

FERC and the Bulk Power Markets

R Street Institute

Free markets. Real solutions.

PJM State Energy & Environment Regulators Webinar
Nicholas Institute, Duke University
February 16, 2021



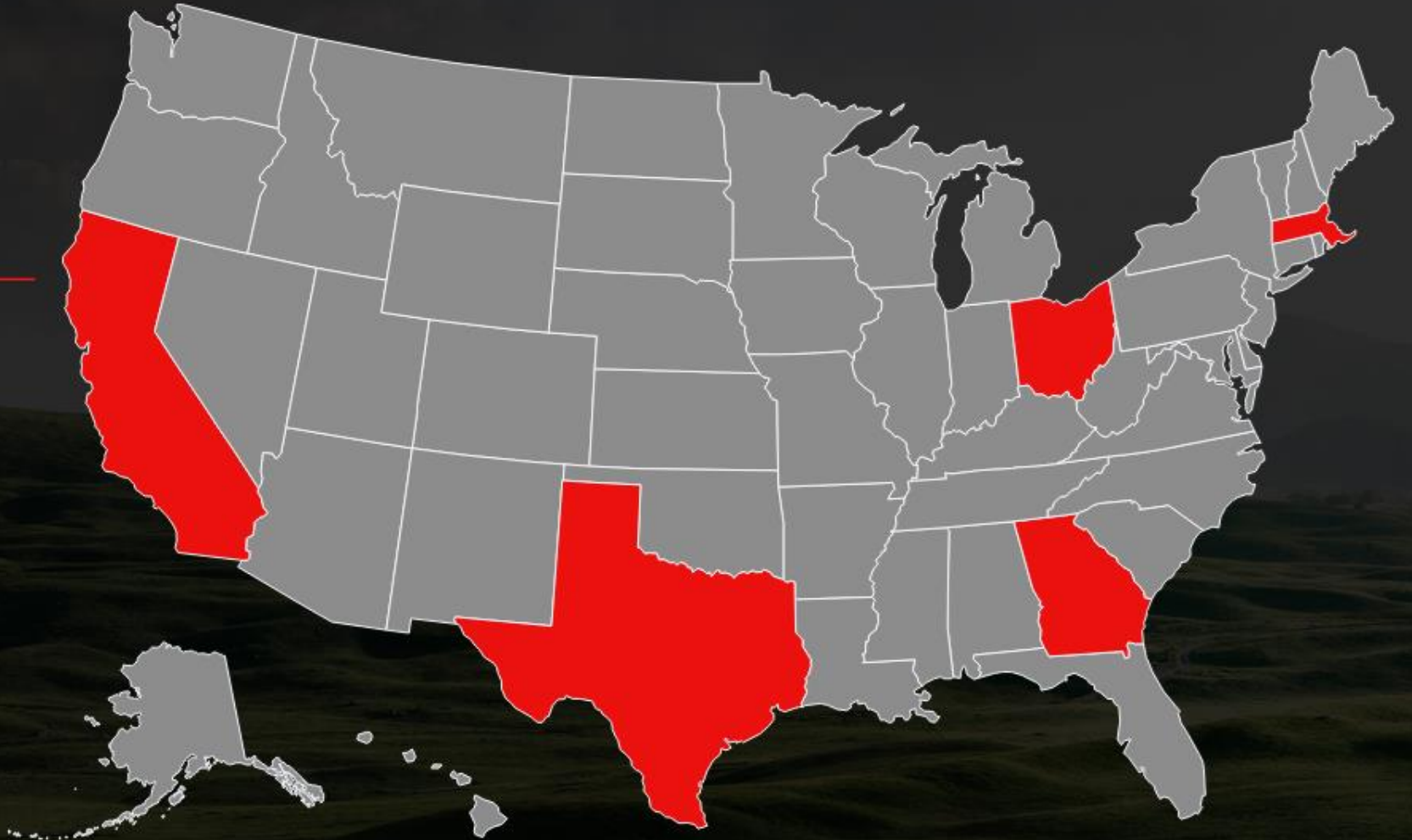
WHO WE ARE

R Street Institute is a nonprofit, nonpartisan, public policy research organization. Our mission is to engage in policy research and outreach to promote free markets and limited, effective government.



WHERE WE ARE

In addition to our D.C. headquarters, we have offices in Georgia, Texas, Ohio, California and Massachusetts.



Obama vs. Biden Eras

Social, economic, legal landscape transformed

Environmental regulation

- Catalyst → impediment to clean energy transition

Internalizing externalities

- Gov't-led → market-driven

Not a federal spending problem, an institutional one

- Regulatory framework requires overhaul



R Street Will symbolism or results win out?

DISCONNECTED: THE NEED FOR A NEW GENERATOR INTERCONNECTION POLICY



Restructured Energy-Only

**Restructured with Capacity
Market**

Competitive Procurement



Advancing Clean Without Getting Dirty



Letting Technologies Compete on their Merits

- Interconnection queue reform
- “High bar” for Order 2222 compliance
- Resource adequacy: E&AS boost, phase-down capacity constructs
- Hybrid resources, offshore wind, etc.

