



Free markets. Real solutions.

# **PURPA: A Time to Reform or Reduce Its Role?**

Harvard Electricity Policy Group

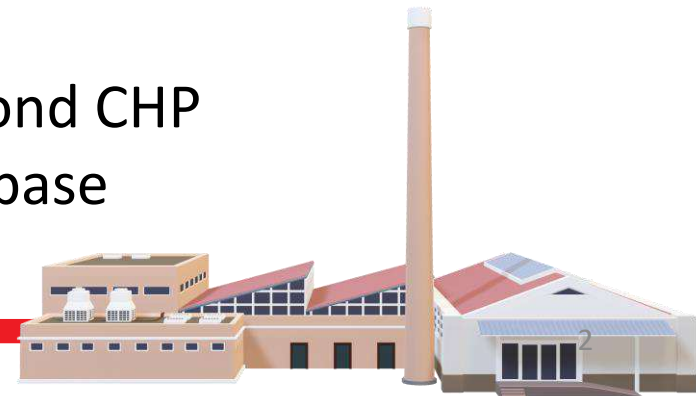
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# PURPA: Then and Now

- Multi-purpose statute
  - Encourage oil alternatives (unneeded)
  - Enable electric competition (needed, selectively)
    - Includes industrial self-supply
- Modernization
  - EAct 2005 largely addressed RTO context
    - States: full authority to avoid must-purchase obligation
  - Fine-tune implementation
  - Relevant in absence of competitive markets
- New relevance
  - Enable consumer self-supply beyond CHP
  - Discipline utility renewables rate base



# FERC's PURPA NOPR

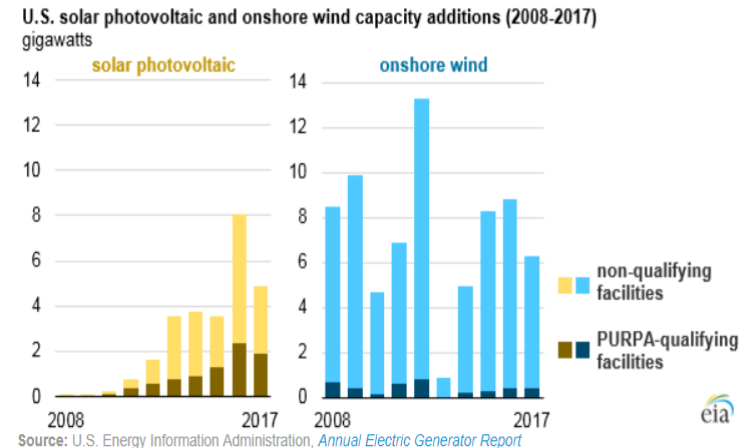


- One-mile rule
  - Warrants reform
- 20 MW threshold
  - May warrant reform for merchant suppliers
  - Relevant for self-suppliers
- Avoided cost
  - Devil in the details
  - Big opportunity: competitive procurement

# Consumer Perspective

- Industrials
  - Self-supply outside RTOs
  - Discipline utility self-builds
    - QF contracts shorter – sunk adv.
  - No concern over “bad” QFs
- Residentials
  - States can adjust avoided costs
- Claiming harm to consumers
  - Utilities & contractors
  - Groups without electricity expertise
  - Select PUCs: admin burden
- NARUC: competitive procurement

PURPA-qualifying capacity increases, but it's still a small portion of added renewables



**NARUC**

National Association of Regulatory Utility Commissioners

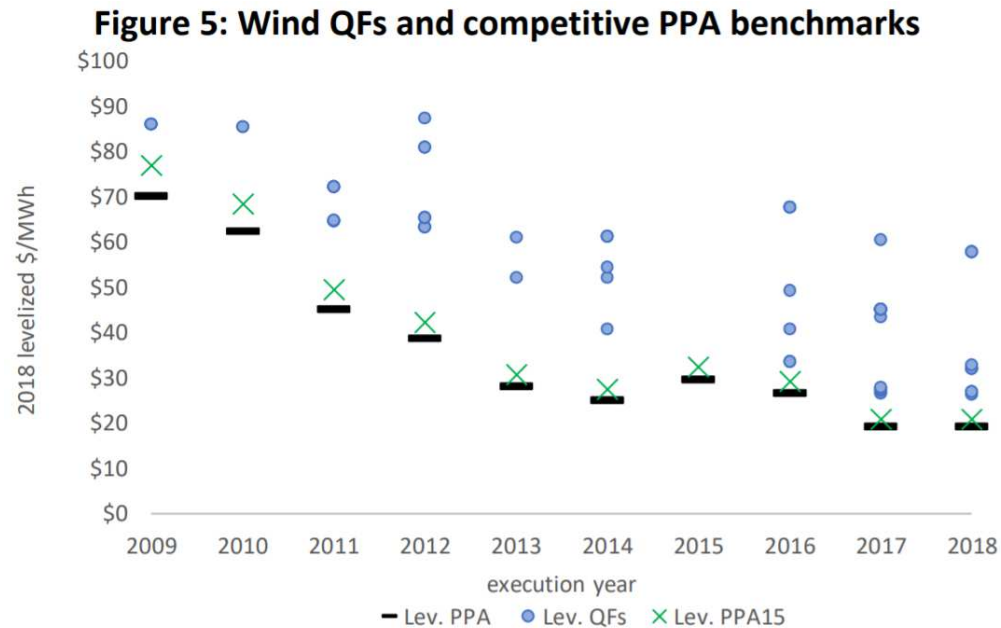
Aligning PURPA with the  
Modern Energy Landscape

A Proposal to FERC

# EEI / Concentric Study

- Incorrect benchmark for PURPA
  - Proper counterfactual: utility self build
- Very relevant: markets > admin procurement

Verdict  
Generation is  
NOT a natural  
monopoly



# Competitive Procurement: Current Practices

- “Competitive” in name only
  - Colorado: encouraging but insufficient
  - Deflated advocates from last decade
- IRP reform era lessons
  - E.g., Oregon 95% incumbent
- Failed “market tests”
  - E.g., MISO states, Entergy
- North Carolina evolution

**BRIEF**

**Xcel solicitation returns 'incredible' renewable energy, storage bids**



Source: UtilityDive

# Competitive Procurement: Next Steps

- FERC: set high bar for “workably competitive”
  - Conditions: transparency, independent admin, proper technical parameters, affiliate abuse protections, etc.
    - See ELCON, SEIA, EPSA comments
  - Cutoff points e.g., Virginia’s new law
  - Exempt self-supply: not homogeneous product
- Side docket forthcoming?
  - Record is limited
  - FERC motivated by low hanging fruit

# Investment Paradigm Hierarchy

