

State-Federal RPS Collaborative

Using Regional Transmission Planning to Help Meet State Renewable Energy Policy Objectives

Implications of FERC Order 1000

Hosted by
Warren Leon, Deputy Director, CESA

February 25, 2013

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State-Federal RPS Collaborative

- With funding from the Energy Foundation and the US Department of Energy, the Clean Energy States Alliance (CESA) facilitates the **Collaborative**.
 - CESA is a national nonprofit organization dedicated to advancing state and local efforts to implement smart clean energy policies, programs, technology innovation, and financing tools. At its core is a multi-state coalition of clean energy programs cooperating and learning from each other, leveraging federal resources.
- Includes **state RPS administrators and regulators, federal agency representatives**, and other stakeholders.
- Advances dialogue and learning about RPS programs by **examining the challenges and potential solutions** for successful implementation of state RPS programs, including **identification of best practices**.
- To get the **monthly newsletter** and announcements of **upcoming events**, sign up for the listserv at:
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Today's Guest Speakers

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Using Regional Transmission Planning to Help Meet State Renewable Energy Policy Objectives: Implications of FERC Order 1000

John Moore
Senior Attorney
February 25, 2013



THE SUSTAINABLE FERC PROJECT

Overview

- ▶ About the Sustainable FERC Project
- ▶ Summary of Key Order 1000 requirements relating to state energy policy priorities
- ▶ Why regional grid planning matters to the states.

About the Sustainable FERC Project

- ▶ Supports wholesale electric policies to achieve a clean and sustainable low-carbon energy future while improving grid reliability:
 - Integrate renewable energy and demand side resources into grid operations;
 - Phase out polluting power sources;
 - Right-size transmission;
 - Protect sensitive lands.
- ▶ Leads FERC-focused national coalition of clean energy and environmental NGOs.
- ▶ Funded primarily by foundations.

