

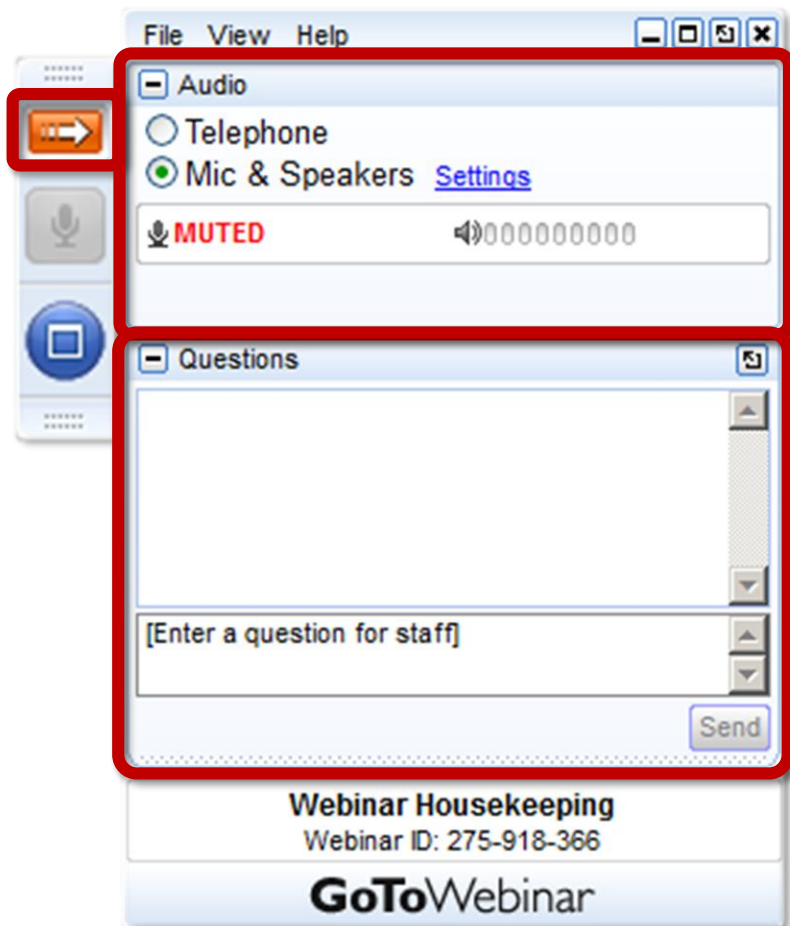
**RPS Collaborative Webinar**

# FERC and Clean Energy

Hosted by  
Warren Leon, Executive Director, CESA

April 26, 2018

# Housekeeping



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Celebrating 15 Years of State Leadership

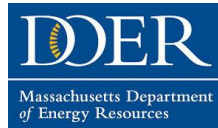
# Clean Energy States Alliance



Illinois Department of Commerce & Economic Opportunity



NYSERDA



Office of the People's Counsel  
District of Columbia  
Advocating, Protecting and Educating DC Consumers



# RPS Collaborative

- With funding from the Energy Foundation and the US Department of Energy, CESA facilitates the **Collaborative**.
- Includes **state RPS administrators, 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 sign up for the Collaborative listserv to get the **monthly newsletter** and announcements of **upcoming events**, see: [www.cesa.org/projects/renewable-portfolio-standards](http://www.cesa.org/projects/renewable-portfolio-standards)



U.S. DEPARTMENT OF  
**ENERGY**



# FERC and Clean Energy

- **John Moore**, Director of the Sustainable FERC Project at NRDC
- **Warren Leon**, Executive Director, Clean Energy States Alliance (moderator)

## Sustainable **FERC** Project

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Policies for a Clean Electric Grid





