FERC ORDER 2222 & DER POLICY AND IMPLEMENTATION REPORT

May 2025

CURRENT NEWS AND NEW DEVELOPMENTS

Summary of the latest developments in FERC Order 2222 and DER policy implementation

FERC and several states took action on distributed energy resource (DER) policy, the implementation of virtual power plants (VPPs), and FERC Order 2222 in the last several months. A summary of the actions is listed below.

RTO/ISO Order Implementation:

- On May 1, 2025, FERC approved PJM's third compliance filing that focused on meter settlement timing issues and PJM's proposed delay of FERC Order 2222 implementation to February 1, 2028. While PJM still needs to revise its tariff to reflect the new 2028 implementation date, PJM's compliance process in ER22-962 is essentially complete. [LINK]
- MISO continues to work on FERC Order 2222 implementation through its DER Task Force (DERTF). At the April 7 meeting of the DERTF, the findings from the February collaborative sessions were discussed, and plans were made to continue working on coordinating MISO and state FERC Order 2222 implementation. [LINK]

State FERC Order 2222 Implementation:

- The Maryland PSC issued Order No. 91603 on April 11, 2025 in the docket (Case 9778) on the non-consensus issues associated with FERC Order 2222 and virtual power plant

policies. In this order, the Maryland PSC largely directed the state's electric utilities to file conceptual reports within six months on how they can implement a number of key issues, including the development of a DER registry. The PSC did indicate make several findings: 1) that they were in support of a broader scope for the implementation of VPP regulations and the harmonization of retail and wholesale VPPs in a single docket, 2) directed Maryland utilities to start information technology systems to implement VPPs and FERC Order 2222 implementation, and 3) referred a number of FERC Order 2222 implementation issues, such as interconnection, dispute resolution, and double counting to the Interconnection Work Group. [LINK]

- In an Order issued March 21, 2025, the Iowa Utilities Commission opened a proceeding to request input from stakeholders on whether the Commission should lift its prohibition on Aggregators of Retail Customers (ARCs) being able to bid into wholesale markets. The Commission was also seeking input regarding its role in facilitating implementation of FERC Order 2222. Initial comments on specific questions and rule language were due April 21, 2025, and the Commission may also schedule one or more workshops after reviewing comments received. [LINK]

Other DER Policy Developments:

- Continuing its implementation of the DRIVE Act, the Maryland PSC issued Order No. 91597, requesting Staff to consult with stakeholders to further refine its draft DERA registration application and file a modified proposal by June 2, 2025. [LINK]
- In New York's Grid of the Future proceeding (Case 24-E-0165), the first iteration of the Grid of the Future Plan was filed, with stakeholder comments due May 21, 2025. [LINK]
- In an Order for Notice and Comment issued April 15, 2025, the State Corporation Commission of the Commonwealth of Virginia has requested comments from interested stakeholders on Proposed Rules relating to interconnection for small electrical generators and storage. Stakeholder comments are due June 9, 2025. By July 16, 2025, Commission Staff will file its response to any comments, proposals, or requests for hearing submitted to the Commission on the Proposed Rules. [LINK]
- Additionally, on May 2, 2025, Virginia Governor Glenn Youngkin signed into law the Community Energy Act (HB2346/SB1100). This legislation requires Dominion Energy Virginia to petition the State Corporation Commission for approval to conduct a pilot program to evaluate methods to optimize demand through various technology applications, including the establishment of virtual power plants, by December 1, 2025. The bill requires the pilot program to evaluate electric grid capacity needs and the ability of such virtual power plants to provide grid services, including peak-shaving, during times of peak electric demand. [LINK]

KEY ISSUES ANALYSIS

Double Counting and Double Compensation

FERC Order 2222 sets requirements to remove the potential for double counting resources (e.g., claiming the same DER capacity simultaneously in multiple services) or compensating resources for providing the same service twice. Policies that limit double counting are crucial to preserving the integrity of system operations and market efficiency. In particular, double counting of DERs can lead to an overestimation of available grid resources, which undermines the accuracy of system operator dispatch, reserve planning, and contingency responses. For example, if a behind-the-meter battery is committed to both frequency regulation and local demand response, system operators may expect more capacity than actually exists. However, it is also important to recognize the value that DERs can serve at the local distribution level in addition to the value at the wholesale or RTO/ISO level. As a result, it is important to develop the appropriate rules to allow these resources to be utilized to support the entire grid.

