
Update on Grid Resiliency Pricing

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Matthew Hong
Director of Research, Power and Gas
+1 312 244-7649
matthew.hong@morningstar.com

Dan Grunwald
Associate, Power and Gas
+1 312 244-7135
daniel.grunwald@morningstar.com

Data Sources Used in This Publication
Federal Energy Regulatory Commission

Pricing Resiliency

Since the Federal Energy Regulatory Commission rejected the Department of Energy's Notice of Proposed Rulemaking, or NOPR, on grid resiliency in January, electricity market stakeholders have worked to provide FERC with insight and comments regarding the need to price resiliency. At the time, FERC rejected the DOE's rule on statutory concerns, stating the standard to implement changes to power tariffs failed to satisfy the standards set forth by the Federal Power Act. Although the DOE's rule failed to meet the statutory standard, it kicked off a much larger debate and effort to assess whether there was a need to price resiliency in wholesale electricity markets.

Responses to FERC

On May 9, the regional grid operators filed their responses to the FERC regarding the resilience of their respective power systems. Five of the six regional grid operators highlighted their belief that issues of resilience could be dealt with through existing processes. PJM was the only system operator to ask FERC to create rules designed to compensate generators for resilience.

Through its comments, PJM identified several actions that it hopes the Commission will take through the *Grid Resilience in Regional Transmission Organizations and Independent System Operators* docket. Among the requests, PJM seeks a finalized definition and understanding of grid resilience. Additionally, it is seeking processes to verify its assessments, including more formal procedures with FERC taking a more pronounced role in rule-making.

One of PJM's requests for action stood out in a singular way. This was a request for FERC to require all RTOs to submit any necessary proposed tariff to implement resilience pricing criteria to them. PJM's filing proposes four reforms related to compensating generators to address resilience. These are: improved shortage prices and operating reserve market rules; improved Black Start requirements; improved energy price formation that addresses resources on reliability and resilience; and the integration of DER, storage, and other technologies.

Some see the PJM proposals as a backdoor version of the DOE NOPR, and their suggestions have, to no surprise, garnered support from coal and nuclear industry groups. Significant installed coal and nuclear capacity, along with political pressures to find solutions to protect those industries, is strongest in the PJM footprint. However, the challengers to PJM's proposals see the rules as overly one-sided and challenge the very premise that FERC should create a new mandate.

On the opposite side of this debate sit the other five regional grid operators (CAISO, MISO, ISO-NE, NYISO, and SPP). In a joint filing, they urge FERC to decline PJM's proposed rules. The joint filers do not see a need to have rules applied to all RTOs/ISOs, and instead stress the need to allow each individual region the flexibility to address resilience in their own way. Their argument rests on a belief that the differences in each market make a Commission rule problematic. Additionally, the other ISOs/RTOs highlight assessments and initiatives currently undertaken by each of the respective RTOs to address resilience and favor a process where their concerns are worked out with their respective stakeholders.

The focus of the five grid operators' argument rests on the belief that PJM's proposals are unique to its region. They argue that the Commission must consider regional differences and allow the RTOs/ISOs to address their own unique challenges with their respective stakeholders. One example cited in the joint filing highlights ISO-NE's evolving fuel mix, as coal, oil, and nuclear generation are replaced by natural gas and intermittent renewable generation. In this case, fuel security is their most significant risk to resilience, but the circumstances are unique to the ISO. In contrast, MISO, in its individual response, highlighted an ongoing influx of natural gas capacity but with a low risk of disruption to infrastructure compared with ISO-NE. This example was used to highlight regional differences, and the challenge of creating a new federal mandate.

The Next Step

FERC now has 30 days to respond to the comments filed by the various parties and can either make its decision or request additional actions. Although it's difficult to predict what any regulatory body will do, the differences seem too great to bridge in the next 30 days, which makes a near-term decision unlikely. This was echoed by FERC Chair Kevin McIntyre's statement that, "The compensation side is tricky and critical." FERC has a difficult balancing act but seems committed to providing some closure on this issue. At the very least, it needs to define what resilience means, and how it should be understood from a regulatory perspective. Regardless of the decision, challenges will likely follow, as some states have already raised concerns about FERC's authority and jurisdiction in this matter. ■■■

