ELCON REPORT

The Electricity Consumers Resource Council Founded in 1976

Spring 2018

ELCON Tells FERC Resilience Doesn't Justify Coal, Nuclear Bailout

Emphasizing that it is not a new concept, ELCON in May filed comments with the Federal Energy Regulatory Commission (FERC) saying that "'resilience' does not warrant bailout of coal and nuclear plants, nor does not justify the price formation changes sought by PJM in this docket that would subsidize coal and nuclear plants."

ELCON's reply comments were filed in a docket created after the FERC unanimously rejected a proposal from the Department of Energy to subsidize to coal and nuclear plants, instead turning to regional grid operators to assess how best to enhance the resilience of the power system.

"Resilience is not a new concept," ELCON said in comments. "It already is part of the Commission's mission under the Federal Power Act."

ELCON was also critical of PJM's price formation proposal and urged FERC to reject such "opportunism."

ELCON noted in its comments that FERC staff concluded that "[i]n the electricity markets, electric capacity is sufficient in all regions based on current load forecasts."

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'Fuel Wars' Discussed at Spring Workshop in New Orleans

Speakers representing coal, clean energy, nuclear, storage and natural gas touted the benefits of each of their generation resources at ELCON's "Fuel Wars" Spring Workshop in New Orleans in April.

The integration of intermittent resources like solar and wind were also discussed as was how to do resource planning correctly and the federal government's predictions for the energy outlook for 2018.

Paul Bailey, president of the American Coalition for Clean Coal Electricity, said "we need all the resources."

Saying that his organization had nothing to do with the Department of Energy's controversial proposed rule to prop up coal and nuclear plants, Bailey said they "don't know what FERC is going to do next. We're concerned that it's not going to happen quickly."

Bailey pointed out that coal provides 256,000 MW of electric generating capacity and that more than 111,000 MW have retired or announced plans to retire. He said coal provided 30% of the nation's electricity last year and is projected to provide

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slightly less than 30% between now and 2030.

However, he admitted that there is “a lot of momentum” for switching to other resources.

Paul Bailey

One of those resources includes renewable energy. The president of the American Council on Renewable Energy said renewable energy is becoming more affordable. “Let us compete, leave us along, we will win,” Greg Wetstone said.

Wetstone said the cost of renewable energy is coming down. He said the cost of solar and wind has decreased 67 and 86 % respectively since 2009. Moreover, Wetstone pointed out that “states with the most renewables the rates are going up least rapidly while rates in states with the least renewables are going up most rapidly.”

Kelly Speakes-Backman of the Energy Storage Association said “energy storage is like the bacon of the grid. It makes everything better.” Speakes-Backman said energy storage costs are “dramatically declining” and is “increasingly cost effective.” She said battery storage is growing and that she expects the current one gigawatt of storage to double soon.

Average battery time, she said, is now between 2-4 hours but said 8 hours is coming in the near future despite not having a tax credit for storage as other renewable resources do.

Saying that “we operate nuclear plants really well” the President of the Nuclear Power Institute Maria Korsnick said “nuclear power is under a great deal of stress,” pointing out that a number of plants are scheduled for retirement.

Nevertheless, Korsnick pointed out that “you get a lot of energy from a little amount of fuel” and that smaller, modular plants – 30-100 MW – maybe the nuclear wave of the future.

Marty Durbin, executive vice president of the American Petroleum Institute, perhaps summed it up best by admitting that predicting where the industry will go is difficult.

“There is plenty of room for us to be humble,” Durbin said. He said there has been “incredible growth in natural gas” and “we’re producing gas and oil at a much lower cost than anyone thought possible.”

Energy storage is like the bacon of the grid. It makes everything better.

Kelly Speakes-Backman

Not all the speakers represented fuel choices.

Southwest Power Pool President and CEO Nick Brown told attendees that one of the most difficult tasks SPP has is building transmission lines. “I find it mind boggling that transmission lines take eight years to build.”

Brown said that SPP didn’t “legally” exist until 1994. For 53 years, Brown said, the organization operated with a “handshake” and a one paragraph membership agreement.

Now he says the agreement is 300 pages and the tariff they operate under is 5,700 pages.

Brown said that only 10 years ago SPP had no wind generators. Now, Brown said, SPP has 177 wind farms which includes 912 turbines and experienced a 62 percent penetration from wind during one sustained four-hour period.

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“We could go higher,” Brown said, and SPP could “operate with a 75 percent wind penetration in a reliable manner.”

Nick Brown

Bruce Biewald, who is the chief executive officer and founder of Synapse Energy Economics, told ELCON members that it is important to be involved with decisions being made at public utility commissions.

He said “you have to show up” at state commissions and “keep coming back year after year. Don’t miss any dockets.”

