

**Kentucky Industrial Utility Customers
2018 ENERGY CONFERENCE**

**March 22, 2018
Lexington KY**

Federal Energy Issues

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FERC Issues

Primary Frequency Response

FERC Docket No. RM16-6-000

- Primary Frequency Response Order (February 15, 2018)
- In a unanimous decision, FERC issued its final rule to govern provision of primary frequency response. The final rule adopts the positions that ELCON urged in its comments – support for the proposed rule with the critical proviso of an exemption for certain CHP facilities.
- This is arguably the first time FERC has abandoned its general policy that ALL generators should be treated the same.
- FERC recognizes that generation equipment embedded in an industrial process does not behave as a stand alone generator.

“DOE NOPR”

FERC Docket No. RM18-1-000

- The advertised intent was to advance “grid reliability and resiliency pricing.” Actually a rather egregious example of crony capitalism.
- January 8 order terminated proceeding. Replaced it with a “general administrative docket.”
- In terminating the proceeding FERC concluded that there was no finding that assertions of grid resilience or reliability issues due to potential retirement of certain baseloaded power plants satisfy the statutory requirement demonstrating that the RTO/ISO tariffs are unjust and unreasonable.
- The record also did not support a J&R determination allowing all eligible resources to receive cost-of-service rates regardless of need or cost to the system. Nonetheless, the Commission explicitly stated that the issue remains an important issue that warrants the Commission’s continued attention.

“DOE NOPR”

FERC Docket No. RM18-1-000

- March 9 ISO/RTO Filings on Resilience with Reply Comments due April 9. The ISOs and RTOs were asked to address:
 1. A Common Understanding of Resilience defined as “The ability to withstand and reduce the magnitude and/or duration of disruptive events, which includes the capability to anticipate, absorb, adapt to, and/or rapidly recover from such an event.”
 2. How RTOs/ISOs Assess Threats to Resilience
 3. How RTOs/ISOs Mitigate Threats to Resilience
- The Commission stated that following the RTO/ISO submissions and subsequent reply comments, it would “promptly decide whether additional Commission actions on this issue is warranted.”
- All the submissions were filed on March 9.

The War Over Resilience Has Just Started.

- FERC Chairman McIntyre and Commissioner Chatterjee talk up resilience every chance they get.
- McIntyre has also made it clear that FERC will not ignore this issue as it applies outside the traditional ISOs and RTOs.
- One way that is not getting the attention it deserves are efforts to reform so-called **block loaded pricing**.
 1. Some resources can only be operated in two states: zero output or maximum output. They cannot be ramped. Nuclear plants, some coal-fired plants and some natural gas fired plants are block loaded.
 2. Block loading is not a favorable attribute in competitive wholesale electric markets.
 3. Efforts to force it as a competitive resource and allow it to set LMPs would greatly increase costs to consumers because ALL generators in the market are paid the same price. Think bailout.

“CASPR”

FERC Docket No. ER18-619-000

- ISO-New England proposal on “Competitive Auctions with Sponsored Policy Resources (CASPR).” “Sponsored” means subsidized.
- Attempts to balance desire of states to force higher cost, out-of-market resources into the regional resource mix without unduly interfering with the prices in competitive wholesale electric markets operated by ISO-NE.
- Mixed bipartisan vote narrowly approved proposal with bipartisan dissents.
- Makes minimum offer price rule (i.e., an artificial price floor) a “standard solution” applicable to future ISO/RTO proposals.
- PJM’s proposal to subsidize obsolete baseloaded units may be next.

ELCON Position

- Low electricity rates/prices are the result of low natural gas prices and higher heat rates. The inability of certain baseloaded plants to compete is just that—they can't compete. Competitive markets intend this outcome.
- DOE is attempting to stall the timely retirement of old and obsolete power plants.
- The original owners of the merchant plants at issue were fully compensated for their fixed costs. There is no point in doing it again.

Congressional Letter to POTUS

- Letter dated February 21st to Trump signed by 23 members of House and Senate.
- Asks Trump to direct DOE Secretary to exercise his Section 202(c) emergency powers under the Federal Power Act to stop retirement of coal and nuclear plants.
- Basis of the request is that these plants “maintain adequate fuel on-site to ride through an extended emergency.”

