

FERC, The States, EPA and America's Changing Energy Landscape

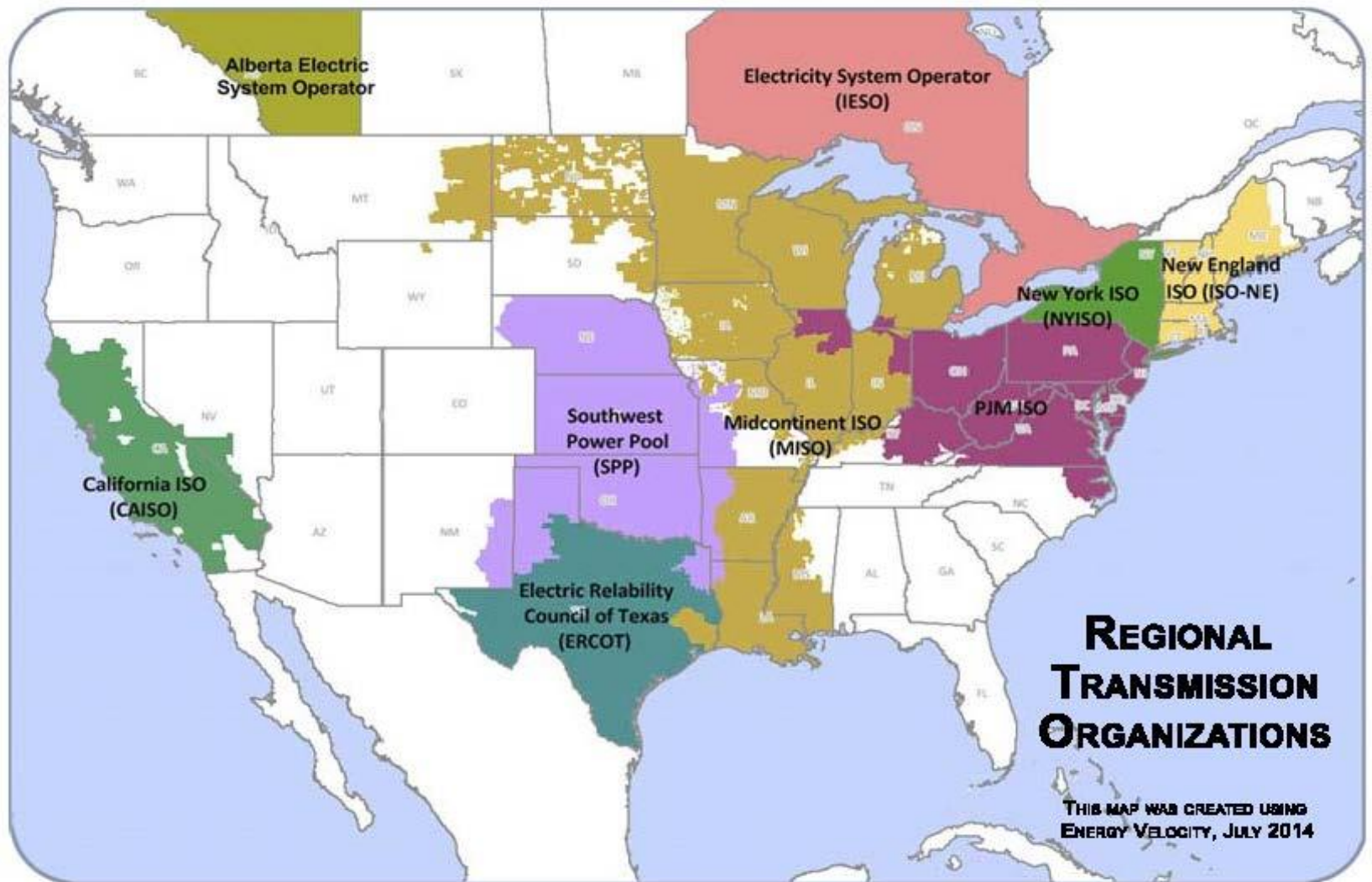


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Federal Energy Regulatory Commission
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Committee, Rep. Dennis Hedke, Chairman

Key Terms

- Generation...Transmission...Distribution
- Regional Transmission Organization/Independent System Operator (RTO/ISO)



FERC and State Jurisdiction: Electricity

- FERC oversees
 - Wholesale sales of electricity
 - Reliability of the “bulk power system”
 - Transmission of unbundled electricity
 - Allocation of costs for interstate electric transmission
 - Licensing of non-federal hydro power
 - Capacity requirements for RTO/ISO
 - M&A activity (shared jurisdiction)
 - Market manipulation enforcement

FERC and State Jurisdiction: Electricity

- States Oversee
 - Retail Sales of electricity/structure of retail market in each state (restructured/unbundled vs. vertically integrated utility)
 - Permitting/siting of transmission & generation
 - Transmission of bundled retail electricity
 - M&A Activity (shared jurisdiction)
 - Other various public policies (renewable portfolio standards, RECs, PURPA – in conjunction w/FERC, integrated resource planning in some states)

Major Trends in Electricity

- Newfound supplies of affordable domestic natural gas
- Uncertain future with regard to electricity load growth
- Difficult regulatory environment for traditional fossil fuels (EPA regs)
- Increased reliance on variable energy resources (renewables) – because of both mandates and new technologies

FERC Order 1000

- An attempt to address concerns related to utility “silos” in an era of an evolving grid
- Attempts to address 3 main areas:
 - Regional and interregional planning
 - Cost allocation
 - An opening for non-incumbent transmission providers

EPA “Clean Power Plan”

111(d) CO₂ Regulations

- It is very important states understand the enormity of the decision to submit a state implementation plan to the EPA
- Because the CPP entails broad swaths of your state’s energy policy that have never before been subject to EPA approval, by submitting a state plan to the EPA, your state is effectively granting EPA veto authority over future changes in your state’s energy policies

FERC and the CPP

- FERC is not the agency promulgating the proposed rule, but it is the federal agency that will have to most directly confront the potential implications on reliability and energy costs/energy markets
- To help inform the process, FERC is holding a series of technical conferences beginning later this month

Recommendations – Infrastructure

- Ensure your state is fully participating in regional transmission planning efforts & that your appropriate agencies have the resources to meaningfully do so
- Modernize your transmission siting processes
 - Consider reasonable timelines
 - Ensure your siting statutes “make sense” given today’s energy reality

Recommendations – EPA Regulations

- Consider legislation to ensure legislative prerogatives are maintained as your state considers an implementation plan
- Convene a working group that includes appropriate legislators and executive branch officials to chart a course of action for the state
- Keep a full range of options on the table: both policy and legal
- Allow your state the benefit of seeing what a federal implementation plan will look like before deciding your course of action

Conclusion

- Thanks for the invitation to be with you today!

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