

**FERC-516 (OMB Control No. 1902-0096),  
as modified in the NOPR (issued 9/17/2015) in Docket No. RM15-24-000  
RIN: 1902-AF12**

Supporting Statement for  
**FERC-516, Electric Rate Schedules and Tariff Filings,**  
as modified by the Proposed Rule in Docket No. RM15-24-000 (issued on 9/17/2015)

The Federal Energy Regulatory Commission (Commission or FERC) requests that the Office of Management and Budget (OMB) review FERC-516 (Electric Rate Schedule and Tariff Filings). Changes to the FERC-516 reporting requirements are proposed in the Notice of Proposed Rulemaking (NOPR), on “Settlement Intervals and Shortage Pricing in Organized Markets,” in Docket No. RM15-24-000.<sup>1</sup>

In this NOPR in RM15-24-000, FERC is proposing to revise its regulations to require that each regional transmission organization (RTO) and independent system operator (ISO) settle energy transactions in its real-time markets at the same time interval it dispatches energy and settle operating reserves transactions in its real-time markets at the same time interval it prices operating reserves. The Commission also proposes to revise its regulations to require that each RTO/ISO trigger shortage pricing for any dispatch interval during which any shortage of energy or operating reserves occurs. Adopting these reforms would align prices with resource dispatch instructions and operating needs, providing accurate incentives for resource performance.

**1. CIRCUMSTANCES THAT MAKE THE COLLECTION OF INFORMATION  
NECESSARY**

**FERC-516, in general.** Section 205 of the Federal Power Act (FPA)<sup>2</sup> requires the Commission to ensure that the rates and charges for the wholesale sale of electric energy are just and reasonable. Section 205 of the FPA also requires that the rules and regulations affecting or pertaining to the rates for the wholesale sale of electric energy be just and reasonable.

**NOPR in RM15-24-000.** In the NOPR, FERC is proposing to address two existing practices that may fail to compensate resources at prices that reflect the value of the service resources provide to the system, thereby distorting price signals. In certain instances, this creates a disincentive for resources to respond to dispatch signals. The Commission proposes to require that each regional transmission organization (RTO) and independent system operator (ISO) align settlement and dispatch intervals by settling energy transactions in its real-time markets at the same time interval it dispatches energy and settling operating reserves transactions in its real-time markets at the same time interval prices operating reserves. The Commission is also proposing to require that each RTO/ISO trigger shortage pricing for any dispatch interval during which a shortage of energy or operating reserves occurs.

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<sup>1</sup> The NOPR is posted in FERC’s eLibrary at <http://elibrary.ferc.gov/idmws/common/opennat.asp?fileID=13989182>. Commissioner LaFleur’s statement is available at <http://elibrary.ferc.gov/idmws/common/opennat.asp?fileID=13991253>; a News Release is posted at <http://elibrary.ferc.gov/idmws/common/opennat.asp?fileID=13989191>.

<sup>2</sup> 16 U.S.C. 824d(a).

## **2. HOW, BY WHOM, AND FOR WHAT PURPOSE THE INFORMATION IS TO BE USED AND THE CONSEQUENCES OF NOT COLLECTING THE INFORMATION**

The NOPR in RM15-24-000 proposes to address existing practices that may result in resources not being paid a price that reflects the value of a service provided to the system, thereby distorting price signals. The Commission proposes to require that each RTO/ISO align settlement and dispatch intervals by settling energy transactions in its real-time markets at the same time interval it dispatches energy and settling operating reserves transactions in its real-time markets at the same time interval prices operating reserves.

It has become apparent that there are instances in which certain current RTO/ISO practices may fail to reflect the value of providing a given service, thereby distorting price signals and failing to provide appropriate signals for resources to respond to the actual operating needs of the market. One such practice that the Commission has identified and proposes to reform occurs when RTOs/ISOs dispatch resources every five minutes but perform settlements based on an hourly integrated price. This misalignment between dispatch and settlement intervals may distort the price signals sent to resources and fail to reflect the actual value of resources responding to operating needs because compensation will be based on average output and average prices across an hour rather than output and prices during the periods of greatest need within a particular hour.