FERC directs RTOs/ISOs to limit the participation of resources in RTO/ISO markets through a DER aggregator when such resources are receiving compensation for the same services as part of another program. The Commission initially proposed a broader double-counting ban in the 2016 Storage NOPR, i.e., DERs that are participating in one or more retail compensation programs such as net metering or another wholesale market participation program would not be eligible to participate in RTO/ISO markets as part of a distributed energy resource aggregation.[1] In the final rule, the Commission narrowed the scope of the policy based on comments received. Many commenters noted that a broader ban would undermine the effectiveness of existing retail and wholesale programs, render current RTO/ISO market participants ineligible to continue their participation, and reduce competition in RTO/ISO markets, which could lead to unjust and unreasonable rates. Further, the commenters argued that there may be instances in which an individual DER could technically, reliably, and economically provide multiple, distinct services at wholesale and retail levels. Preventing DERs from doing so may undermine the final rule by creating a new barrier to participation in RTO/ISO markets, thereby inhibiting competition and decreasing reliability.[2]

FERC Order 2222 requires "each RTO/ISO to revise its tariff to: (1) allow distributed energy resources that participate in one or more retail programs to participate in its wholesale markets; (2) allow distributed energy resources to provide multiple wholesale services; and (3) include any appropriate restrictions on the distributed energy resources' participation in RTO/ISO markets through distributed energy resource

[1] FERC Order 2222, P147
[2] FERC Order 2222, P163

aggregations, if narrowly designed to avoid counting more than once the services provided by distributed energy resources in RTO/ISO markets."[3]

FERC Order 2222 does allow state and local regulators to condition the participation of DERs in RTO/ISO DER aggregations. In particular, the order states that state and local regulators will be able to condition a distributed energy resource's participation in a retail DER program on that resource not also participating in RTO/SIO markets.[4]

In their compliance filings with FERC Order 2222, each RTO/ISO was required to describe how it will properly account for the different services that distributed energy resources provide in the RTO/ISO markets.

RTO/ISO Compliance

While each of the RTOs and ISOs developed policies and procedures to implement FERC Order 2222 policies on double counting, each of the RTOs and ISOs implemented the requirements differently. As can be seen in Figure 1, there are fundamental differences. With the exception of ISONE, RTOs and ISOs either require double counting to be addressed during the capability assessment portion of the 60-day EDC review (see the March 2025 tracker report for more information) or through attestations from DER aggregators that they are compliant with applicable rules and the DERs in their aggregations are not being double counted. Furthermore, FERC has approved rules at several RTOs/ISO, e.g., PJM, that prohibit net energy metered resources from participating in DER aggregations that participate in PJM energy or capacity markets.

RTO/ISO	Double-Counting Provisions
California ISO (CAISO)	Relies on coordination and EDC review process: - EDC coordination processes are used to verify that DERs are not already participating in other aggregations or retail/wholesale programs
ISO New England (ISONE)	ISONE addresses double counting through the use of metering: - Permitting sub-metering of individual DERs where the assigned meter reader can reconstitute the load - Allowing parallel metering so that metered DERs do not impact the reported load
Midcontinent ISO (MISO)	MISO relies on EDC review and reconstitution to address double counting: - Reconstituting load to address double counting concerns

