



**“FERC THREATS AND OPPORTUNITIES TO
REDUCE/AVOID ELECTRICITY COSTS ”**

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Industrial Energy Consumers of America
Spring Meeting**

Robert A. Weishaar, Jr.

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CHAIRMAN KEVIN J. MCINTYRE



- **Nominated by President Donald J. Trump in August 2017**
- **Confirmed by the U.S. Senate on November 2, 2017**
- **Sworn in December 7, 2017**
- **Term expires June 30, 2018; expected to be renewed**
- **Was energy attorney in private practice at Jones Day (DC)**
- **Republican**

COMMISSIONER CHERYL A. LAFLEUR



- **First nominated by President Barack Obama to the Commission in 2010**
- **Confirmed for a 2nd term by the Senate in 2014**
- **Has served briefly as Chairman and Acting Chairman**
- **Former utility executive from New England**
- **Term expires June 30, 2019**

COMMISSIONER NEIL CHATTERJEE



- **Nominated by President Trump in May 2017**
- **Confirmed in August 2017 by the U.S. Senate**
- **Was energy advisor to Senator Mitch McConnell (Ky.)**
- **Served as FERC Chairman from August 2017 to December 2017**
- **Term expires June 30, 2021**
- **Republication**

COMMISSIONER RICHARD GLICK



- **Nominated by President Trump in August 2017**
- **Confirmed by the US Senate on November 2, 2017**
- **Previously, was General Counsel for Democrats on the Senate Energy and Natural Resources Committee**
- **Term expires June 30, 2022**
- **Democrat**

COMMISSIONER ROBERT F. POWELSON



- **Nominated by President Trump in May 2017**
- **Confirmed by U.S. Senate on August 4, 2017**
- **Previously served at Pennsylvania Public Utility Commission from June 2008-2015, including as Chairman**
- **Commission expires on June 30, 2020**
- **Republican**

IMPACT OF FERC ACTIONS ON INDUSTRIAL CUSTOMERS VARIES DEPENDING ON 3 KEY FACTORS:

- **Are your facilities in a regulated or deregulated state?**
 - If deregulated, impact tends to be higher.
- **Are your facilities in a region where a Regional Transmission Organization (RTO) or Independent System Operator (ISO) exists?**
 - If yes, the impact tends to be higher.
- **Are your facilities located in ERCOT?**
 - If yes, the impact tends to be lower.

NERC (IMPACTS ALL STATES AND ALL CUSTOMERS)

- **Three key responsibilities: Standards-setting; Audits; Enforcement**
- **Transmission owners and utilities still play dominant role, due to resource allocation and engineering expertise**
- **NERC standards subject to FERC review and approval**
- **NOTE: “Resilience” (however ultimately defined) will continue to pervade NERC discussions – more on that later**

TRANSMISSION (IMPACTS ALL STATES AND ALL CUSTOMERS, EXCEPT ERCOT)

- **Most transmission owners have moved to formula transmission rates**
- **Formula rates allow transmission owners to recover full and actual costs**
- **Formula rates include Protocols that allow customers to review and object to cost pass-through**
- **Transmission owner-specific cases at FERC**
 - Opportunity: (1) Challenge formula rate filing (2) Review/challenge annual updates

TRANSMISSION (IMPACTS ALL STATES AND ALL CUSTOMERS, EXCEPT ERCOT)

- **Return on equity (ROE) remains highly contentious and litigious**
 - Industry still waiting on additional direction from FERC after D.C. Circuit remand of New England ROE case
 - Opportunity: Capital markets still supporting much lower ROEs than are currently in rates

TRANSMISSION (IMPACTS ALL STATES AND ALL CUSTOMERS, EXCEPT ERCOT)

- **Transmission cost allocation remains highly contentious and litigious**
 - Examples:
 - Zonal placement issues in SPP
 - Artificial Island project in PJM

TRANSMISSION (IMPACTS ALL STATES AND ALL CUSTOMERS, EXCEPT ERCOT)

- **Opportunity: FERC has recently placed much more emphasis on TRANSPARENCY in transmission planning and other aspects of transmission**
 - Provides opportunities for customers to review transmission projects BEFORE substantial costs are incurred

TRANSMISSION (IMPACTS ALL STATES AND ALL CUSTOMERS, EXCEPT ERCOT)

- **Opportunity: Stagnant or declining demand growth should reduce need for transmission (although transmission owners resorting to other agenda for justify cap ex)**
- **Opportunities: (1) Clarity and new rules around transmission facility ratings (2) Greater openness around transmission planning in RTO/ISO regions and in other regions (3) FERC Policy Statement tying prudence standard to transparency? (4) Order 1000 competition enhancements in ALL regions.**

GENERATION INTERCONNECTION (IMPACTS ALL STATES AND ALL CUSTOMERS, EXCEPT ERCOT)

- **FERC Order 2003 had established rules to prevent undue discrimination in generation interconnection process**
 - Designed to eliminate transmission owner roadblocks to new generation that would, in many cases, be competing with the transmission owner's generation