The Commission also preliminarily finds that a second problem occurs if there is a delay between the time when a system experiences a shortage of energy and operating reserves and the time when prices reflect the shortage condition. This can be particularly problematic when, for example, a shortage is required to last a minimum time period before shortage pricing is triggered. In this instance, short-term prices may fail to reflect potential reliability costs, as well as the value of both internal and external market resources responding to a dispatch signal.

To address the problems associated with differing dispatch intervals and settlement intervals, as well as with shortage pricing triggers, the Commission proposes to require that each RTO/ISO (1) settle energy transactions in its real-time markets at the same time interval it dispatches energy and settle operating reserves transactions in its real-time markets at the same time interval it prices operating reserves, and (2) trigger shortage pricing for any dispatch interval during which a shortage of energy or operating reserves occurs. The settlement interval and shortage pricing reforms proposed in the NOPR will help ensure that resources have price signals that provide incentives to conform their output to dispatch instructions, and that prices reflect operating needs at each dispatch interval.

## **3. DESCRIBE ANY CONSIDERATION OF THE USE OF IMPROVED INFORMATION TECHNOLOGY TO REDUCE THE BURDEN AND TECHNICAL OR LEGAL OBSTACLES TO REDUCING BURDEN**

FERC implemented its eTariff system (fully implemented in 2010) for the electronic filing of tariffs. (eTariff is described more fully at <http://www.ferc.gov/docs-filing/etariff.asp>.) The tariff compliance filing proposed in this NOPR will be eFiled.

**4. DESCRIBE EFFORTS TO IDENTIFY DUPLICATION AND SHOW SPECIFICALLY WHY ANY SIMILAR INFORMATION ALREADY AVAILABLE CANNOT BE USED OR MODIFIED FOR USE FOR THE PURPOSE(S) DESCRIBED IN INSTRUCTION NO. 2**

FERC rules and data requirements are periodically reviewed in conjunction with OMB clearance expiration dates. This includes a review of FERC's regulations and data requirements to identify duplication. The information to be submitted, generated, kept, or posted, pursuant to this NOPR is not readily available from other sources.

**5. METHODS USED TO MINIMIZE THE BURDEN IN COLLECTION OF INFORMATION INVOLVING SMALL ENTITIES**

The Small Business Administration's (SBA) Office of Size Standards develops the numerical definition of a small business.<sup>3</sup> The SBA revised its size standard for electric utilities (effective January 22, 2014) to a standard based on the number of employees, including affiliates (from a standard based on megawatt hours).<sup>4</sup>

The reforms proposed in this NOPR would apply to six RTOs/ISOs,<sup>5</sup> all of which are transmission organizations and are included in the NAICS code 221121 (for Electric Bulk Power Transmission and Control), which has a threshold for small businesses of 500 employees. The Commission understands that each RTO/ISO has more than 500 employees, so the RTOs and ISO are not small entities.

**6. CONSEQUENCE TO FEDERAL PROGRAM IF COLLECTION WERE CONDUCTED LESS FREQUENTLY**

FERC requires the FERC-516 information (most of which is unaffected by this NOPR) in order to perform its mandated oversight and review responsibilities with respect to electric market-based rates being just and reasonable. Without this FERC-516 information, the Commission would be unable to meet its statutory responsibility under section 205 of the FPA to ensure electric utility rates are just and reasonable. Failing to meet this responsibility could result in public utilities charging rates that are not just and reasonable.

**7. EXPLAIN ANY SPECIAL CIRCUMSTANCES RELATING TO THE INFORMATION COLLECTION**

FERC-516 is consistent with the guidelines in 5 CFR 1320.5(d).

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<sup>3</sup> 13 CFR 121.101 (2014).

<sup>4</sup> SBA Final Rule on "Small Business Size Standards: Utilities," 78 FR 77,343 (Dec. 23, 2013).

<sup>5</sup> The Commission does not expect other entities to incur compliance costs as a result of the reforms proposed in this NOPR in RM15-24-000, but is seeking detailed comments on whether other entities, such as load-serving entities, would incur costs as a result of the proposed reforms.

