To: Randy Davis[redacted]@sdsatty.com]; Stultz, Mark[redacted]@bp.com]
Cc: Stout, Robert[redacted]@bp.com]; van Hoogstraten, David Jan[redacted]@bp.com]; Swink, Suzanne[redacted]@bp.com]
From: Williams, Lance[/O=MSXBP/OU=EXCHANGE ADMINISTRATIVE GROUP (FYDIBOHF23SPDLT)/CN=RECIPIENTS/[redacted]
Sent: Thur 05/10/2017 1:52:11 PM (UTC)
Subject: Re: FERC staff questions on Grid Reliability and Resilience Pricing NOPR

Redacted - First Amendment

DOE grid resilience proposal met with initial skepticism

By Jasmin Melvin and Maya Weber

As the U.S. Federal Energy Regulatory Commission works to respond to the U.S. Department of Energy's request that it quickly finalize a rule to value resilience in wholesale power markets, congressional Democrats pushed back Oct. 3, and FERC Commissioner Cheryl LaFleur cautioned against any plan that might start with a resource and then work backward.

Energy Secretary Rick Perry cited the premature retirement of coal and nuclear plants as a threat to the resilience of the grid in his letter to FERC Sept. 29 that accompanied a proposed rule on pricing grid resilience.

The rule aims to push coal-fired and nuclear generation into a more advantageous market position, allowing these power sources to compete more effectively with renewable and natural gas-fired generation.

The department's notice of proposed rulemaking, FERC docket RM18-1, would require organized markets to guarantee that eligible "fuel-secure generation units" that are frequently relied upon for grid reliability and resilience fully recover their costs. Among the eligibility requirements is that units have a 90-day fuel supply on site.

During a hearing Oct. 3, lawmakers on the House Science, Space and Technology Committee were adamant about the need to improve the grid's resilience, considered to be its ability to bounce back from a disruption. Democrats were critical of the DOE's proposal to compensate generators with on-site fuel supplies, while Republicans were mum on the subject, instead focusing on topics such as cybersecurity and threats from solar flares and electromagnetic pulses.

Rep. Marc Veasey of Texas, the top Democrat on the panel's subcommittee on energy, said he was "very concerned with how the Department of Energy may actually be using and redefining grid resiliency to accomplish a political agenda."

He pointed to recent remarks to committee staff and others by Alison Silverstein, lead author of a DOE grid study cited to justify the proposed rule, contending "the final report's specific recommendation supporting coal and nuclear plants due to their resiliency characteristics was not justified by any research that she or her colleagues were aware of."

LaFleur appeared to express some caution and skepticism about the proposal in remarks at the North American Gas Forum in Washington on Oct. 3.

She emphasized three characteristics she looked for in weighing market design proposals submitted for consideration by FERC: "If we're paying for something, that there's an attribute that's needed to keep lights on for customers; … that it can be defined in a fuel-neutral way; and … that it can be validly and transparently priced by the market."

Markets have changed their rules to value numerous attributes in recent years, among them ramping ability; availability during times of scarcity; essential reliability services; and, more recently, proposals for carbon pricing, LaFleur said.

In each case, "the market design started with an attribute, figured out why it was needed, and then used a market to price it," she said. "I'm more skeptical of ideas that start with a resource and then try to save it, and then come up with the attribute."

Asked later if she saw the DOE proposal as doing just that, LaFleur replied, "I intentionally spoke in the generality of: 'I like these kind, not these kind.' This is what I will be looking for." Commenters can weigh in on whether they think the DOE's proposal "meets those rules or whatever rules they think we should use," she said.

LaFleur also made note of her support for other efforts underway to address state preferences related to generation in competitive markets.

"I support the regional efforts to carefully design market structures to accommodate state issues," she said, pointing to ongoing work in ISO New England, theNew York ISO and the PJM Interconnection on how to accommodate state generation policies. She also made reference to the technical conference FERC held in May and pending dockets at the agency.