# FERC 2018: What Implications for State Energy Policies?

John Moore

Director, Sustainable FERC Project

April 26, 2018

Sustainable **FERC** Project

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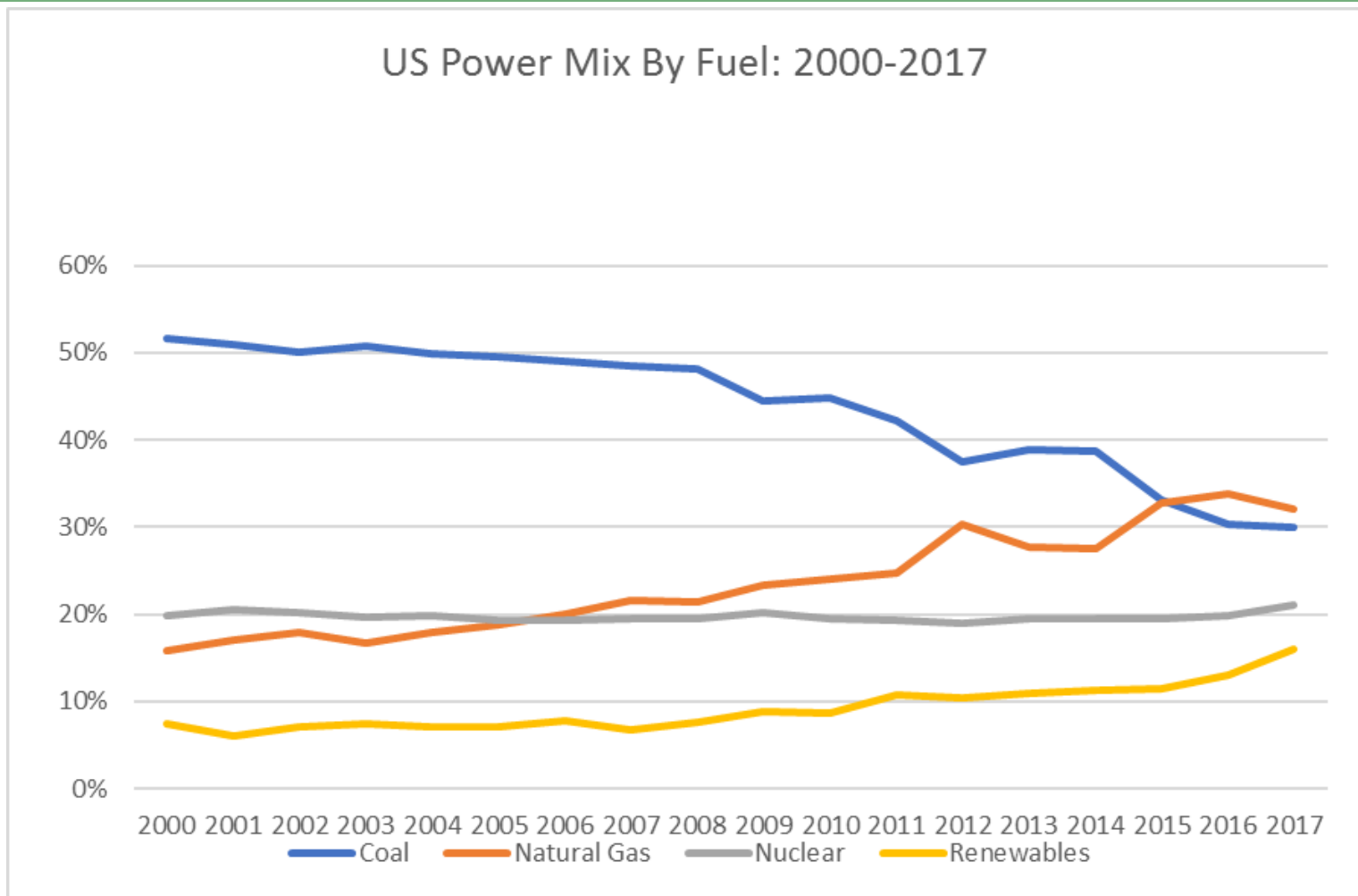
Policies for a Clean Electric Grid



