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Order No. 2222/Draft Final Rule: Federal Energy Regulatory Commission Addresses Barriers to the Participation of Distributed Energy Resource Aggregation in RTO/ISO Markets

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The Federal Energy Regulatory Commission (“FERC”) issued a draft final rule (“Rule”) which it describes as:

... adopting reforms to remove barriers from the participation of distributed energy resource aggregations in the Regional Transmission Organization (“RTO”) and Independent System Operator (“ISO”) markets . . .

The FERC’s rationale for the Rule is its belief that existing RTO/ISO market rules are unjust and unreasonable “in light of barriers that they present to the participation of distributed energy resource aggregations in the RTO/ISO markets.”

The barriers are stated to reduce competition without ensuring just and reasonable rates.

Distributed energy resources are decentralized. They may be installed on-site and off-grid. Energy sources might include:

- Solar
- Wind
- Natural gas
- Diesel

They are sometimes utilized in combination with cogeneration units. Such small-scale power generation or storage technology often ranges from one kW to 10,000 kW.

The FERC determined that distributed energy resource aggregations are in many instances not large enough to meet minimum size requirements to participate in RTO/ISO markets on their own. As a result, they may be unable to meet qualification and performance requirements.

The FERC states that the Rule allows several sources of distributed electricity to aggregate. This would allow them to satisfy minimum size and performance requirements that they could not meet individually.

Regional grid operators will be required to revise their tariffs to establish distributed energy resources as a category of market participant. Each tariff will be required to set a size requirement for resource aggregations that do not exceed 100 kW.

The Rule also provides:

- The tariffs must also address technical considerations such as:
- Locational requirements
- Distribution factors and bidding parameters
- Information and data requirements
- Metering and telemetry requirements
- Coordination among the regional grid operator, the distributed energy resource aggregator, the distribution utility and the relevant retail regulatory authority

A link to the Rule can be downloaded [here](#).