Reform Mechanisms

Complaints & show cause orders

- E.g., 1000 carve outs

Rulemakings

- E.g., line ratings NOPR

Congress

- Siting & permitting

Is the Utility Transmission Syndicate Forever?

Energy Law Journal, Forthcoming

Ari Peskoe

Harvard Electricity Law Initiative



Transmission Policy Reform

Sequencing: “fix” RTO governance first?

- Incumbent TO dominance
- Appetite to reopen Order 719
- Congress makes RTOs compulsory?

Bang for the buck

- Outside 1000
 - Equal rate treatment for local projects
- Revise 1000 wholesale or piecemeal?
 - Better implementation for regional projects
- What needs institutional overhaul?
 - Inter-regional projects

Three Contexts

- RTOs with CoS states
- RTOs with restructured states
- Non-RTOs with CoS states

FERC-State Harmonization

Cooperative Energy Federalism

- Minimum Offer Price Rule
 1. Containment
 2. Voluntary remand
- Bright line: proactive clarity vs. reactive adjudication
- RTO-IRP/CPCN/trackers alignment
- Conflict resolution mechanisms
 - Topical workshops
 - Joint federal-state board



FERC's carbon pricing dialogue may be worth the price of admission



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R STREET POLICY STUDY NO. 180
August 2019

**PROBLEMS IN ELECTRICITY
MARKET GOVERNANCE:
AN ASSESSMENT**

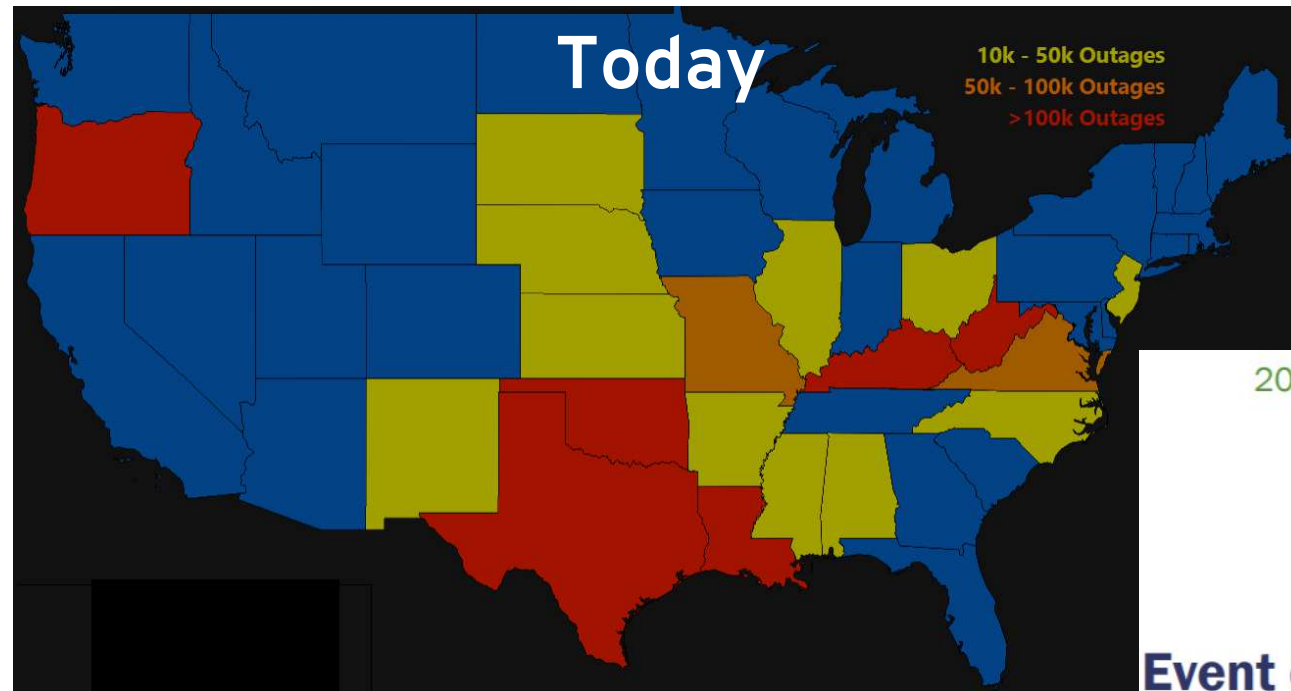
By Travis Kavulla

Risk Management Under Complex Institutions

- Extreme weather risk (climate emphasis)
- Fuel mix transition: federal reliability > state preferences (RMRs)
- Gas-electric coordination revisited
- CoS: extensive federal-state coordination
- Optimal policy tools – standards, market design etc. – vary by institutional architecture



Resilience Revisited



2019 FERC and NERC Staff Report

**The South Central
United States
Cold Weather Bulk
Electric System
Event of January 17, 2018**

Source: 2/16/21 10:45 AM ET <https://poweroutage.us/>

Thank you!

Devin Hartman
dhartman@rstreet.org

www.rstreet.org
Twitter: @RSI

