

New Directions in Energy Policy

AAPCA 2017 Spring Meeting

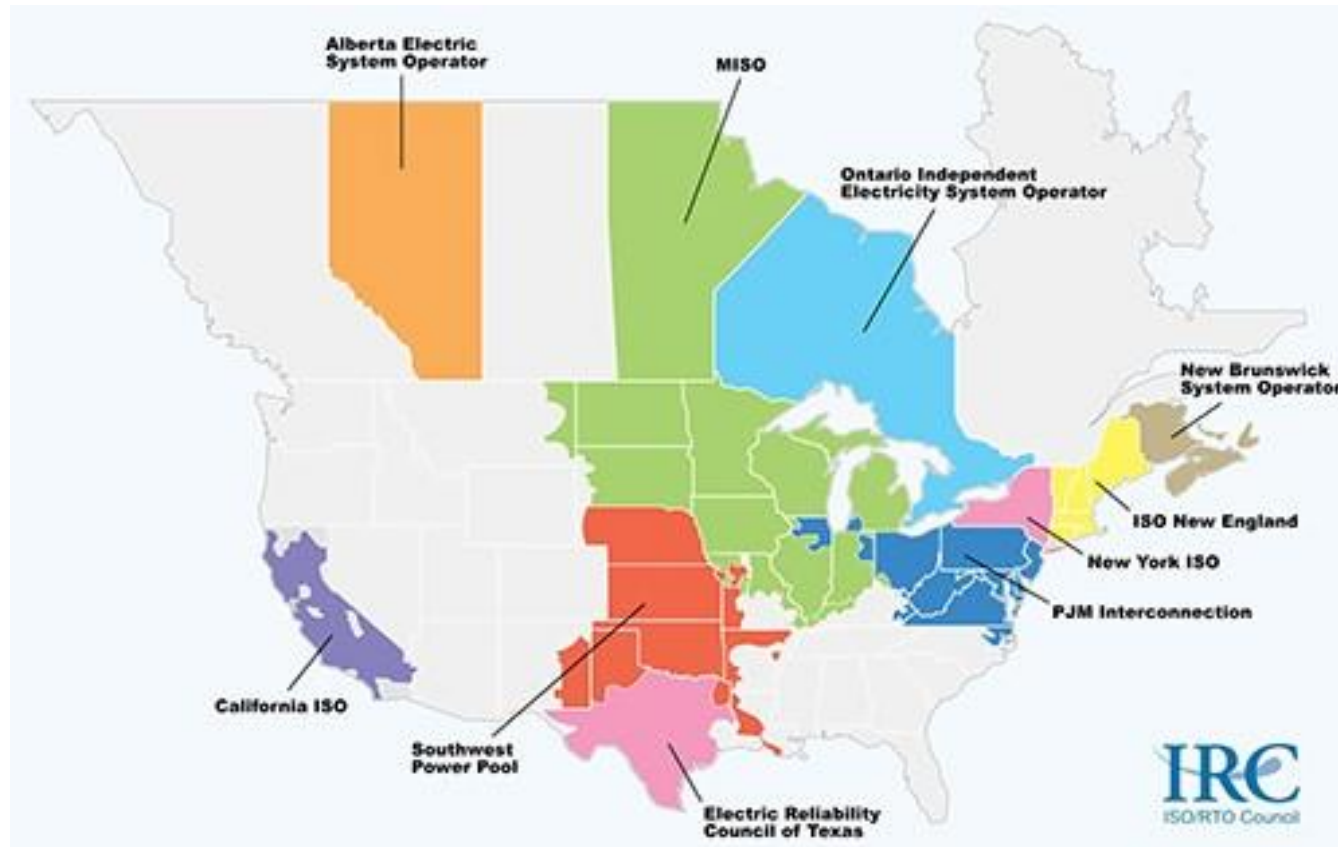
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General Trends

- 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

IN THE
United States District Court
for the Southern District of New York

COALITION FOR COMPETITIVE ELECTRICITY;
DYNEGY, INC., EASTERN GENERATION, LLC;
ELECTRIC POWER SUPPLY ASSOCIATION;
NRG ENERGY INC.; ROSETON GENERATING LLC; and
SELKIRK COGEN PARTNERS, L.P.,

Plaintiffs,

v.

AUDREY ZIBEMAN, in her official capacity as
Chair of the New York Public Service Commission;
and PATRICIA L. ACAMPORA, GREGG C. SAYRE,
and DIANE X. BURMAN, in their official capacities as
Commissioners of the New York Public Service Commission,
Defendants.

BRIEF

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

Illinois payments to Exelon spur complaint at FERC

**NYPSC Rejects Challenge to Clean Energy
Standard, Nuke Subsidy**

December 26, 2016

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

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

Lawsuit Seeks to Halt New York Subsidies for Upstate Nuclear Plants

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

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 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)