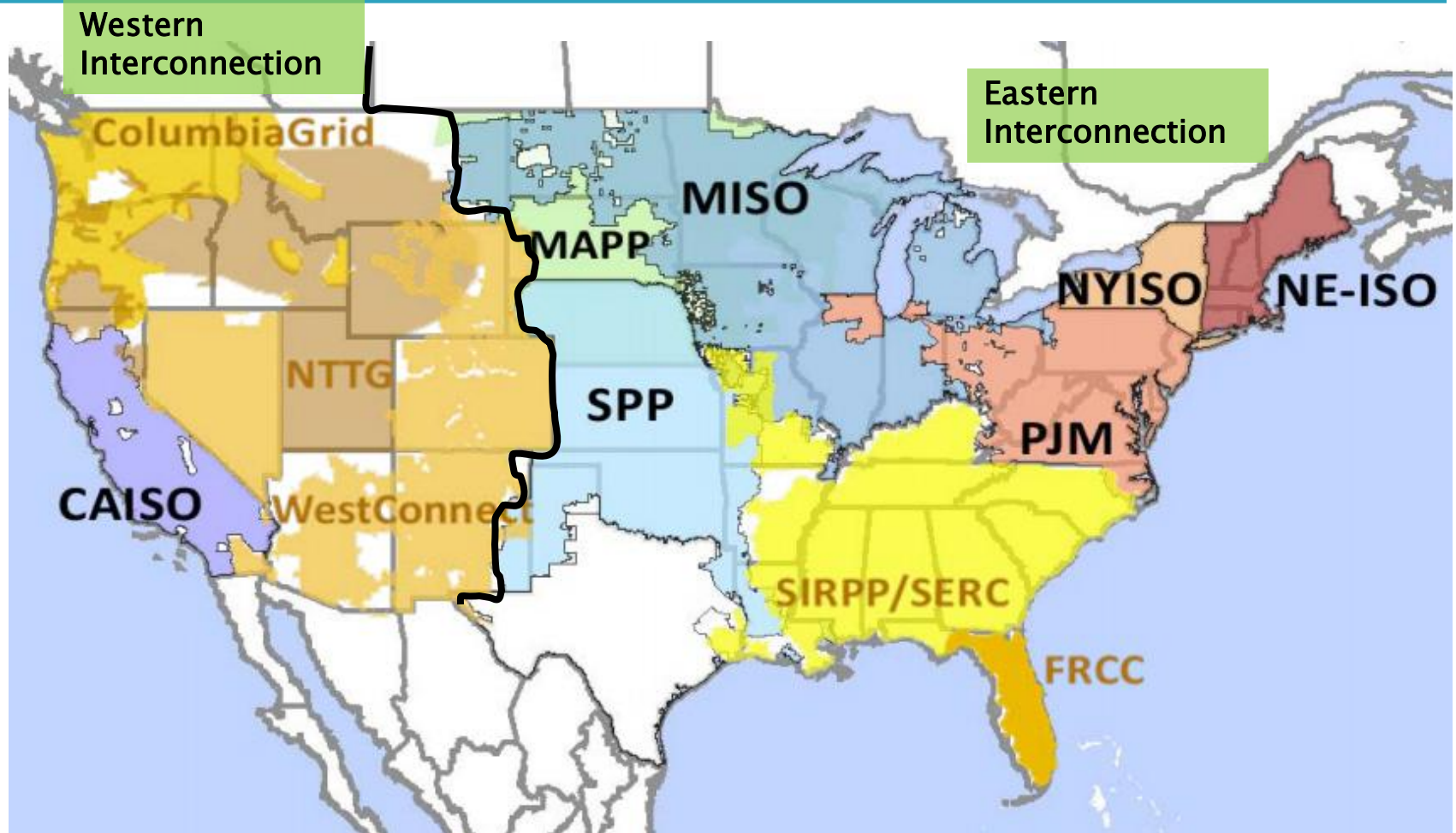
About the Sustainable FERC Project

- ▶ Our focus is on FERC and entities subject to FERC jurisdiction, especially ISOs and RTOs.
 - *E.g., Interventions and comments in 16 FERC Order 1000 dockets; engaged in Order 1000 stakeholder discussions across the country.*
- ▶ Expanding work in the West and in other non-RTO regions.
- ▶ An advocacy priority in 2013: Coordinating state resource planning with regional grid planning.

FERC Order 1000

- ▶ Applies to all public utility transmission providers – must participate in planning regions.
- ▶ Issued July 2011; first compliance filings occurred in October 2012; most interregional coordination filings due in April 2013.
- ▶ Four main subjects:
 - Regional system planning – *including planning to account for state and federal energy laws.*
 - Interregional coordination.
 - Cost allocation for projects.
 - Removal of the right of first refusal (ROFR).

Major Planning Regions



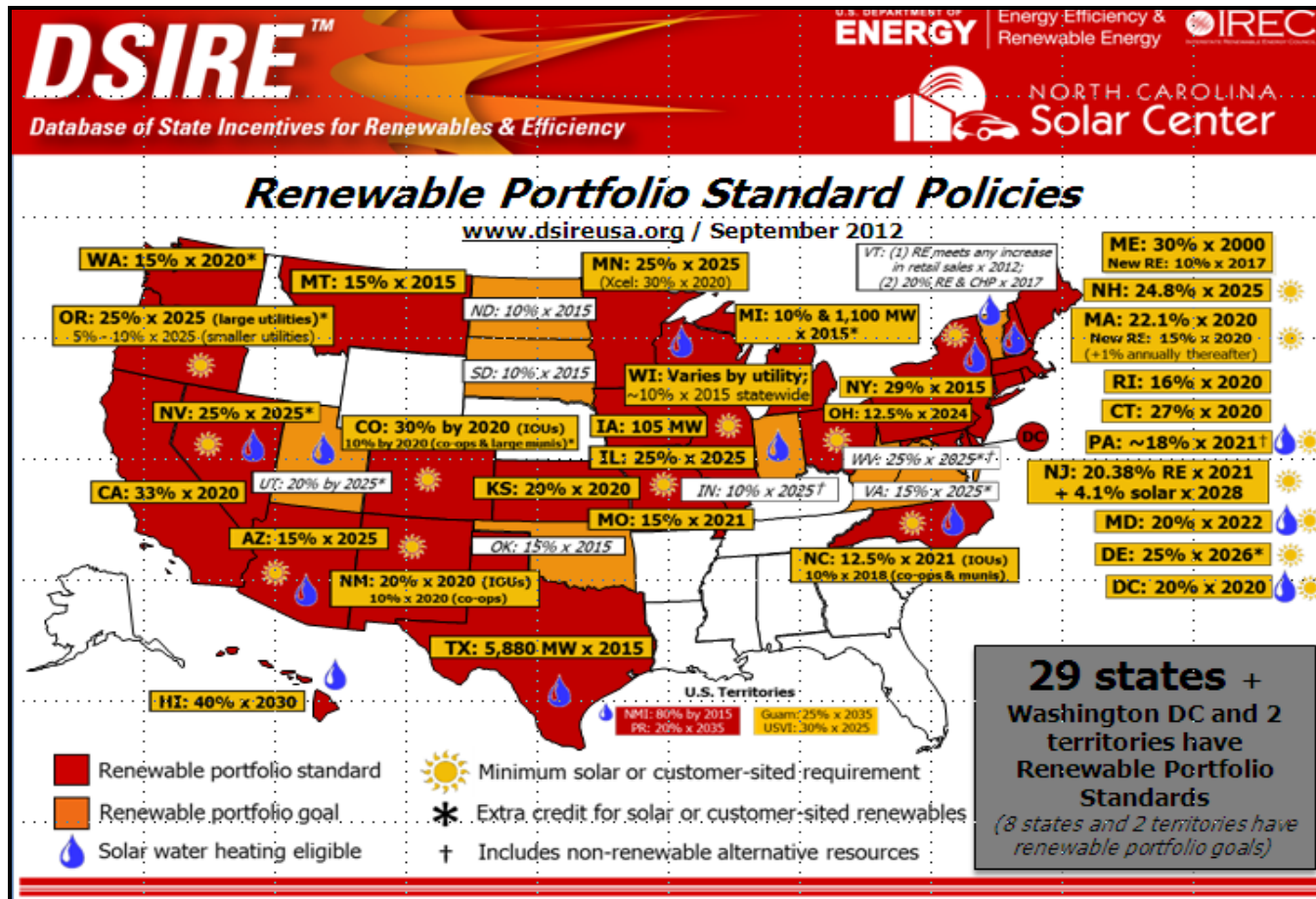
The FERC Project's Order 1000 Priorities