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# Recent energy data

# Gas and Renewables Increase, Coal Continues to Decline

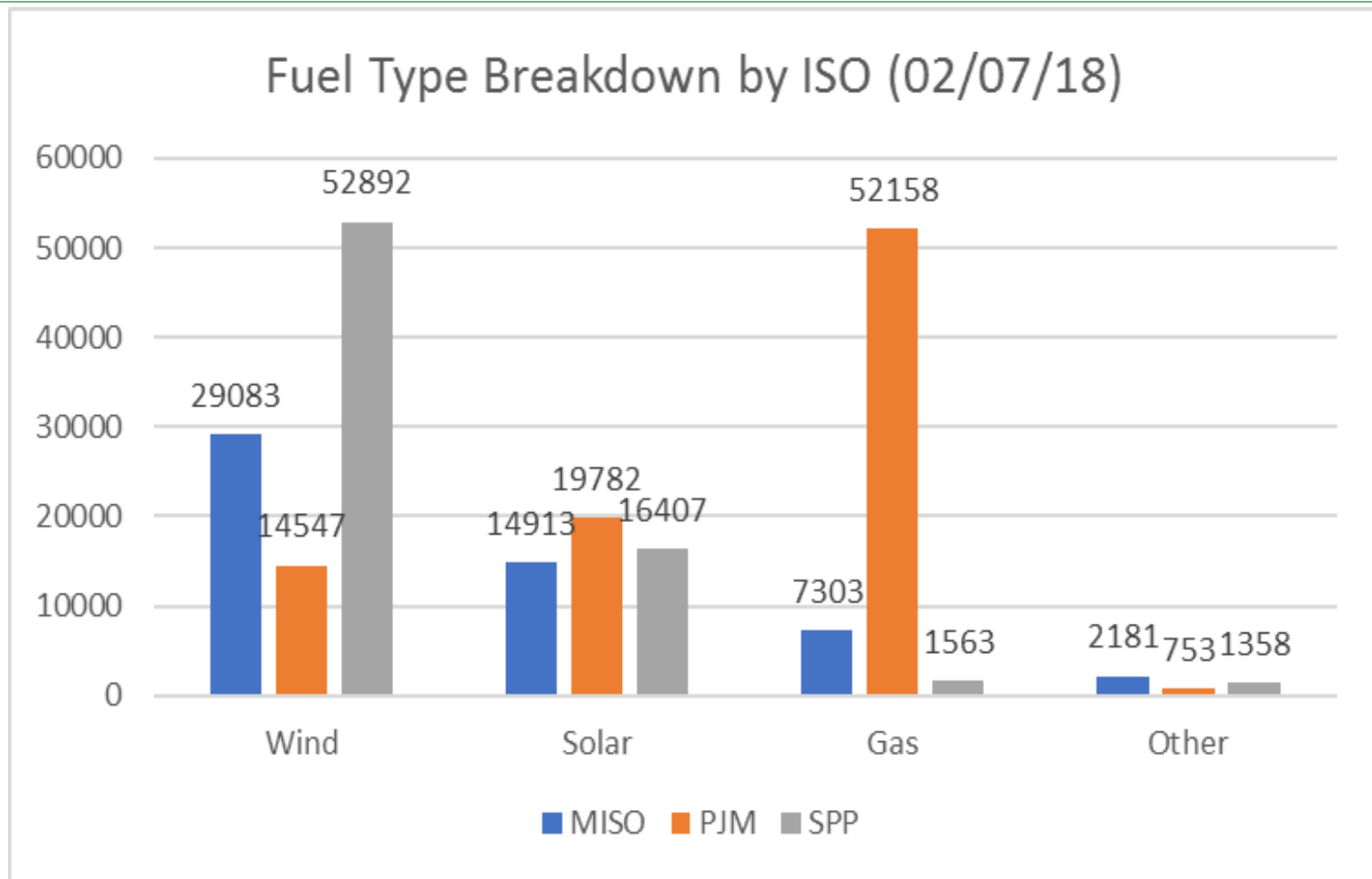


Sustainable **FERC** Project