**FERC-516 (OMB Control No. 1902-0096),  
as modified in the NOPR (issued 9/17/2015) in Docket No. RM15-24-000  
RIN: 1902-AF12**

**8. DESCRIBE EFFORTS TO CONSULT OUTSIDE THE AGENCY: SUMMARIZE  
PUBLIC COMMENTS AND THE AGENCY'S RESPONSE**

The NOPR in RM15-24-000 is requesting public comment and being published in the Federal Register.

**9. EXPLAIN ANY PAYMENT OR GIFTS TO RESPONDENTS**

There are no payments or gifts to respondents associated with these collections.

**10. DESCRIBE ANY ASSURANCE OF CONFIDENTIALITY PROVIDED TO  
RESPONDENTS**

Data filed are public information and, therefore, not confidential. However, a company may request confidential treatment of some or all parts of the information requirement under the FERC regulations at 18 CFR 388.112. The Commission will review each request for confidential treatment on a case-by-case basis.

**11. PROVIDE ADDITIONAL JUSTIFICATION FOR ANY QUESTIONS OF A  
SENSITIVE NATURE, SUCH AS SEXUAL BEHAVIOR AND ATTITUDES,  
RELIGIOUS BELIEFS, AND OTHER MATTERS THAT ARE COMMONLY  
CONSIDERED PRIVATE.**

There are no questions of a sensitive nature in the reporting requirements.

**12. ESTIMATED BURDEN OF COLLECTION OF INFORMATION**

**FERC-516 (OMB Control No. 1902-0096),  
as modified in the NOPR (issued 9/17/2015) in Docket No. RM15-24-000  
RIN: 1902-AF12**

The estimated burden and cost<sup>6</sup> for the requirements proposed in this NOPR in RM15-24-000 follow.<sup>7</sup>

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<sup>6</sup> The estimated hourly cost (salary plus benefits) provided in this section are based on the salary figures for May 2014 posted by the Bureau of Labor Statistics for the Utilities sector (available at [http://www.bls.gov/oes/current/naics2\\_22.htm#13-0000](http://www.bls.gov/oes/current/naics2_22.htm#13-0000)) and scaled to reflect benefits using the relative importance of employer costs in employee compensation from March 2015 (available at <http://www.bls.gov/news.release/ecec.nr0.htm>). The hourly estimates for salary plus benefits are:

- Legal (code 23-0000), \$129.87
- Computer and mathematical (code 15-0000), \$58.25
- Information systems manager (code 11-3021), \$94.55
- IT security analyst (code 15-1122), \$63.55
- Auditing and accounting (code 13-2011), \$51.11
- Information and record clerk (code 43-4199), \$37.50
- Electrical Engineer (code 17-2071), \$66.45
- Economist (code 19-3011), \$73.04
- Computer and Information Systems Manager (code 11-3021), \$94.55
- Management (code 11-0000), \$78.04

The average hourly cost (salary plus benefits), weighting all of these skill sets evenly, is \$74.69. The Commission rounds it to \$75 per hour.

<sup>7</sup> The RTOs/ISOs (CAISO, ISO-NE, MISO, NYISO, PJM, and SPP) are required to comply with the reforms proposed in this NOPR. Three RTOs/ISOs (CAISO, NYISO, and SPP) currently align real-time settlement with their dispatch intervals and thus likely would be burdened less by that aspect of the reforms proposed in this NOPR.

**FERC-516 (OMB Control No. 1902-0096),  
as modified in the NOPR (issued 9/17/2015) in Docket No. RM15-24-000  
RIN: 1902-AF12**

<b>Data Collection FERC 516 (modifications proposed in NOPR in RM15-24-000)</b>	<b>Number of Respond ents</b>	<b>Annual Number of Responses per Respondent</b>	<b>Total Number of Responses</b>	<b>Average Burden Hours &amp; Cost per Response</b>	<b>Annual Burden Hours &amp; Total Annual Cost</b>
	<b>(1)</b>	<b>(2)</b>	<b>(1)×(2)=(3)</b>	<b>(4)</b>	<b>(3)×(4)=( 5)</b>
Tariff filings one-time in Year 1  For RTOs/ISOs that currently align real-time settlement with dispatch intervals	3 RTOs or ISOs	1	3	80 hrs; \$6,000	240 hrs; \$18,000
Tariff filings one-time in Year 1  For RTOs/ISOs that <i>do not</i> currently align real-time settlement with dispatch intervals	3 RTOs or ISOs	1	3	160 hrs; \$12,000	480hrs; \$36,000
Related Burden Hours for Implementation of changes each year in Years 1 & 2  For RTOs/ISOs that currently align real-time settlement with dispatch intervals	3 RTOs or ISOs	1	3	550 hrs; \$41,250	1,650hrs; \$123,750
Related Burden Hours for Implementation of changes each year in Years 1 & 2  For RTOs/ISOs that <i>do not</i> currently align real-time settlement with dispatch intervals	3 RTOs or ISOs	1	3	1,600 hrs; \$120,000	4,800 hrs; \$360,000