In a notice late Oct. 2, FERC asked for initial comments by Oct. 23 and set Nov. 7 as the deadline for reply comments, even before the 45-day comment cutoff suggested by the DOE. LaFleur explained the accelerated timeline by saying the DOE set up a 60-day window for FERC to respond.

"That includes, in theory, that we get comment, we write something up — they want an answer from us in 60 days," she said. LaFleur encouraged multiple comments, focused specifically on the proposal.

Jasmin Melvin and Maya Weber are reporters for S&P Global Platts, which, like S&P Global Market Intelligence, is owned by S&P Global Inc.

Sent from my iPhone

On Oct 5, 2017, at 9:40 AM, Randy Davis [redacted]@sdsatty.com> wrote:

I think FERC puts this on a slow boil after the comment period. It is not obligated to take any specific action. The reality is that there are many other open proceedings within the various RTOs/ISOs and at FERC itself to address some of these issues (reactive power, spinning reserves, voltage support, etc.). This gets complicated very quickly.

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From: Stultz, Mark [redacted]@bp.com]
Sent: Thursday, October 5, 2017 9:34 AM
To: Randy Davis [redacted]@sdsatty.com>; Stout, Robert [redacted]@bp.com>; van Hoogstraten, David Jan <[redacted]@bp.com>
Cc: Swink, Suzanne <[redacted]@bp.com>; Williams, Lance <[redacted]@bp.com>
Subject: RE: FERC staff questions on Grid Reliability and Resilience Pricing NOPR

Thanks, Randy. Assume you already saw that Powelson indicated he's not predisposed to sign on to anything like this. In fact, he told one of our executives in an NGSA delegation that met with him last week that he's a "gas guy." Even if the additional FERC nominees are confirmed asap, that still makes him the swing vote, since I can't see Rich Glick buying into this either…. I suppose LaFleur might be a bit of a wild card, since I think she's probably a bit sympathetic to the plight of the nukes, but hopefully not so much that she'd be willing to blow up wholesale power markets when there are other scarcity-pricing options.

From: Randy Davis [redacted]@sdsatty.com]
Sent: Thursday, October 05, 2017 9:27 AM
To: Stout, Robert; van Hoogstraten, David Jan; Stultz, Mark
Subject: FW: FERC staff questions on Grid Reliability and Resilience Pricing NOPR

Last night, FERC posted the attached list of questions that FERC staff has developed for commenters on the grid resiliency pricing NOPR to address. The questions drill down into the assumptions and basis for the DOE-drafted NOPR, as well as the need for the rule.
The questions are grouped into several categories:

- Need for reform, which begins with "what is resilience" and asks generally how reliability and resilience are, or are not, valued inside RTO and ISOs. Staff also asks whether commenters agree that the 2014 Polar Vortex demonstrates the needs for reform, and with reference to the impacts of extreme weather events, staff asks what impact the proposed rule would have on system restoration, "particularly if there is associated severe damage to the transmission or distribution system."
- Eligibility, which asks among other things whether only existing units should be eligible for cost recovery (since the need to prevent premature retirements is a predicate for the NOPR); whether there should be other "technical characteristics" required of eligible units beyond on-site fuel capability; and whether hydro, geothermal, generating units with firm natural gas contracts or energy storage also should be eligible. Specific questions are posed regarding the 90 day fuel supply requirement, including whether there is a direct correlation between the quantity of on-site fuel and a given level of resilience or reliability. Staff asks whether there should be other eligibility criteria, such as storm hardening.
- Implementation, which asks about how eligible resources would be committed and dispatched in the energy market, how those resources would be considered in the clearing and pricing of centralized capacity markets, and whether resources receiving compensation should be subject to performance requirements.
- Rates, which asks about costs appropriate to include in rates and allocation of the cost of the rule to market participants, among other things.

  Staff also asks about the feasibility of the NOPR's requirement that RTO/ISOs make compliance filings within 15 days of a final rule's effective date, and ask for alternative approaches for accomplishing the stated goals of the proposed rule.

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