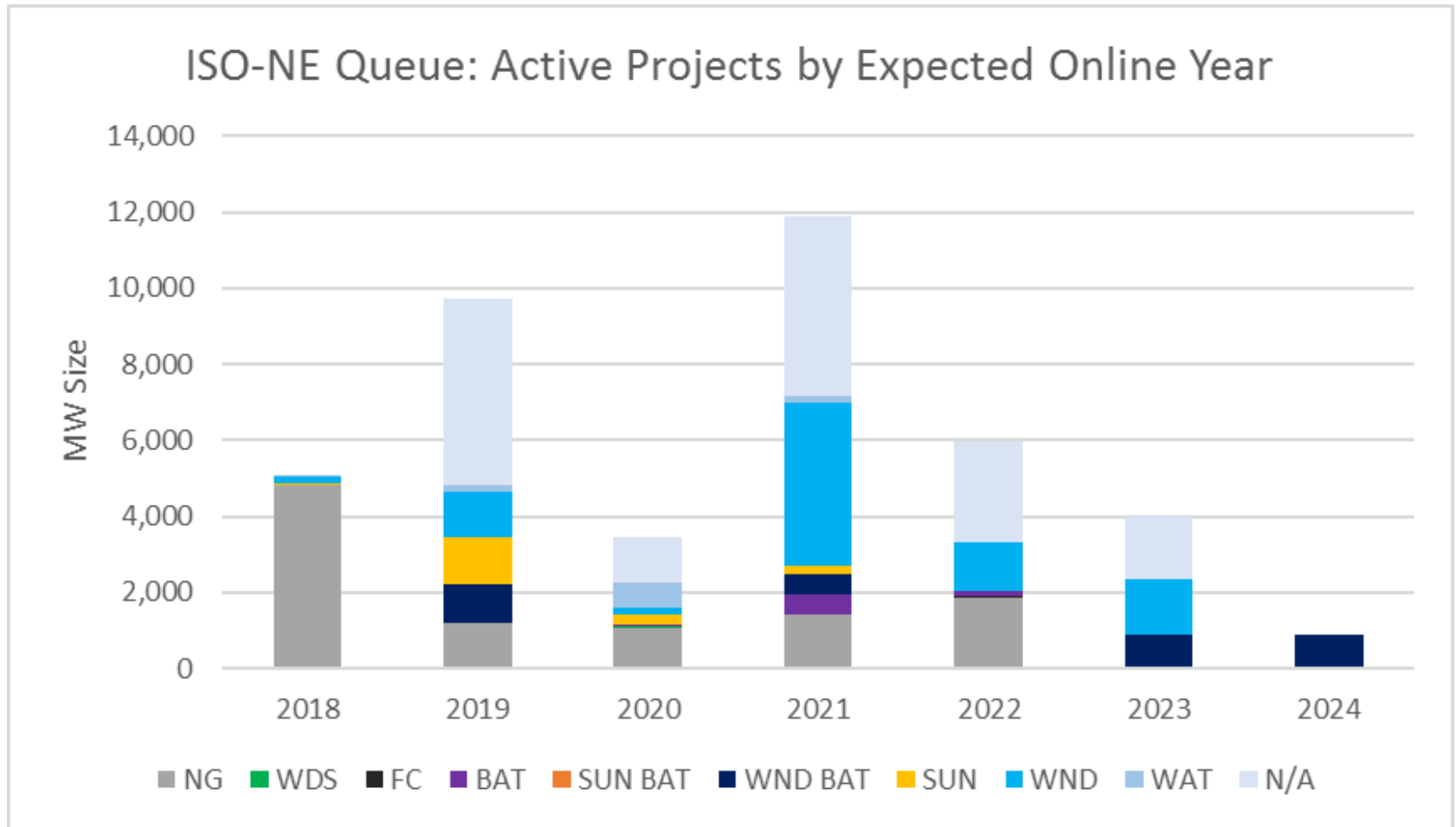
Policies for a Clean Electric Grid



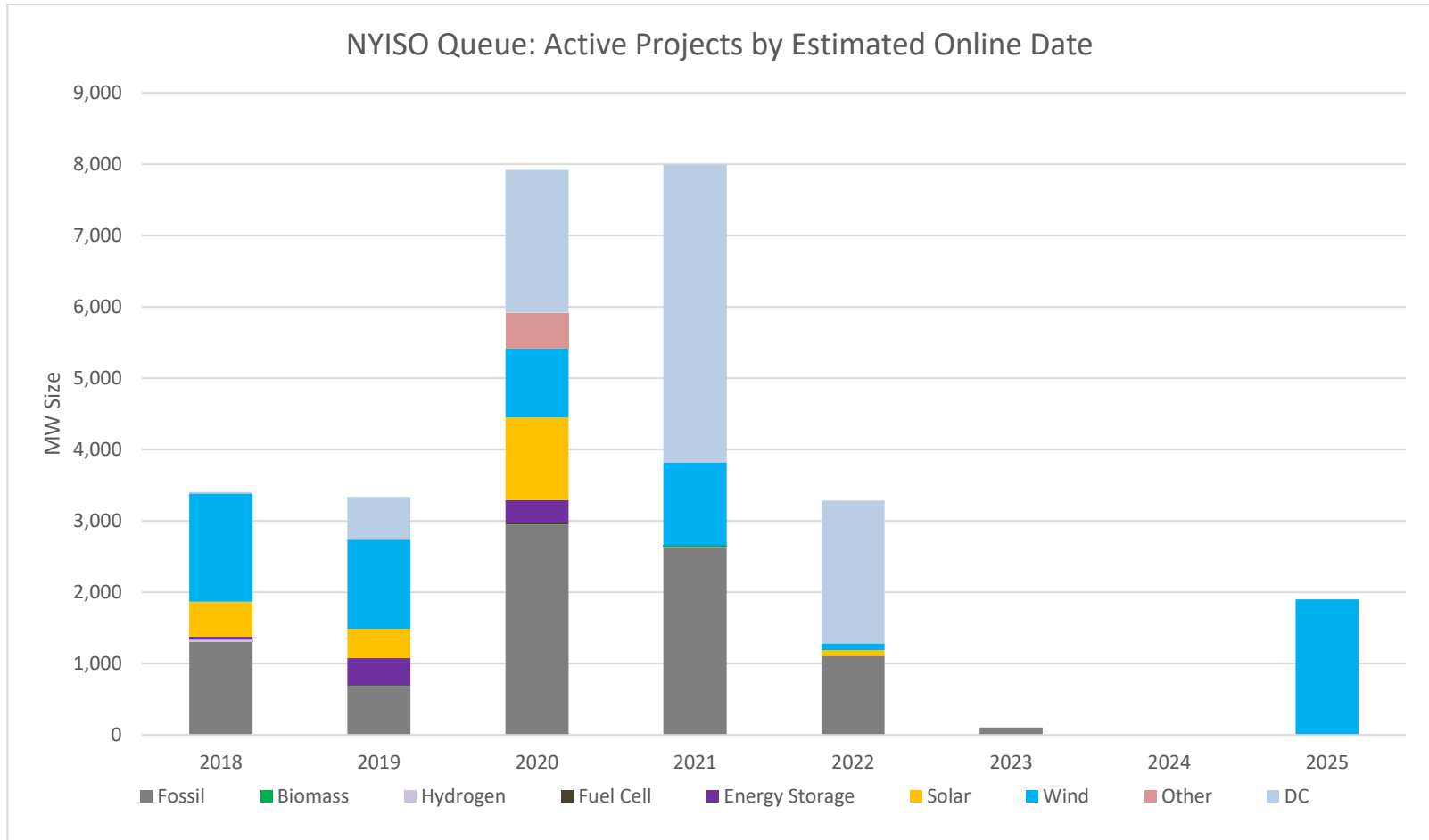
# Dramatic Fuel Mix Differences in RTO Interconnect Queues