- ▶ **Planning and Interregional Coordination:**
 - Meaningful stakeholder participation.
 - Consideration of grid needs driven by public policy requirements.
 - Comparable treatment for non-wires solutions such as EE and DR.
- ▶ **Cost Allocation:**
 - Accounting for all benefits, including public policy benefits.

“Public Policy Requirements”

- ▶ Requirement: Order 1000 requires grid planners to consider grid needs driven by public policy requirements (PPRs).
- ▶ Definition: *PPRs are federal, state and local laws and regulations, including RPSs and other energy laws.*
- ▶ Reflects changing state of the grid – state energy standards, federal environmental standards, changing resource mix, etc.

PPRs– Renewable Energy Standards



Order 1000 Is About Process

- ▶ For consideration of PPR-driven grid needs, procedures must assure the:
 - Identification of PPR-driven needs;
 - Evaluation of potential solutions to those needs.
- ▶ Order 1000 includes robust stakeholder participation requirements and access to studies, data and models.

State Participation in Planning

- ▶ State PUC Commissioners and Staff usually most engaged.
 - New England States Committee on Electricity (NESCOE)
 - Organization of PJM States, Inc. (OPSI)
 - Organization of MISO States (OMS)
 - Regional State Committee (SPP)
 - Committee on Regional Electric Power Cooperation (CREPC)/State-Provincial Steering Committee (SPSC)
 - California and NY State PUCs
 - Occasionally regional governors' associations.