Biewald pointed out that the median experience public utility commissioners have is only three years and seventy percent have less than five years of experience.

The Assistant Administrator for Energy Analysis of the Energy Information Administration (EIA) Ian Meade said the U.S. is becoming a net exporter of energy.

He also said EIA sees “no new coal or nuclear plants going forward.”

ELCON Urges FERC to Review Wholesale Market Designs

ELCON along with a coalition of cooperative and municipal utilities, environmentalists, wind and solar developers and residential consumer advocates filed a letter with the Federal Energy Regulatory Commissioner in March urging the commission to “review the design of organized wholesale markets, particularly wholesale constructs.”

The group urged the Commission to support wholesale electricity market designs consistent with the five principles:

1. Wholesale tariffs and market rules should be technology-neutral.
2. Wholesale market rules should respect state and locally governed utility policies and resource choices without making customers pay twice for the same service.
3. For true market competition to occur, wholesale customers and suppliers should be able to come together and transact as they choose through bilateral contracts.
4. Prices in the organized wholesale energy markets should be driven by natural market forces and provide appropriate compensation to dispatched resources for the value of the services they provide, including the support of grid reliability and resilience.
5. Wholesale markets should benefit customers and reduce barriers to entry and exit. While these groups support competitive wholesale markets, they “also recognize that this is a time of significant change and re-examination of the role of these markets in a transforming power system” to “maximize the benefits of organized wholesale electricity markets.”

These five principles, the group said, will help the Commission “provide a clear vision for how it can best support, rather than interfere with, market-based mechanisms and healthy competition.”

ELCON Asks President To Deny 202(c) Request

In April ELCON sent a letter to President Trump urging him to deny a request by FirstEnergy Solutions to invoke a little-used emergency provision in the Federal Power Act to prop up uneconomic coal and nuclear plants. FirstEnergy is asking the president to use Section 202(c) of the Federal Power Act, a law intended to be used narrowly during national emergencies, to subsidize failing power plants in the name of resilience. The bail out would cost consumers billions of dollars.

> *No one has a greater interest in reliable electricity supply than the industrial consumers whose operations depend on it, but there is no emergency that requires a federal response.*
>
> *John Hughes*

"Such action would be unnecessarily anti-competitive and would increase the price of electricity to businesses and consumers, resulting in a substantial loss of U.S. manufacturing capacity and jobs," ELCON President and CEO John Hughes wrote the President.

"No one has a greater interest in reliable electricity supply than the industrial consumers whose operations depend on it, but there is no emergency that requires a federal response," Hughes wrote.

"The historically low electricity price that have resulted from the markets' operation have substantially benefited the competitiveness of U.S. manufacturers, benefits that would be lost if they were forced to pay billions in additional payments to the owners of uneconomic coal and nuclear plants.

"The retirement of uneconomic plants represents a normal, efficient functioning of competitive markets and has been ongoing for decades. In fact no market operator has requested federal action on behalf of closing plants, even when they acknowledge, such as PJM, that diversity in electricity sources merits further action.

"The government cannot attempt to pick winners and losers and must certainly not treat U.S. manufacturing jobs as inferior to those at uneconomic power plants. Allocation of resources should be left to the competitive markets."

ELCON Cited in FERC Regulatory Reforms Order

In April the Federal Energy Regulatory Commission issued a final rule that amends its pro forma Large Generator Interconnection Agreement and Large Generator Interconnection Procedures to implement a number of reforms aimed at enhancing certainty, transparency, and efficiency in the generator interconnection process.

The final rule (Order No. 845) adopts most of reforms proposed in the Commission's 2016 Notice of Proposed Rulemaking in Docket No. RM17-8-000.

Specifically, it revises the pro forma Large Generator Interconnection Procedures and the pro forma Large Generator Interconnection Agreement, which apply to generators larger than 20 megawatts.

ELCON supported the interconnection reforms and our comments were cited in the order.

The commission also took steps designed to increase transparency in wholesale power markets by requiring regional transmission organizations and independent system operators to reveal more information about financial penalties they assign generators for violating grid system limits and ordered more detailed reports on uplift costs. ELCON filed comments last year in support of the uplift cost NOPR.

FERC also tightened rules requiring utilities to prevent third parties from introducing low-level grid cyber systems from electronic devices.

FERC PFR Final Rule: The Process Worked

By Charles Acquard
ELCON Vice President

In an era marked by polarized politics and over-the-top political policy making, the final rule on primary frequency response issued in February by the Federal Energy Regulatory Commission gave us all hope that the Federal government – or at least one small agency in a huge bureaucracy – could actually do the right thing.

In a unanimous decision, the FERC issued a final rule on primary frequency response that adopted the positions ELCON urged in our comments. ELCON General Counsel Rick Bidstrup called it a "big win" and said it was "very unusual and special to get such an unambiguous result solely attributable to a single entity."