The total burden for Year 1 is 7,170 hours and for Year 2 is 6,450 hours (or an annual average of 6,810 hours each for Years 1 and 2).<sup>8</sup>

<sup>8</sup>For administrative purposes of this Paperwork Reduction Act (PRA) submittal to OMB through ROCIS, the burden hours and burden cost will be averaged over three years (despite the burden

**FERC-516 (OMB Control No. 1902-0096),  
as modified in the NOPR (issued 9/17/2015) in Docket No. RM15-24-000  
RIN: 1902-AF12**

Cost to Comply: The Commission has projected the total cost of compliance as follows:<sup>9</sup>

- Year 1: \$18,000 + \$36,000+\$123,750+360,000=\$537,750
- Year 2: \$123,750+360,000=\$483,750

After Year 2, the reforms proposed in this NOPR, once implemented, would not significantly change existing burdens on an ongoing basis.<sup>10</sup>

The Commission notes that these estimates include only the cost related to burden hours and do not include costs for software and hardware. Based on comment from industry, current estimates of overall costs for software and hardware could be as high as \$20,000,000 for market participants and RTOs/ISOs combined, per RTO/ISO for an RTO/ISO that does not yet comply with the settlement interval reform proposed in this NOPR.<sup>11</sup> As stated above and in the NOPR, the Commission requests comment on the estimated costs for any additional software and hardware needed to comply with the reforms proposed in this NOPR.

**13. ESTIMATE OF THE TOTAL ANNUAL COST BURDEN TO RESPONDENTS**

The estimated costs in the proposed rule are associated with labor (burden hours), and are addressed in Questions 12 and 15. However, FERC has requested public comment on possible hardware and software cost as mentioned above in #12.

**14. ESTIMATED ANNUALIZED COST TO FEDERAL GOVERNMENT**

The estimated annualized cost to the Federal Government for the NOPR in RM15-24-000 follows:

	<b>Annual Federal Employee Hours</b>	<b>Estimated Annual Federal Cost</b>
<b>FERC-516, additions due to the NOPR in RM15-24-000</b>		

actually being completed over Years 1-2), giving an annual average of 4,540 hours over Years 1-3. The burden will then be removed after Year 3.

Similarly, the number of responses (6+6 in Year 1, plus 6 in Year 2, totaling 18 in Years 1 and 2) will be averaged over 3 years (giving an annual average of +6 responses).

<sup>9</sup> The costs for Year 1 would consist of filing proposed tariff changes to the Commission within four months of a Final Rule plus initial implementation. The costs for Year 2 would consist of any remaining implementation within the twelve months after the tariff filing is required.

<sup>10</sup> For administrative purposes of this PRA submittal to OMB through ROCIS, the burden hours and burden cost will be averaged over three years (despite the burden actually being completed over Years 1-2), giving an annual average of 4,540 hours and \$340,500 over Years 1-3. The burden and associated cost will then be removed from FERC-516 after Year 3.

<sup>11</sup> ISO-NE Comments, Docket No. AD14-14-000, at 23 (Mar. 6, 2015); GDF SUEZ Comments, Docket No. AD14-14-000, at 10 (Mar. 6, 2015).