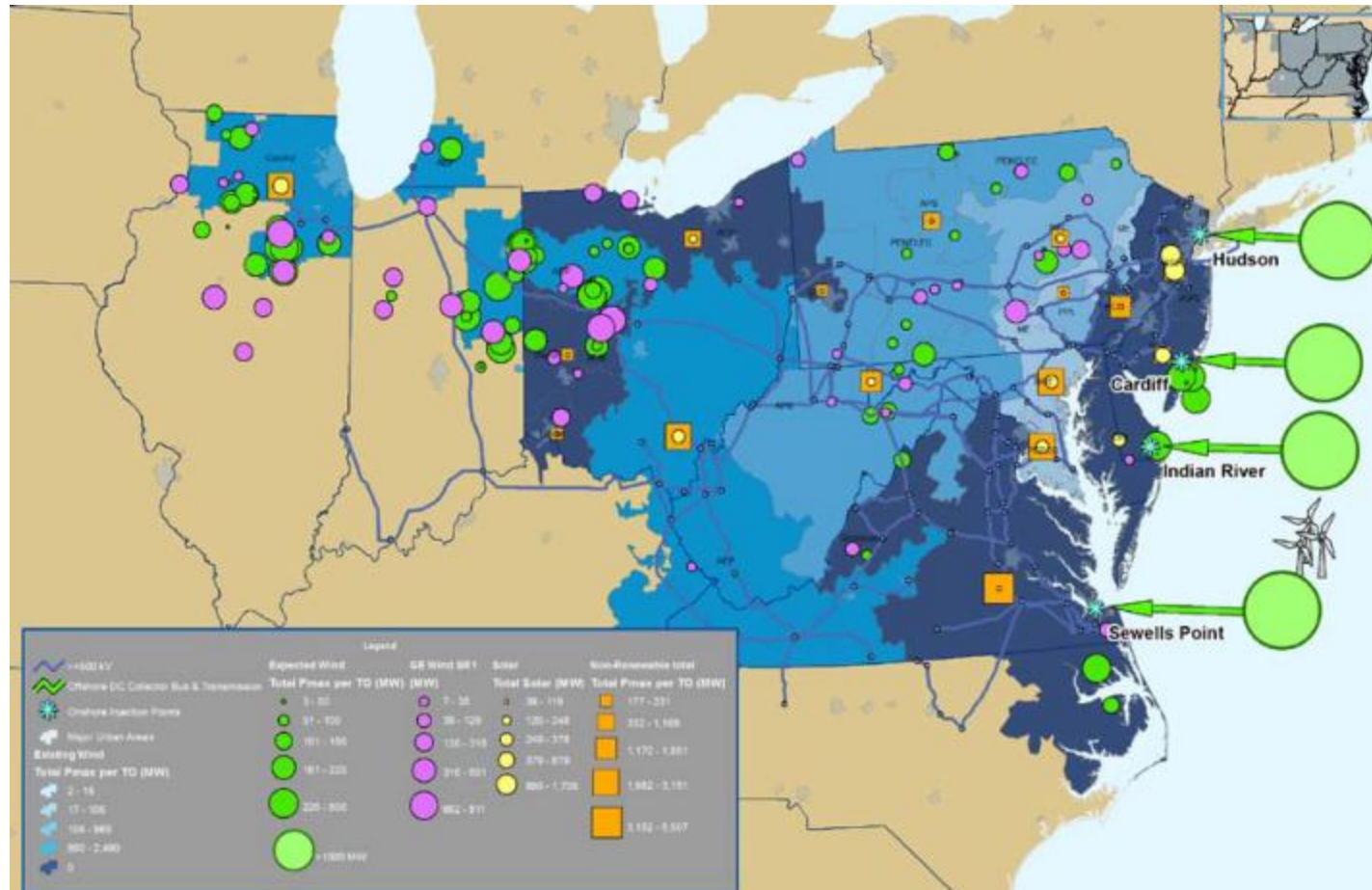
Reasons to Engage

- ▶ Coordinate state resource planning with regional grid planning.
- ▶ Help shape transmission system to meet state energy policies.
 - Studies can help identify lower-cost renewable energy zones.
- ▶ Support regional cost allocation when appropriate.
 - Account for all project benefits.
- ▶ Identify value of high voltage DC lines.
- ▶ Develop regional consensus.

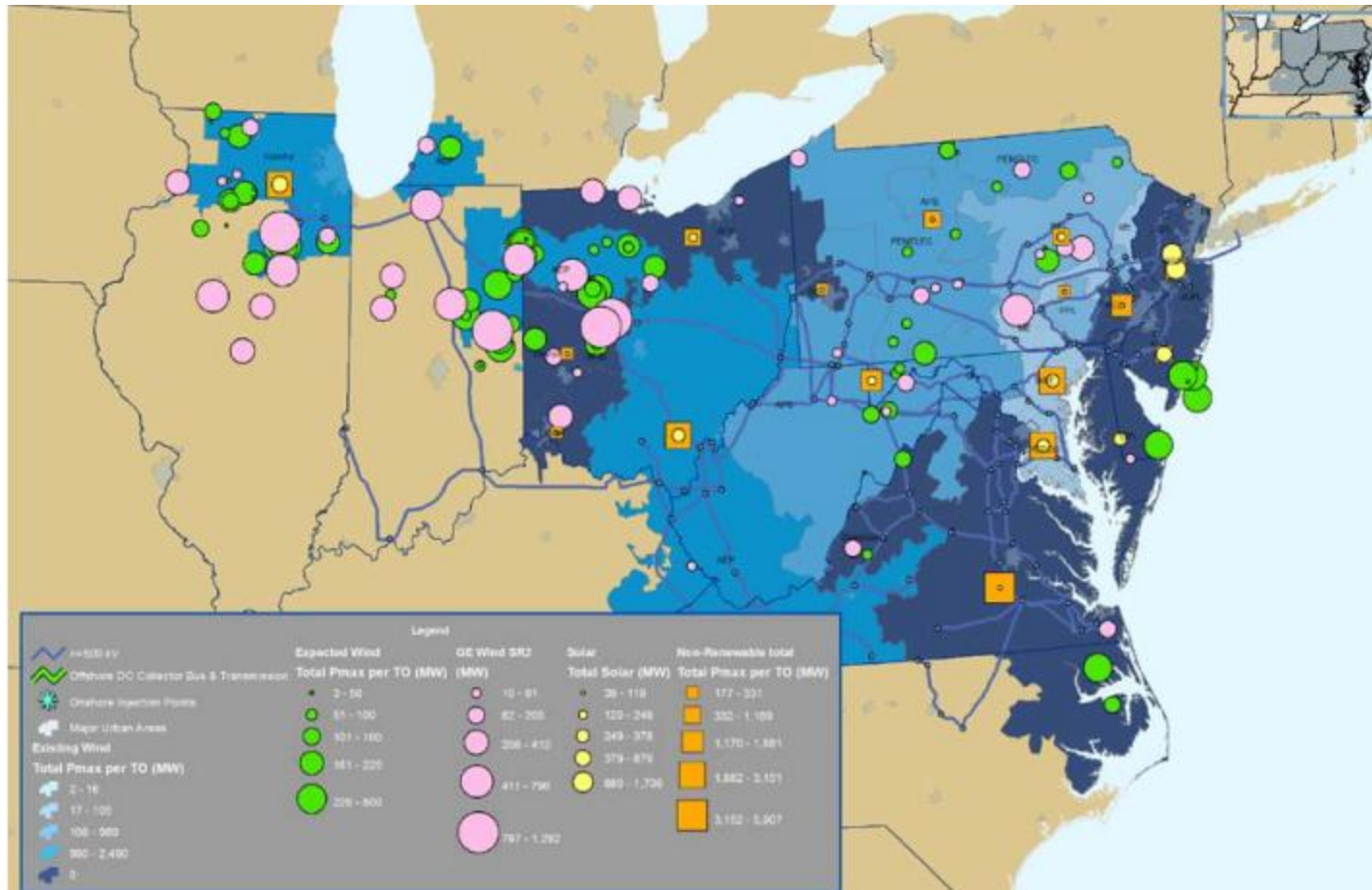
Example: PJM Planning

- ▶ PJM is evaluating 3 different RPS futures (2017 and 2027) for its next long-term system plan, each with different costs and grid benefits.