GENERATION INTERCONNECTION (IMPACTS ALL STATES AND ALL CUSTOMERS, EXCEPT ERCOT)

- **Actual experience under Order 2003 revealed that problems still existed (non-transparency, delay, discrimination, etc.)**
- **Last week, FERC issued Final Rule to enhance the Order 2003 process**

GENERATION INTERCONNECTION (IMPACTS ALL STATES AND ALL CUSTOMERS, EXCEPT ERCOT)

- **To improve certainty for interconnection customers, Final Rule: (1) removes a limitation on an interconnection customer's ability to construct interconnection facilities and stand alone network upgrades; and (2) requires that all transmission providers establish more-accessible interconnection dispute resolution procedures.**

GENERATION INTERCONNECTION (IMPACTS ALL STATES AND ALL CUSTOMERS, EXCEPT ERCOT)

- **To improve transparency and to promote more informed interconnection decisions, the Final Rule: (1) requires transmission providers to outline and make public a method for determining contingent facilities; (2) requires transmission providers to list the study processes and assumptions for forming the network models used for interconnection studies; (3) revises the definition of “Generating Facility” to explicitly include electric storage resources; and (4) establishes reporting requirements for aggregate interconnection study performance.**

GENERATION INTERCONNECTION (IMPACTS ALL STATES AND ALL CUSTOMERS, EXCEPT ERCOT)

- **To enhance the efficiency of the interconnection process, the Final Rule: (1) allows an interconnection customer to request a level of interconnection service that is lower than its generating facility capacity; (2) requires transmission providers to allow for provisional interconnection agreements that provide for limited operation of a generating facility prior to completion of the full interconnection process; (3) requires transmission providers to create a process for the use of surplus interconnection service; and (4) requires transmission providers to set forth a procedure to assess and, if necessary, study changes in an interconnection customer's proposed technology that occur during the interconnection process to determine if such changes would constitute a material modification.**

GENERATION INTERCONNECTION (IMPACTS ALL STATES AND ALL CUSTOMERS, EXCEPT ERCOT)

- **Benefits:**
 - Customers seeking to interconnect customer-owned generation should have an easier process
 - All customers would benefit from an enhanced interconnection process that allows new generation to interconnect efficiently

GENERATION CAPACITY

- **Tremendous generation shift from coal/nuclear to natural gas/renewable occurring largely outside of FERC authority**
 - Response to commodities markets, environmental/emissions limits, state RPS requirements, and other forces

GENERATION CAPACITY

- **However, some states have taken or are considering actions that impact FERC-jurisdictional markets**
 - Illinois- Zero Emission Credits (ZECs)
 - New York – ZECs
 - New Jersey – passed legislation (awaiting Gov. signature) to provide ZECs

GENERATION CAPACITY

- Pennsylvania – discussions ongoing
- Ohio – discussions about Zero Emission Nuclear (ZEN) credits suspended (for now)
- Other states – initiatives to subsidize offshore wind, large-scale solar, and other renewable technologies

GENERATION CAPACITY

- **Impact:**

- (1) Negative: Crowding out of generation that is efficient AND WILLING TO PUT ITS OWN CAPITAL AT RISK
- (2) Negative: Customers in those states saddled with costs of subsidies
- (3) Potential positive: Lower capacity and energy prices because subsidized supply is participating in markets

GENERATION CAPACITY

- **FERC Response – addressing several competing tensions:**
 - Should customers get benefit of generation they are subsidizing?
 - What generation gets to clear – subsidized generation? new, non-subsidized generation? some combination of the two?
 - Should market-clearing prices or market offers or both be “ratcheted up” to offset the subsidy impact?

GENERATION CAPACITY

- **FERC Orders – “varied”**
 - MISO: Mostly regulated; little or no corrective action in MISO capacity auctions
 - New England: Multiple market clearings (approach known as CASPR - Competitive Auctions with Sponsored Policy Resources) recently approved by FERC; rehearings and appeals HIGHLY likely
 - PJM: Recently filed “jump ball” proposal: (1) Capacity Repricing – roughly comparable to New England CASPR; and (2) Enhanced Minimum Offer Price Rule (MOPR-Ex) to recalibrate market offers to offset subsidy impact; increases probability that subsidized resources do not clear

“RESILIENCE”

- **Outgrowth of DOE NOPR proceeding at FERC**
- **Resilience has taken on overtures of “generation bailout”**
- **ISOs/RTOs filed comments in March**
 - Comments varied: MISO and SPP say little need for changes; PJM comments suggested far-reaching changes
- **Stakeholder comments due May 9**

OTHER ISSUES

- **PURPA**

- Cogeneration being swept up in concerns over proliferation of PURPA small power production facilities (renewables)

- **Distributed Energy Resources**

- Utilities and ISOs/RTOs looking for information on behind the retail meter operations (generation or otherwise)

- **Electric Storage**

- Worthwhile objective, but raises concerns about reach behind the retail meter

QUESTIONS?

Robert A. Weishaar, Jr.
1200 G Street, NW – Suite 800
Washington, DC 20002
202-898-0688
bweishaar@mcneeslaw.com