**FERC-516 (OMB Control No. 1902-0096),  
as modified in the NOPR (issued 9/17/2015) in Docket No. RM15-24-000  
RIN: 1902-AF12**

FERC-516 Analysis and Processing of Filings, each year for Years 1 and 2 <sup>12</sup>	400 hrs.	\$28,800
PRA <sup>13</sup> Administrative Cost		\$5,193
Total		\$33,993

These additional costs for the NOPR in RM15-24-000 will be added to the existing Federal costs for FERC-516, of \$2,808,964<sup>14</sup>, giving a new total of \$2,842,957.

The Commission bases its estimate of the “Analysis and Processing of Filings” cost to the Federal Government on salaries and benefits for professional and clerical support. This estimated cost represents staff analysis, decision making, and review of any actual filings made in response to the information collection.

**15. REASONS FOR CHANGES IN BURDEN INCLUDING THE NEED FOR ANY INCREASE**

**Current Inventory for FERC-516.** The current total estimated OMB-approved burden is 498,250 hours. The existing tariff filings related to the electric utility industry are not affected by this NOPR in RM15-24-000. With respect to FERC-516, FERC requires this information in order to perform its mandated oversight and review responsibilities with respect to electric market-based rates being just and reasonable. Without this information, the Commission would be unable to meet its statutory responsibility under section 205 of the FPA to ensure public utility rates and tariffs are just and reasonable. Failing to meet this responsibility could result in public utilities charging rates that are not just and reasonable.

**NOPR in RM15-24-000.** This NOPR proposes to require that RTOs/ISOs make compliance tariff filings, etc. in order to conform their tariffs to the reforms proposed in the NOPR, or to show how they already comply with one or both proposed reforms. Making compliance filings

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12 The Federal Cost of analysis and processing of filings is based upon FERC’s 2015 FTE (full time equivalent) average salary plus benefits of \$149,489 (or \$72 per hour).

13 The PRA Administrative Cost is a Federal Cost associated with preparing, issuing, and submitting materials necessary to comply with the PRA for rulemakings, orders, or any other vehicle used to create, modify, extend, or discontinue an information collection. This average annual cost includes requests for extensions, all associated rulemakings (not just this proposed rule), and other changes to the collection.

14 The supporting statement for ICR 201409-1902-005 (for the final rule in Docket No. RM05-5-022) says in part that “... the total additional Federal Cost for the FERC-516 is \$371,570 .... These additional costs will be added to the existing Federal costs for a total of \$2,437,394 for the FERC-516 ....” However, it appears that the additional \$371,570 for the final rule in RM05-5-022 was inadvertently not added to the meta-data field for Federal Cost in reginfo.gov and ROCIS because that figure continued to be \$2,437,394. Therefore the Federal Cost field for FERC-516 should be \$2,437,394 + \$371,570, or \$2,808,964, before implementation of this NOPR in RM15-24-000.

**FERC-516 (OMB Control No. 1902-0096),  
as modified in the NOPR (issued 9/17/2015) in Docket No. RM15-24-000  
RIN: 1902-AF12**

to conform RTO/ISO tariffs to the reforms proposed in the NOPR, or to show how RTO/ISO tariffs already comply with one or both proposed reforms, would assist the Commission in fulfilling its statutory obligation to ensure that RTO/ISO tariffs are just and reasonable.

**Summary, including proposed changes.** The following table shows the current OMB-approved inventory, as well as the estimated annual impact (averaged over Years 1-3 as described above) of the changes discussed in this NOPR in RM15-24-000 and supporting statement.

<b>FERC-516</b>	<b>Total Request</b>	<b>Previously Approved</b>	<b>Change due to Adjustment in Estimate</b>	<b>Change Due to Agency Discretion</b>
Annual Number of Responses	5,553	5,547	0	+6
Annual Time Burden (Hr)	502,790	498,250	0	+4,540
Annual Cost Burden (\$)	0	0	0	0

**16. TIME SCHEDULE FOR PUBLICATION OF DATA**

Unless confidential treatment is sought, the FERC-516 NOPR-related tariff filing is publicly posted in our eTariff and eLibrary web-based systems when filed. FERC does not publish any other data associated with this collection.

**17. DISPLAY OF EXPIRATION DATE**

The clearance information and expiration dates are available at <http://www.ferc.gov/docs-filing/info-collections.asp>.

**18. EXCEPTIONS TO THE CERTIFICATION STATEMENT**

There are no exceptions.