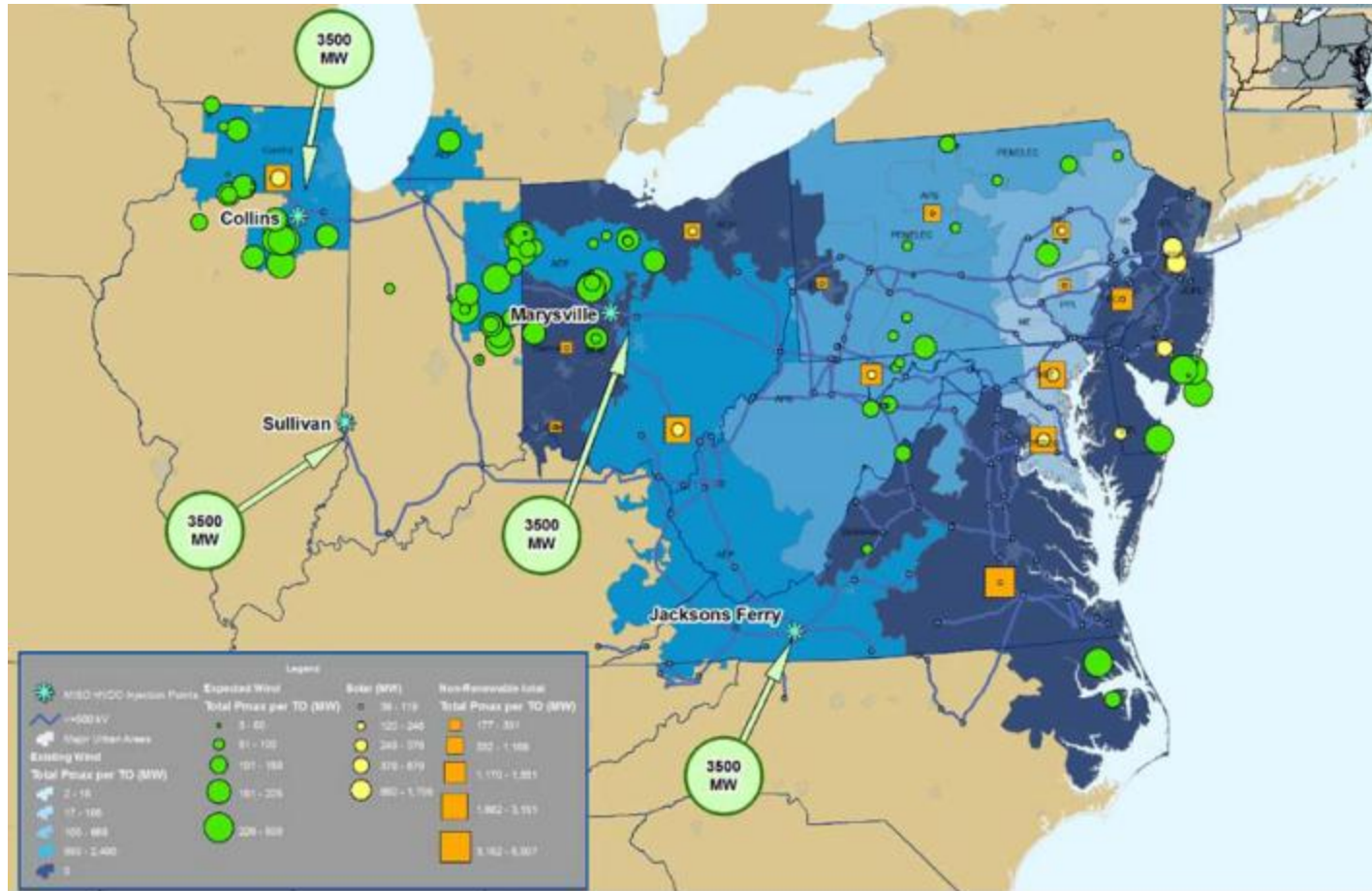
Scenario 1: All PJM + High Offshore



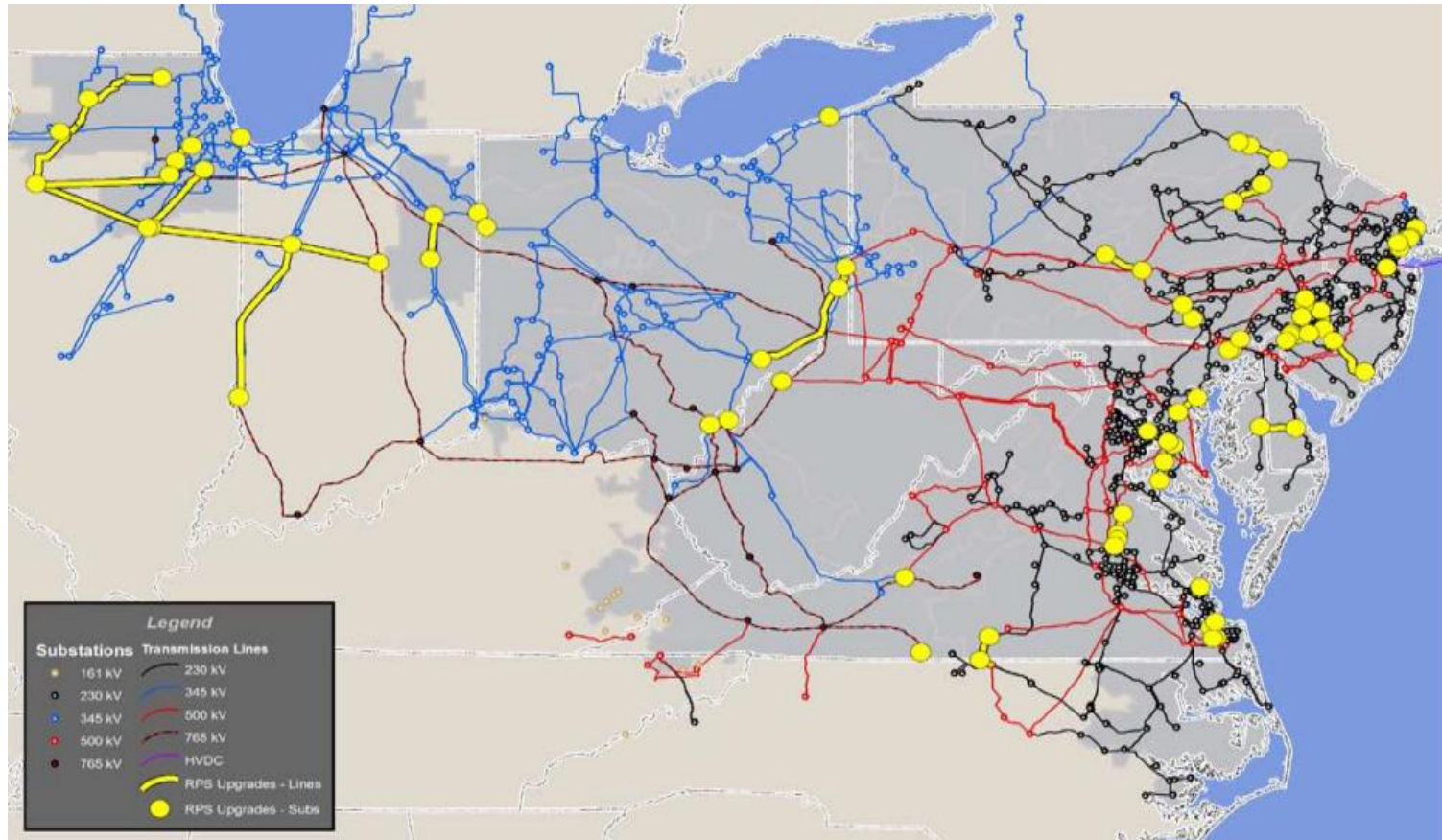
Scenario 2: All PJM + Low Offshore



Scenario 3: 40% from MISO + Low Offshore



Resulting RPS Transmission Overlay



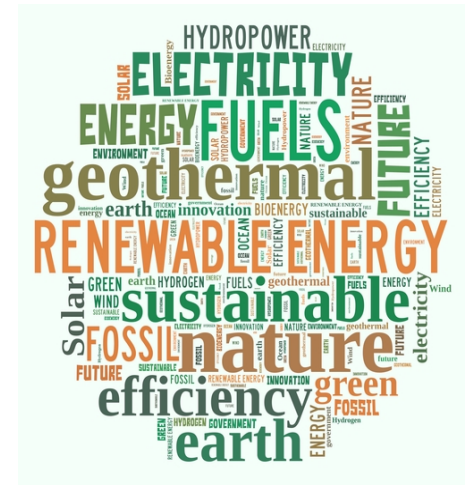
Summary

- ▶ Use regional grid planning process to help meet state energy standards:
 - Assures consideration of state renewable energy standards and other Public Policy Requirements, including in future scenario planning.
 - Accounts for PPR-driven benefits.
- ▶ Support regional and interregional cost allocation of projects when appropriate.
- ▶ Find the “sweet spot” where multiple states can meet needs more effectively than if acting alone.