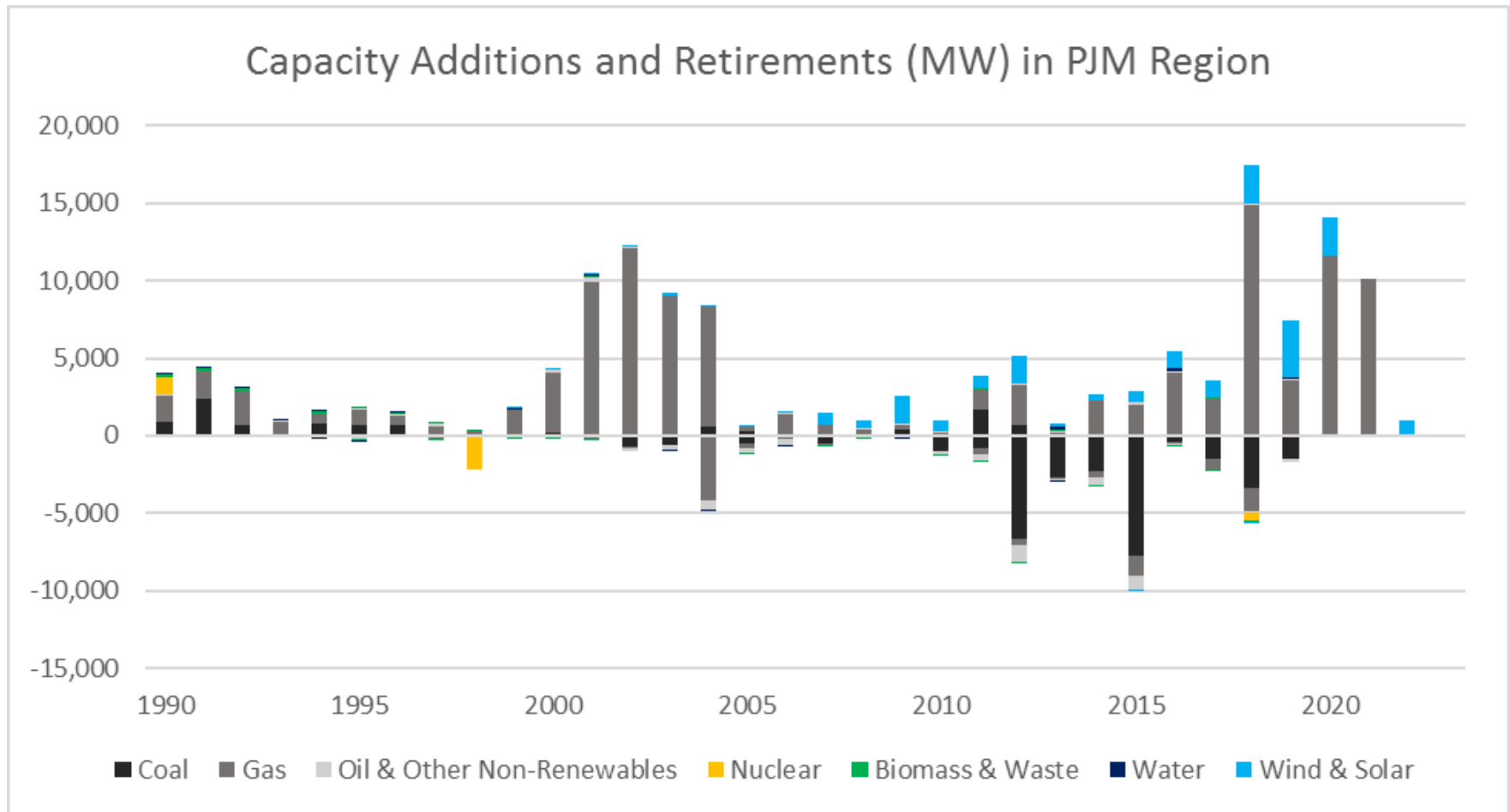
# More Queue Data – New England (ISO-NE)



