New Directions in Energy Policy

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General Trends

• The convergence of environmental law and public utility law, also known as “who is your regulator?”

• Decarbonization of the generation fleet continues – driven by tax policy
TRENDS IN VERTICALLY INTEGRATED MARKETS
• Utility ownership of renewable resources

• Legislative resource planning and trend toward more flexible generation mixes

• Carbon pricing (regulatory and externality values)
TRENDS IN ORGANIZED ELECTRICITY MARKETS
Evaluating approaches to Clean Power Plan compliance: Mass-based, Rate-based and State Measures approaches

FirstEnergy could sell up to 13 plants as it joins AEP in Ohio re-regulation fight

Illinois payments to Exelon spur complaint at FERC

California Merchant Gas Generator, Lamenting Market Forces, Files for Bankruptcy

Gov. Bruce Rauner Signs Future Energy Jobs Bill at Quad Cities Ceremony

Bill to open energy markets to Millstone a priority for Formica, other lawmakers

Lawsuit Seeks to Halt New York Subsidies for Upstate Nuclear Plants
Crisis In the Markets
States Cannot (Will Not) Abide Baseload Failure in Markets

• Prescriptive Replacement (e.g., MA, CA)

• Maintenance Fee (e.g., NY, IL)

• Vertical Re-Integration
New York Clean Energy Standard

• Clean Energy Standard (CES) requires load serving entities to purchase of Zero Emission Credits (ZECs) under 12 year contracts.

• Nuclear plants “create” ZECs and hence receive payments from LSEs – in essence, ZECs are a capacity payment to three otherwise uneconomic nuclear plants: Fitzpatrick, Ginna and Nine Mile plants.

• ZEC payments to these plants are estimated to be approximately $965M for first two years, and then set according to social cost of carbon.
And many, many more ...

- Illinois – passage of Future Energy Jobs Bill with ZEC component
- Pennsylvania – 70 member Nuclear Energy Caucus assembled in legislature
- Connecticut – SB 106 would designate Millstone nuclear plant as a renewable resource
- New Jersey – the next ZEC state?
- Ohio – the first ZEN state/next ZEC state?
The Next Frontier

• Do ZECs survive federal court and FERC challenges?

• Is gas next?

• What will FERC do?
FERC Options

Double Down on Markets
• Preempt state around market actions and work with market design or allow baseload exit to continue

Kick the can down the road
• Tweak capacity auctions to try and preserve baseload through more true price formation

Allow State Actions to Continue on Federalism Rationale
• Markets will continue to disintegrate and states will continue to seek creative ways to sustain capacity
• Reintegration becomes realistic (watch OH)