For Additional Information

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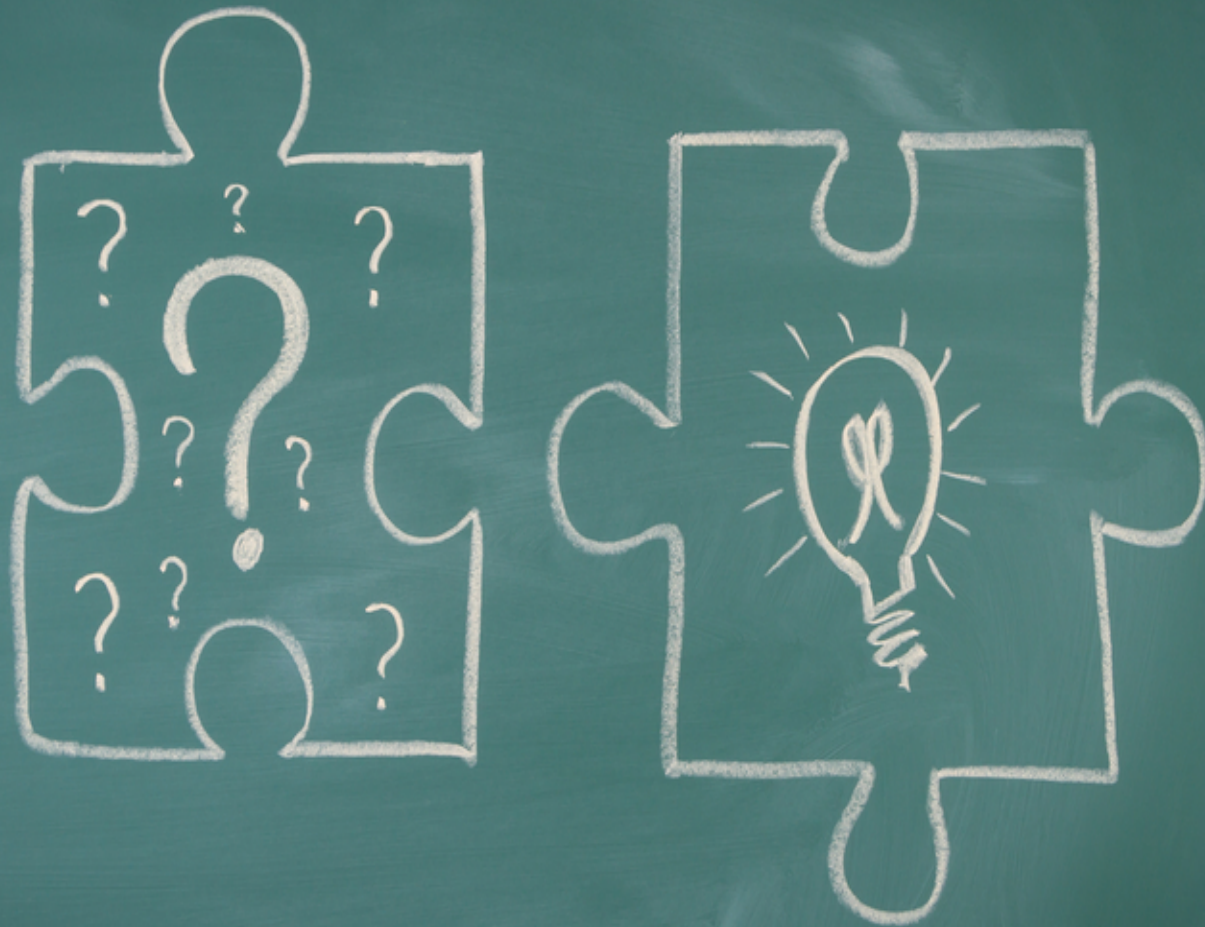
ORDER NO. 1000 AND BEYOND: FERC TRANSMISSION POLICY, RENEWABLES AND THE ROLE OF STATES

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FERC Order No. 1000: Landmark stand-alone ruling....



Or just a piece of the regulatory puzzle for states and renewables?

ORDER NO. 1000

Transmission planning must take account of needs driven by public policy requirements and develop plan for regional cost allocation. Also examine alternatives to new transmission.

Recent rulings on compliance filings (due Oct 2012):

- Confirm flexibility for regional character (Maine Public Service, 142 FERC ¶ 61,129 (Feb. 2013) (exemptions based on unique geographical features)
- But, regional planning requires more than one utility! (Duke/Progress Energy, 142 FERC ¶ 61,130) (Feb 2013)

Pending Appeals at DC Circuit. Main challenges:

- Order No. 1000 represents federal encroachment on state planning and laws governing ROFR
- FERC lacks authority under Section 201 FPA to mandate any planning

OTHER PIECES: ORDER 679 INCENTIVES

Order 679 Transmission Policy revisited and updated in Nov. 2012; additional guidance on types of transmission likely to qualify including transmission projects that build the future of the grid (Comm'r Norris statement)

Policy intended to incentivize non-routine projects w/significant risk

Recent application: MISO - Ellendale/Big Stone Project (incentives approved in 141 FERC 61274 12/2012):

*A primary reason that Montana-Dakota is constructing the Ellendale -- Big Stone Project is to increase transmission capacity in order to meet state **renewable** energy standards and tap the strong potential for wind generation in North and South Dakota. This effect of the project is consistent with the Commission's recognition in **Order No. 679** of the importance of encouraging "investors to take the risks associated with constructing large new transmission projects that can integrate new generation and otherwise reduce congestion and increase reliability."*

OTHER PIECES: MERCHANT TRANSMISSION

FERC Policy on Merchant Transmission and Participant Funding AD 12-9, 142 F.E.R.C. P61,038 (Jan 2013)

- Permits merchant transmission based on bi-lateral negotiated rates, not just open season
- Applies to both merchant transmission and participant funded (which is disqualified from cost allocation under Order No. 1000).