Natural Gas Important Points

Algonquin: Stony point Compressor



Transcontinental: Leidy Line Station 505



Texas Eastern: Lambertville Compressor

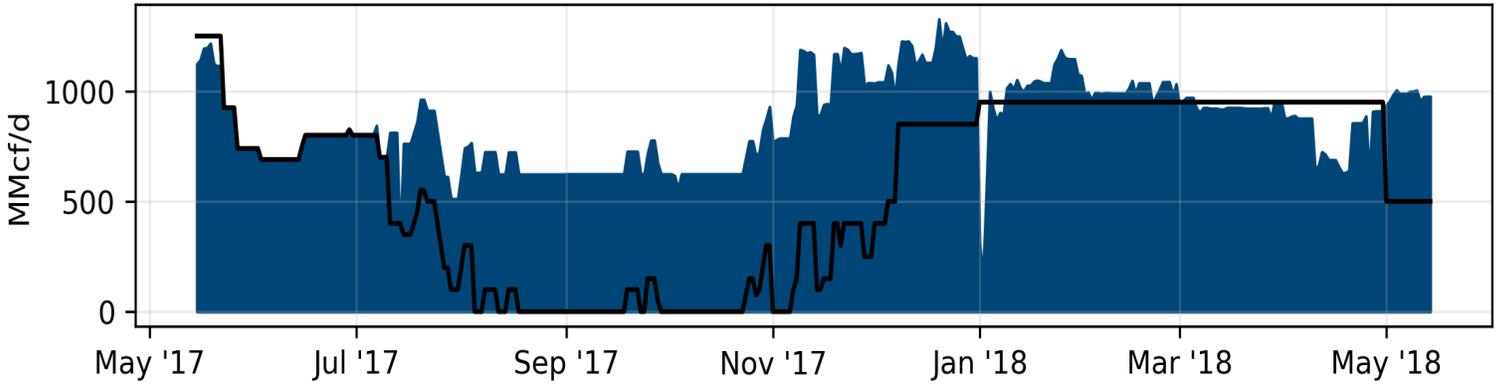


Millennium: Wagner West Compressor



■ Volume — Capacity

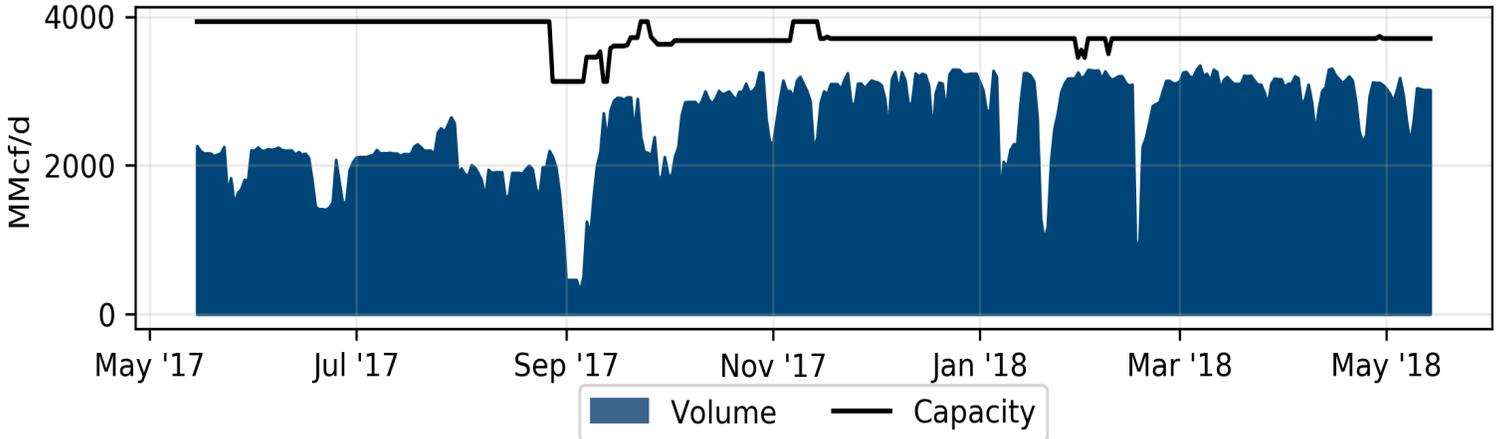
Columbia Gas Trans: Braxton-Stonewall



LNG: Cove Point



LNG: Sabine



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For More Information

+1 800 546-9646 North America
+44 20 3194 1455 Europe
commoditydata-sales@morningstar.com



22 West Washington Street
Chicago, IL 60602 USA

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