# More Queue Data – New York (NYISO)



# Retirements and New Generation in PJM

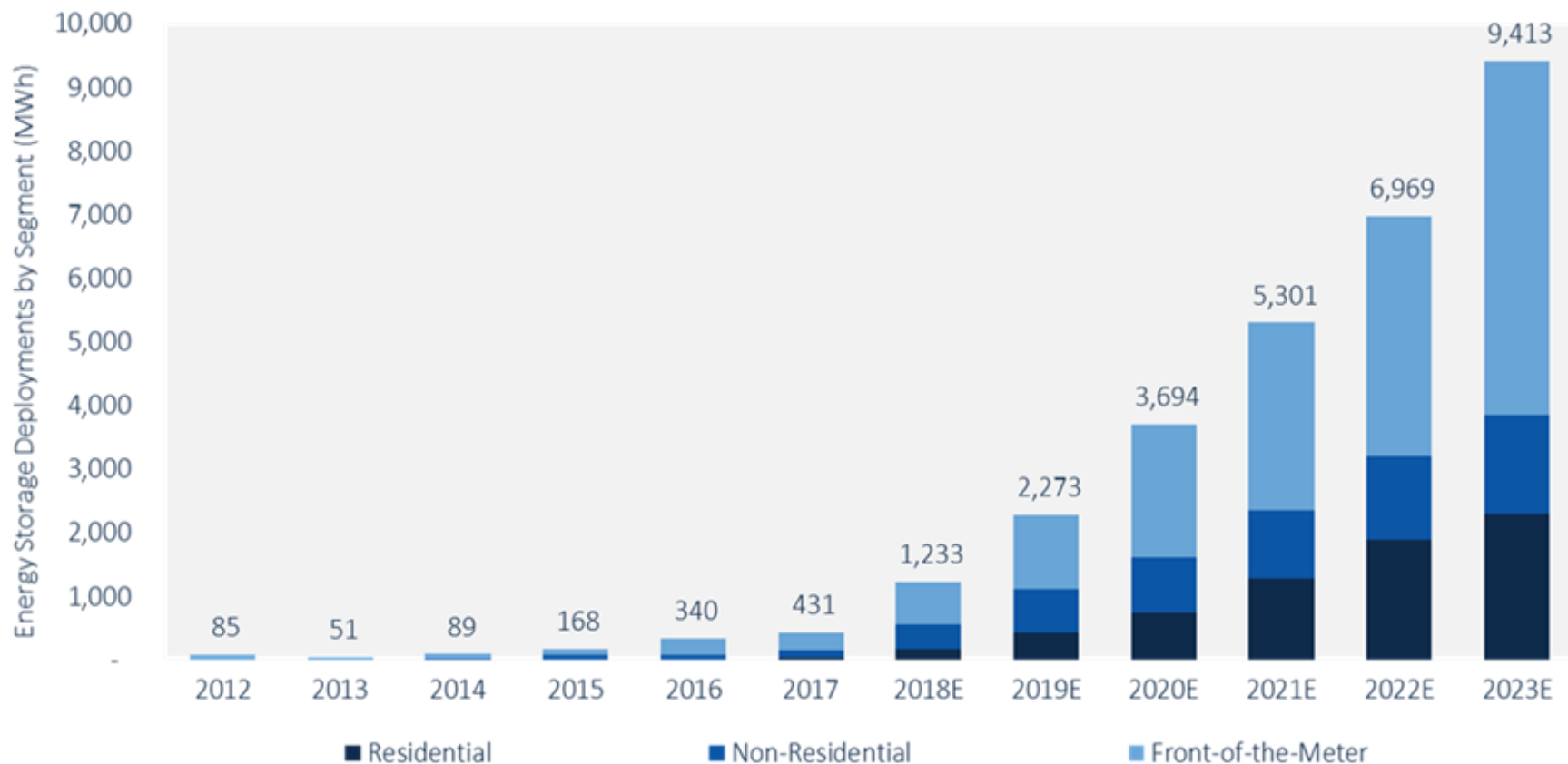


Sustainable **FERC** Project

Policies for a Clean Electric Grid

# Energy Storage Is Coming on Strong

U.S. Annual Energy Storage Deployment Forecast, 2012-2023E (MWh)