[3] FERC Order 2222, P160
[4] FERC Order 2222, P61

	- Implementing a 60-day review period for distribution utilities to evaluate DER participation, including double counting checks - Providing settlement information to relevant entities for verification
New York ISO (NYISO)	NYISO utilizes DERA attestations and the development of a retail market services matrix tool to address double counting: - Require aggregators to attest to each DER's compliance with the tariffs and operating procedures of the Distribution Utility - Allows NYISO and applicable Distribution Utilities to audit attestations made by Aggregators to confirm compliance with these rules - Development of a matrix that will identify retail market services and programs that are the same as services DERs are eligible to provide in wholesale markets
PJM	PJM's compliance focuses on EDC review and its own review: - Conducts two reviews that allow it to restrict participation of DERs in retail programs from participating in wholesale markets when double counting concerns exist. - Relies significantly on EDCs to account for services provided by DERs and to identify potential double counting issues during registration. - Restricts net energy metering from participating in DER aggregations that provide capacity or energy services.
Southwest Power Pool (SPP)	SPP's double-counting procedures focus on the use of attestations: - SPP requires attestations from retail providers, EDCs, and LSEs to confirm that DERs are not offering the same service in both retail and wholesale markets.

Figure 1: RTO/ISO Double-Counting Procedures

Role of State and Local Regulators

While RTO/ISO rules to implement FERC Order 2222 and address double counting are paramount, state and local regulators (or RERRAs in FERC speak) will also need to develop complementary rules that govern the ability of DERs to participate in retail tariffs/programs and wholesale markets. Ideally, RERRAs should proactively collaborate with utilities, DERs, and aggregators to create or modify rules and tariffs to establish guidelines governing DER dual participation, with consideration for both normal and emergency operations at the bulk, and distribution, system levels, so long as these rules do not conflict with FERC orders. Key issues that should be considered in the development of these state or local rules are metering, sub-metering, measurement, and data sharing rules. Careful consideration of double counting should be incorporated into any RERRA review and development of procedures to implement or accommodate FERC Order 2222. In addition, as RERRAs review their state policies and rate structures, it will be important for

them to consider structures that do allow dual participation of DERs if they desire their utilities to be able to utilize DERs in their own state programs.

The treatment of net energy metering is a key issue, especially to determine whether DERs will be able to provide ancillary services or capacity to wholesale markets in addition to being compensated for selling energy to EDCs. A good example of this type of guidance was provided by the Massachusetts Department of Public Utilities (DPU) in 2019.[5] The Massachusetts DPU found that the capacity rights associated with energy storage systems paired with net energy metering customers were owned by the facility owner, which then can be aggregated and sold into ISONE capacity markets. Alternatively, the Pennsylvania PUC found that the Pennsylvania Alternative Energy Portfolio Standards Act requires customer generators to receive "full retail value." Due to this Act, the PAPUC determined that 'full retail value' is the fully bundled retail rate, which includes generation, transmission, capacity, ancillary services, and distribution components as compensation for the electricity the customer-generator sends to the distribution grid." Consequently, the PAPUC found that compensation for services such as capacity from DERs would be double compensation.[6] Depending on RTO/ISO rules, RERRAs will need to make clear delineations on the participation of net energy metered DERs.

In addition, RERRAs will need to determine whether they will limit and condition the participation of a DER in a DER aggregation based on the DER's or the customer's participation in a retail program. New York provides a good example of how dual participation can work. The New York Department of Public Service (DPS) and FERC approved the participation of demand response in New York EDCs' Commercial System Relief Program (CSRP) and Distribution Load Relief Program (DLRP) tariffs.[7] This approval provides a useful model for allowing compensation of services provided by demand response at retail (e.g., distribution load relief programs, non-wire solutions) plus receiving compensation from participation in the wholesale market. Particular care will need to be focused on clearly delineating the differences between the provision of distribution grid service and participation in wholesale markets.

The use of a DER Registry to Assist

The narrow and targeted application of FERC Order 2222 double-counting requirements will require detailed review of the status of individual DERs. When RTOs/ISOs and EDC conduct their capability reviews or when DER aggregators file attestations that DERs in their aggregations are not double counted,

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[5] Net Metering, Smart Provision, and the Forward Capacity Market, DPU 17-146-B, February 1, 2019, Commonwealth of Massachusetts, Department of Public EDCs, at 21, https://fileservice.eea.comacloud.net/FileService.Api/file/FileRoom/10333339.