Commissioner Norris:

I view this proposed policy as a supplement to Order No. 1000. I expect that the difficult work of complying with Order No. 1000 will lead to regional planning processes that identify cost-effective and efficient solutions to most transmission needs, and fairly allocate the costs of projects selected in those plans. Regardless, there may be transmission projects that are not selected in those processes that still have a customer or group of customers willing to make a long-term commitment to aid their construction. This proposed policy statement provides a roadmap for those projects to move forward...

OTHER PIECES: DEMAND RESPONSE

Interplay between demand response & Order No. 1000 by providing alternatives to new transmission

FERC Order No. 745 - establishes uniform demand response pricing at LMP (wholesale rates)

According to Enernoc, in PJM, total economic energy reduction has increased by 800 percent in the past six months. Largely industrial customers taking advantage)[source: <http://www.greentechmedia.com/articles/read/order-745-raises-payments-and-questions-for-demand-response>]

Order No. 745 pending appeal DC Circuit. Challenges (and Moeller dissent) - overcompensation to DR:

[R]etail customers who curtail consumption both receive LMP and avoid the cost of purchasing electricity—a benefit electricity generators do not receive... [A] generator's profit is not the LMP it receives. It is the LMP it receives minus the costs it incurred to deliver power.

OTHER PIECES: SMALL GENERATOR INTERCONNECTION

FERC v. states interconnection - FERC juris over interconnect w/transmission or distrib serving transmission function; state juris over QF interconnect (no 3rd party sales) and connection to local distribution

FERC juris over small gen interconnection is limited because it usually ties to local distribution. New proposed rule intended to serve as model for state policy

FERC NOPR on small gen interconnection RM13-2 (Jan 2013) - relief from 15 percent screen (aggregated generation on line can't exceed peak load - would mean that many facilities fail, under new rule, utility must run supplemental tests)

Linkage to Order No. 1000 (from LaFleur statement:

State and local policies are encouraging more local and renewable forms of generation. This policy trend has coincided with dramatic cost reductions that the solar industry has achieved. The result is we are seeing an exponential increase, albeit from a small base, in the amount of solar generation on the grid.

OTHER PIECES: NET METERING

- What is net metering?
 - Power sales back to the grid by retail owners
- FERC Ruling July 2010 - net metering not subject to PURPA
- Impact: states can set any charges to encourage net-metering and are not bound by avoided cost caps
 - *DC Circuit affirms that netting transaction in context of station power are also retail (Southern California Edison Co. v. FERC, 603 F.3d 996 (D.C. Cir. 2010) (“Edison”), remand at Calpine Corp. v. FERC, Case No. 11-1122 (D.C. Cir. Dec. 18, 2012):*
 - *“as explained by the [Edison] Decision, [FERC] and the states can use different methodologies when [FERC] determines the amount of station power that is transmitted on the [FERC]-jurisdictional transmission grid and the states determine the amount of station power that is sold in state-jurisdictional retail sales.”*

MOVING FORWARD

- State role in Order No. 1000 and planning remains intact
- Other federal policies by FERC reinforce role of states
- Order No. 1000 not the only piece by which states can accomplish renewable policy



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Maryland Energy Landscape

- ▶ Deregulated in 1999, part of PJM RTO
- ▶ In-state generation primarily coal (50%) and nuclear (35%)
 - ▶ Relatively little natural gas generation (5%)
- ▶ Substantial net importer of electricity
 - ▶ In-state generation has fallen nearly 30% since 2006
 - ▶ Maryland imported ~45% of electricity in 2012
- ▶ Central and Eastern MD in transmission-constrained areas



PJM Engagement

- ▶ **Maryland has vested interest in energy planning...**
 - ▶ Aggressive RPS and energy efficiency goals
 - ▶ Transmission constrained
 - ▶ High capacity prices and congestion prices
 - ▶ No large non-renewable builds since 2003
- ▶ **But has faced challenges engaging in meaningful way at PJM**
 - ▶ ISAC charter limited to scenario analysis
 - ▶ Struggled to deal with volume of activity at PJM/FERC level



Other Options

- ▶ Continued effort with PJM
- ▶ Multi-State coordination through NASEO
- ▶ Joint or solo Governor's letters
- ▶ Working with State representatives to federal government

