THE NATIONAL LAW REVIEW

FERC Seeks Comments on Market Design Issues Affecting Nuclear Power Plants

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Environmental, Energy & Resources
All Federal

Tuesday, May 30, 2017

The agency requests comments on policies regarding state support for zero-carbon-emitting power plants.

On May 23, the Federal Energy Regulatory Commission (FERC) issued a notice inviting comments on the interplay between state policy goals and organized wholesale electricity markets. The referenced state policy goals involve state support for zero-carbon-emitting power plants, including nuclear power plants, generally in the form of tax credits.

FERC is asking for comments to further explore information presented on this topic at a technical conference convened by FERC commissioners and staff on May 1 and 2, 2017. FERC seeks comments on the five potential paths for reconciling the two policies already identified by the FERC staff. It also seeks broader comments on any "conceptual level" changes that would need to be implemented, and whether the necessary changes could be implemented and in what time frame. Finally, the notice seeks input on the larger principles that should drive reconciliation of the two separate policy goals, including any necessary procedural requirements.

FERC's recent actions are part of a larger policy discussion in which electricity market design issues remain controversial, a discussion that has been driven in part by increased state support for maintaining baseload generation, including nuclear, as the integration of renewables and other technologies continues. New York and Illinois, for example, have created tax incentives to support nuclear reactors in their states, but both programs are being challenged in court by other generators. Other states, including Connecticut, New Jersey, Pennsylvania, and Ohio, are reportedly considering similar support.

In addition, US Secretary of Energy Rick Perry in April ordered a study of the reliability of the electrical grid and wholesale electrical market designs' impact on grid resilience and baseload power resources. Secretary Perry's order asked the Department of Energy (DOE) to review "market-distorting effects of federal subsidies that boost one form of electricity at the expense of another," and requested "concrete policy recommendations and solutions." The results of this study are due by mid-June.

Finally, two Regional Transmission Organizations (RTOs)—ISO New England Inc. (ISO-NE) and PJM Interconnection L.L.C. (PJM)—are considering changes to their respective wholesale market designs to reconcile the same competing policies that FERC's technical conference and notice are exploring. ISO-NE is considering a change to its capacity market rules that would allow state-subsidized generation to be directly substituted in the capacity auction to "buy out" retiring generators. PJM is considering capacity market rule changes that would allow state-subsidized generation to clear in its auctions while avoiding broader suppression of clearing prices generally. PJM is also considering changes to its energy markets to establish a carbon pricing framework that would permit states to advance carbon policy objectives without impacting other states.

Comments on FERC's technical conference are due within 30 days, i.e., by June 22, 2017, with reply comments due within 45 days, i.e., by July 7, 2017. The FERC Docket No. is AD17-11.