[6] Pennsylvania Public Utility Commission, COMMENTS AND LIMITED PROTEST OF THE PENNSYLVANIA PUBLIC UTILITY COMMISSION TO PJM'S COMPLIANCE FILING CONCERNING FERC ORDER 2222, FERC Docket ER22-962, at p. 6. https://elibrary.ferc.gov/eLibrary/filedownload?fileid=B2BAA94F-B308-CC00-8E2C-7FE55B400000.

[7] See Cases 14-E-0-0423 et al., supra, Order Adopting Dynamic Load Management Filings with Modifications (issued June 18, 2015) at 12-13 and N.Y. Pub. Serv. Comm'n v. N.Y. Indep. Sys. Operator, Inc., 158 FERC ¶ 61,137 at P 33.

accurate and up-to-date information about the DERs and any participation in a retail program, such as net energy metering, or wholesale DER program/market will be essential. In addition, information on DER owner participation in retail tariffs that limit participation in wholesale programs will also need to be reviewed.

Ideally, accurate information regarding a specific DER and DER owner status should be collected in a single point of truth; for example, one database or registry. Otherwise, significant work and expense will be required to collect and share this information, cross-check across disparate databases and sources of information and validate the status of the DER. Furthermore, access to this information by DER aggregators would facilitate aggregation by ensuring they know the status of any DER that a DER owner has allowed them to include in their portfolio of resources.

In this process, the consumer protections of DER owners is paramount. A DER Registry can provide this common database (single point of truth), while also incorporating necessary data privacy and security protections. Because a DER Registry should include information on DER retail and wholesale program participation plus information on customer tariff status, RTOs/ISOs and EDCs can quickly ascertain the services being provided by DERs in order to determine eligibility to DER aggregations. In all cases, a consumer must be provided with the opportunity to select their aggregator, change their aggregator and ensure no aggregator has access to their information without the customer's selection of their aggregator. It should be assumed that consumers will change aggregators. As such, when the consumer makes this choice and changes aggregators, the system must have ability to inform them that their resource is currently enrolled in an aggregation and whether or not they can make the election to change to a new aggregator at that time or must wait until their current enrollment expires. A consumer should not be expected to understand the complexity of the aggregation and enrollment requirements. These structures are complex and are the reason that competitive aggregators exist. However, due to the competitive nature of these aggregators, a DER Registry should provide necessary protections and information to the DER owner to allow them to understand how their DER is currently enrolled so they can make their decisions effectively without risk of a uninformed, or bad faith, actor requesting them to switch. In the event the DER owner does want to make a change, the DER Registry should facilitate that transition on the date the DER becomes eligible to switch aggregators, according to the specific utility retail program or RTO/ISO market product rules. With a DER Registry, this administrative process can allow DER aggregators to quickly screen possible DER candidates for eligibility and thereby avoid wasteful and inaccurate DER aggregations.

In addition, with proper structure, a DER Registry can ensure aggregations do not allow dual participation and double counting by proactively coding the current rules of the state/utility retail program and RTO/ISO market product. This step alone will save hundreds of hours of review time by utilities and RTO/ISO groups while effectively eliminating any conflicts between retail and market efforts to enable DERs.

No process will be perfect upon first implementation, but with thousands or even millions of DERs being enabled in the future, the DER registration, review and approval process will require a digital system to eliminate inaccurate registration of DERs that could lead to an inaccurate understanding of the capability the new DERs can provide to the grid or market.

TRACKER TIPS AND HIGHLIGHTS

The Policy Tracker is available to the public at FERC2222.org. [LINK] If you would like to recommend content for the Tracker or provide feedback, please contact us.

The Policy Tracker allows users to filter and search for content within a database of content pertaining to DER Policy, with emphasis on the implementation of FERC Order 2222. The keyword search functionality includes review of the source documents within the database, while the filters allow users to narrow their searches based on issue topic, RTO/ISO, and state or federal regulators.

The Tracker also includes curated content from NERC related to DER integration. In the following example, the organization filter is used to search for NERC.