Source: GTM Research

Sustainable **FERC** Project

Policies for a Clean Electric Grid

## A Busy FERC: Since December 2017 It Has . . .

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- Rejected U.S. DOE’s “**grid resilience pricing**” proposal.
  - Reduced barriers to **energy storage** in markets (Order 841).
  - Required new generators to provide **primary frequency response** service (Order 842).
  - Rejected Kentucky’s **limits on energy efficiency** offering into PJM capacity market.
  - Approved ISO New England’s proposal to **limit state policy effects** on its capacity market.
  - Issued new **generator interconnection** rules (Order 845).
  - Convened tech conferences on **distributed energy resources** and **seasonal capacity**.
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## Themes for Today

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- Wholesale power markets and state energy policies – conflict or compatibility?
- Issues at the edge of the transmission/distribution system interface: energy storage, rooftop solar, other customer-owned resources
- Reliability and resilience
- Transmission planning – stuck in neutral?



# FERC Markets and State Energy Policies

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- **Fact:** State RPSs and other policies support resources that deliver benefits not accounted for by FERC's regulation of wholesale rates.
- **Fact:** State RPSs and other policies impact FERC-regulated capacity market prices.
- **Question:** Do state-sponsored resources depress FERC market prices? (**Answer:** Yes and no).
- **Question:** Should FERC's markets reflect that these resources help to meet resource adequacy? (**Answer:** Yes).

# ISO New England's Capacity Market Rule Changes

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- ISO New England proposed to reduce the price-depressive effects of state-incentivized “Sponsored Policy Resources” by creating a two-step capacity market process.
  - Step 1: Runs regular Forward Capacity Market auction, including application of an expanded Minimum Offer Price Rule (MOPR).
  - Step 2: Provides opportunity for legacy resources to receive a one-time “severance” payment to retire and be replaced with state-sponsored resources that do not clear the first step of the auction process.

# FERC's CASPR Order Included Strong Language on MOPR

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- A MOPR attempts to screen out resource offers that negatively affect clearing prices.
- Order included strong language on FERC's intention to "mitigate" state policies with a MOPR:

*Absent a showing that a different method would appropriately address particular state policies, we intend to use the **MOPR** to address the impacts of state policies on the wholesale capacity markets.*

## Strong Dissent from Commissioner Glick



Glick: Application of MOPR to state policies a *“historically serious misstep”*

## Pending PJM Proposals at FERC

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- PJM proposes two options to FERC to address what it calls “adverse effects” of state policies on its capacity market.
- First: PJM’s “preferred” option is **capacity re-pricing**. Procures the correct amount of capacity supply, but at inflated prices. State-supported resources can offer into the market, but PJM then recalculates capacity auction prices assuming a counterfactual that **excludes the revenues from targeted state policies**.

## More on PJM's Proposals

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- Second, PJM proposed an expanded **MOPR**
  - Essentially blocks many resources supported by applicable state subsidies from selling in the capacity market.
  - Forces customers to procure redundant capacity from other resources.
  - Drives up the costs of state policies, or will force the retirement of resources supported by those policies (should the state subsidies prove to be inadequate to cover capacity market revenue shortfall).
  - It only exempts renewables policies that are “competitive and non-discriminatory.” (open to new and existing, at least 3 bidders in auctions, and many more criteria).
- PJM also invited FERC to approve an even broader version of MOPR that would not contain any RPS exemption.

# RPS Implementation Considerations

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- Keep requirements at a high level.
- Watch outcomes of the Zero Emission Credit litigation in federal courts.
- Difficult to control risk of FERC blocking capacity market access in Eastern RTOs.



## Order 841: Leveling Playing Field on Energy Storage

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- Order 841 requires RTOs to create a “Participation Model” to ensure energy storage access to all electricity markets.
- RTOs/ISOs must account for the physical and operational characteristics of electric storage resources through bidding parameters or other means.
- Storage can be dispatched, and set market clearing prices
- Minimum size level cannot exceed 100 kW.
- FERC deferred action on aggregation of distributed energy resources.

## Shortcomings in Order 841

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- Large amount of flexibility given to ISOs on many points
  - ISOs can make no changes or design market rules that do not really help storage
  - Some ISOs may try to avoid a single storage asset registration type
    - Could limit dispatch flexibility, and with it resource economics
- Example: MISO seeking to phase in <100 kW resources and limit the amount of smaller resources at ISO discretion.