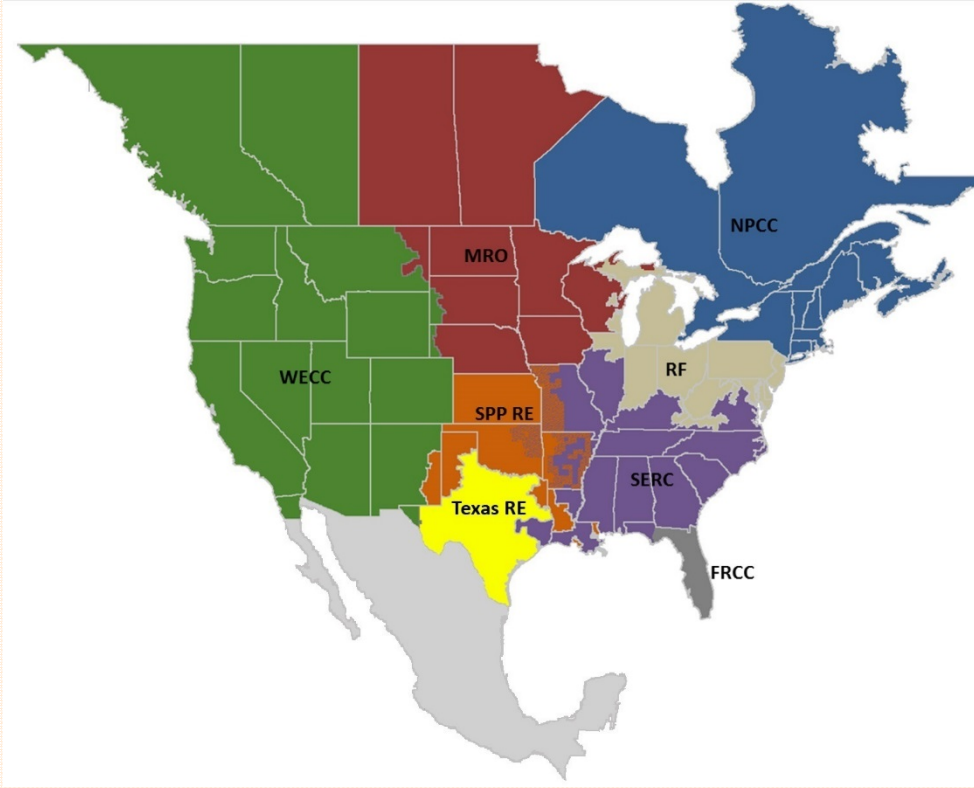
FPA Section 202(c)

Under FPA section 202(c) during the continuance of a war in which the United States is engaged or when an emergency exists by reason of a sudden increase in the demand for electric energy, or a shortage of electric energy, or of facilities for the generation or transmission of electric energy, or of the fuel or water for generating facilities, or other causes, the Secretary of Energy may require by order temporary connections of facilities, and generation, delivery, interchange, or transmission of electricity as the Secretary determines will best meet the emergency and serve the public interest. 16 U.S.C. § 824a(c).

Proposed Rule on Uplift Cost Allocation & Transparency

FERC Docket No. RM17-2-000

- The January 2017 proposal is still pending a final order.
- Fourth in a series of piece-meal actions to address price formation.
- A preliminary fear was that FERC would attempt to eliminate the need for uplift payments that would greatly reduce the transparency of price formation and increase payments to generators. Uplift payments are most likely to be incurred when the day-ahead market clearing process does not schedule sufficient resources to satisfy the system's real-time needs and instead the ISO or RTO must procure out-of-market resources after the day-ahead market has cleared.
- But the focus of the NOPR really was transparency and a fairer allocation of uplift costs to customers. ELCON supported the rulemaking.



NERC Issues

ELCON's Advocacy at NERC

- Intended to address two concerns:
 - (1) Minimize the overall cost of maintaining a reliability electric grid (remember all compliance costs are ultimately recovered from end-use consumers—one third from industrial ratepayers); and
 - (2) Minimize the burden on industrial facilities that are registered entities under NERC Reliability Standards and therefore legally obligated to comply with all applicable NERC Reliability Standards.
- ELCON's advocacy on NERC related matters before FERC is generally to support NERC's position and prevent undue intrusion by FERC on the development of standards. Much of it is very wonkish.

Coordination of Protection Systems

FERC Docket No. RM16-22-000

- Proposed standard would improve the means by which registered entities establish and utilize processes for developing new and revised Protection System settings for the Bulk Electric System so that the systems operate in the intended sequence during Faults.
 - Where a Fault is defined as “An event occurring on an electric system such as a short circuit, a broken wire, or an intermittent connection.”
- FERC unnecessarily is proposing a new requirement for “an initial protection system coordination study” as well as other things. We deemed all the modifications as unnecessary and urged FERC to approve the standard as written.

Cyber Security Incident Reporting

FERC Docket RM18-2-000

- FERC is proposing to direct NERC to increase the scope of mandatory reporting requirements for cyber security incidents—and that would require the drafting of new standards.
- We opposed it and urged the Commission to consider alternative tools—that NERC in fact has proposed—for achieving the goal of improved awareness of cyber security threats and potential vulnerabilities.



EPA Issues

Whither the CPP ...

- The Trump Administration has pretty much prevented any near-term implementation of the Clean Power Plan and related GHG rules and regulations.
- But the all important Endangerment Finding remains intact. This could be a hook for a federal court to reinstate some portion(s) of the CPP and other EPA rules that Trump is trying to rescind.
- There is strong utility support for EPA to implement some minimal rules on GHG controls at new and existing power plants.
- The environmental community may have the last word in courts.

For more information visit ELCON's website: www.elcon.org

