: (1) any centralized wholesale market changes (at a conceptual level) that would need to accompany implementation of a particular approach; (2) the feasibility of implementation; (3) the implications for market participants' ability to make long-term decisions; and (4) the near-term and long-term sustainability.

In addition, Commission staff is interested in comments on the following topics:

1. The principles and objectives that should guide the selection of a path forward, as well as the principles and objectives that should guide rule changes that would be required by their suggested approach.
2. The degree of urgency for reconciling wholesale markets and state policies and if that urgency necessitates both a near-term (e.g., next one to three years) approach and a different long-term approach. To the extent commenters advocate for different near-term and long-term solutions, please explain what type of transition is needed and why, and how the suggested near-term approach will facilitate achievement of the suggested long-term approach.
3. Long-term expectations regarding the relative roles of wholesale energy and capacity markets and state policies in the Eastern RTOs/ISOs in shaping the quantity and composition of resources needed to cost-effectively meet future reliability and operational needs.

4. What procedural steps the Commission should take, if any, to reconcile the competitive market framework with the increasing interest by states to support particular resources and resource attributes that might facilitate such reconciliation.

Commenters may reference material previously filed in this docket, including the technical conference transcript, but are encouraged to avoid repetition or replication of previous material. Initial and reply comments must be submitted on or before 30 days and 45 days, respectively, from the date of this notice. Initial comments should not exceed 15 pages and reply comments should not exceed 10 pages.

For further information please contact individuals identified for each topic:

*Technical Information*

Amr Ibrahim  
Office of Energy Policy and Innovation  
Federal Energy Regulatory Commission  
888 First Street, NE  
Washington, DC 20426  
(202) 502-6746  
amr.ibrahim@ferc.gov

*Legal Information*

Gretchen Kershaw  
Office of the General Counsel  
Federal Energy Regulatory Commission  
888 First Street, NE  
Washington, DC 20426  
(202) 502-8213  
gretchen.kershaw@ferc.gov

Dated: May 23, 2017.

Kimberly D. Bose,

Secretary.