## State/FERC Authority Issues in Order 841

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- Order 841 says that RTOs must allow storage resources to access wholesale markets.
- Some see that requirement as infringing on state jurisdiction over retail sales.
- **Our view:** FERC has overlapping jurisdiction with states over “practices affecting rates.” FERC’s setting of rules for market access, should it choose to do so, is the quintessential practice affecting a rate.

## Bottom Line – Seek compatibility over conflict

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- FERC regulates the basic megawatt through wholesale rates (sales for resale).
- States regulate other attributes and preferences.
- **Capacity markets:** FERC's role is to regulate capacity markets to procure the correct amount of capacity when accounting for state policies, not to coerce states into changing those policies.
- **Consumer access to wholesale markets:** States cannot bar consumer access to markets.

## Resilience and Reliability

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- Pending proceedings: (1) FERC informational proceeding on resilience; (2) FirstEnergy Solutions request to DOE for profit guarantees for nuclear and coal power.
- *What is resilience?* For FERC purposes, it's an element of reliability.
- No evidence of a resilience problem that current rules can't solve: There is no "there" there.
- No generator or class of generator is critical to system resilience - fuel shortages responsible for only 0.00007% of all outages.

# Transmission – Order 845 Generator Interconnection

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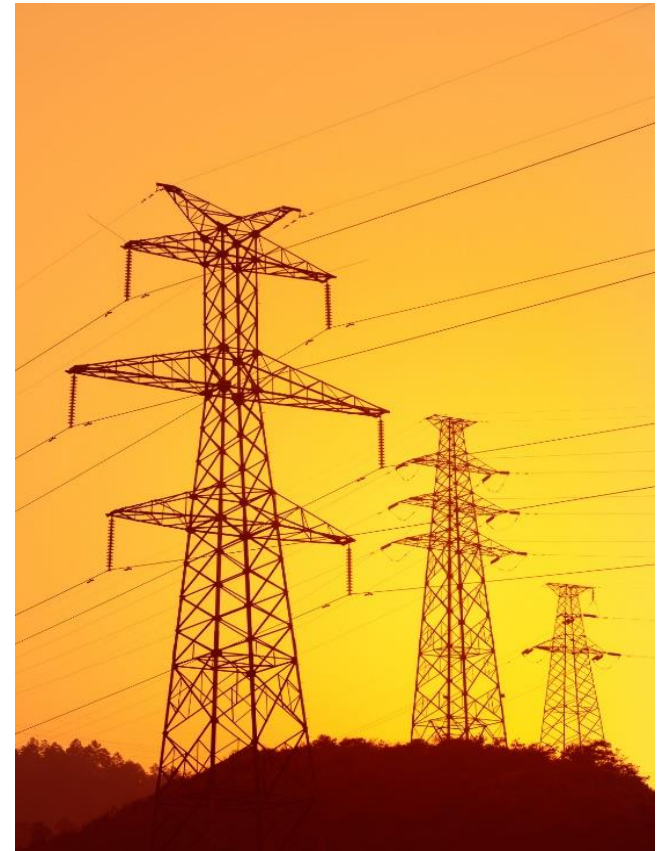
- Applies to >20 MW generators.
- Improves transparency and certainty for interconnection customers.
- Should especially benefit storage:
  - Allows interconnection agreements to be tailored to the level of service requested, which can be lower than nameplate capacity.



## Barriers to New Transmission

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- Lack of state interest in RTOs developing broad regional and inter-regional plans;
- Lack of support from RTO transmission-owning members for large regional and inter-regional types of lines;
- Lack of federal support for one-step interregional planning and allocation of costs.





## Contact Information

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John Moore

Senior Attorney and Director, Sustainable FERC Project

Natural Resources Defense Council

(312) 651-7927

[Moore.FERCProject@gmail.com](mailto:Moore.FERCProject@gmail.com)

# Thank you for attending our webinar

Warren Leon

RPS Project Director, CESA Executive Director

[wleon@cleangroup.org](mailto:wleon@cleangroup.org)

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# Upcoming Webinars

## **Income Trends of Residential Solar Adopters**

Wednesday, May 2, 1-2pm ET

## **The Market Value of Offshore Wind on the U.S. East Coast**

Friday, May 4 , 1-2pm ET

## **Update on the California SGIP Energy Storage Incentive**

Wednesday, May 9, 1-2pm ET (*state energy officials only*)

## **Electricity Affordability Metrics for the U.S.**

Thursday, June 14 , 1-2pm ET

Read more and register at: [www.cesa.org/webinars](http://www.cesa.org/webinars)