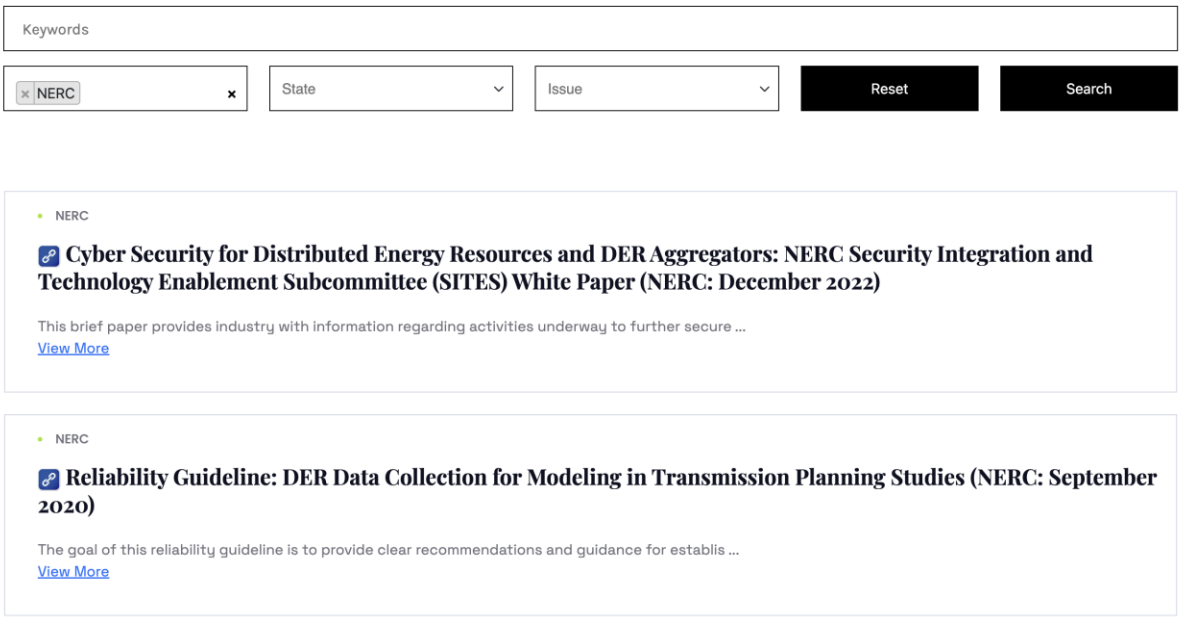

Figure 2: Screen capture of search results from the FERC2222.org Policy Tracker issue filter selection.

Discussion Groups

The Discussion Groups feature of FERC2222.org is now live. The DER Policy Discussion Groups provide a secure space for regulatory authorities, their staff, and NARUC to discuss key issues. Participation requires a valid email from an approved regulatory authority, as these groups are not open to the public.

Discussion Groups include:

- Data Access and Privacy
- Governance
- Metering and Telemetry
- Interconnection
- Aggregation Registration and Review
- Dual Registration/Double Counting
- Communication between EDC's, Aggregators and RTOs/ISOs
- Coordination
- Cost and Investment Recovery

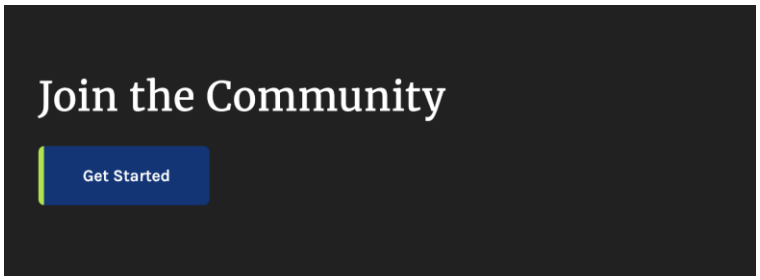

Figure 3: screenshot of FERC2222.org discussion groups login

To access the Discussion Groups feature, navigate to the Discussion Groups page on FERC2222.org [LINK] and click on the "Get Started" button (see Figure 3). You will then be prompted to enter your email address. If your email domain is already white-listed you will be sent an email with a login code to complete the login process. If your email is not white-listed and you believe it should be, please contact us at 2222website@cusln.org.

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