Unusual, yes, but it was the result of the hard and diligent work of ELCON members, counsel, staff and FERC. Here's how it came down.

In late 2016 ELCON staff circulated a memo to the membership on a proposed FERC rule amending the Large Generator (LGIA) and Small Generator Interconnection Agreements (SGIA) to require that all new generating facilities install, maintain, and operate a functioning governor or equivalent controls as a precondition of interconnection and specified certain operating requirements.

One member responded that a certain class of combine heat and power (CHP) facilities would not be able to fully comply with the new mandate.

With the technical advice of members, ELCON counsel drafted and filed comments in early 2017 generally supporting the intent of the proposed rule but pointed out the currently proposed wording could imply that industrials' behind-the-meter generation, including but not limited to CHP units, would be required to provide primary frequency response in the event of frequency deviations.

ELCON said such a requirement is not compatible with the integration of industrial CHP units and the manufacturing processes that they support.

Specifically, ELCON said the proposed LGIA and SGIA language should be revised to explicitly exclude imposition of mandatory primary frequency response obligations on industrial CHP units and other similarly-situated forms of industrial behind-the-meter generation that are "sized to the load." Also, ELCON suggested that language in the LGIA and SGIA exempting nuclear plants could simply be amended to include industrials' behind-the-meter generation.

In addition to filing comments, early in 2017 ELCON staff, counsel and members met with commissioners and staff from the Office of General Counsel and Office of Electric Reliability to discuss our concerns with the proposed rule. Commissioner Cheryl LaFleur and former Commissioner Collette Honorable, the only two commissioners at that time still working at FERC, seemed particularly supportive of ELCON's argument as did staff in the Office of General Counsel and Office of Electric Reliability.

Those meetings were followed by a number of phone calls between John Hughes and FERC staff. With better understanding of each perspective, ELCON filed supplemental comments with specific proposed exemption language in March.

As a result of the hard work by ELCON members, counsel and staff and an admirable effort by FERC staff to reach out and understand our perspective, the final rule not only cited our comments extensively and closely tracked our proposal, it actually expanded the rule so it isn't limited only to industrial CHP.

Perhaps, more significantly, as John pointed out, this is the first time FERC treated CHP not just like any utility generator and recognized the importance of its integration with a steam/thermal host. It wasn't easy but in the end the ELCON full court regulatory press paid off. Well-deserved kudos to everyone involved.

ELCON Supports NERC Supply Chain Standards

ELCON along with the American Public Power Association, the Large Public Power Council, the National Rural Electric Association, and the Transmission Access Policy Study Group filed comments in March supporting the Federal Energy Regulatory Commission's approval of the North American Electric Reliability Corporations' proposed supply chain risk management Reliability Standards.

The proposed standards fulfill Order No. 829's directive and would mitigate supply chain cyber security risks to the BES while appropriately focusing on the systems and assets that are most critical to reliable operation of the BES.

"Addressing supply chain risk is an important objective in protecting the reliability of the BES, and Joint Trade Associations support the supply chain Reliability Standards as proposed by NERC in its September 26, 2017 petition," the Joint Trade Associations said.

At the same time, the Joint Trade Associations asked FERC to "reconsider its proposal to issue a directive requiring NERC to include Electronic Access Control and Monitoring Systems associated with medium and high impact Bulk Electric System Cyber Systems within the scope of the Reliability Standards."

"The better course would be to adopt the suggestion in NERC's NOPR comments to await the outcome of the BOT-requested study that will evaluate whether supply chain risks related to Electronic Access Control and Monitoring Systems require further consideration for inclusion in a mandatory Reliability Standard.

"The BOT-requested study is likely to provide more specific information and analysis concerning whether any category of EACMS might be appropriately included within the scope of the supply chain Reliability Standards."

ELCON Urges FERC Not to Modify Cyber Reliability Standards

ELCON along with the American Public Power Association and the Transmission Access Policy Study Group urged the Federal Energy Regulatory Commission in comments filed in February not to issue the proposed directive to the North American Electric Reliability Corporation to develop a modification to its reliability standards to increase the scope of mandatory reporting requirements for cyber security incidents.

Rather, ELCON said FERC "should consider whether tools other than a new or revised reliability standard could better achieve the goal of improving awareness of existing and future cyber security threats and potential vulnerabilities."

However, "if the Commission nevertheless directs the development of a new or revised standard, the Commission should give NERC flexibility to define appropriate reporting thresholds for actual and attempted cyber security incidents," they said.

"As proposed, the NOPR's directive is potentially overbroad and could result in unduly burdensome reporting requirements that reduce awareness of significant cyber threats."

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