RESOURCE SELECTION:
COHERENT POLICY OBJECTIVES, FLIGHTS OF FANTASY,
OR JUST SERVING SPECIAL INTERESTS?

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Historic Basis’s for Resource Selection

1. Economics
2. Reliability of Supply
3. Social Benefits (e.g. Environmental, Local development/Employment)
Recent Trends in Resource Selection

1. Primacy of Economics

2. Pushback for Social Selection (e.g. Mandates, Subsidies)

3. Reliability – Administratively Covered – Politically Contested

4. Efforts to Internalize Social and Reliability into Economics (e.g. Carbon Tax / Caps)

5. Special Interest Pleading (e.g. Coal, Nuclear, Renewables, Natural Gas)
Impact of Recent Trends

1. Politicization of Energy Policy

2. Policy Coherence at Peril
Example 1: USDOE Efforts on “Grid Resilience”

1. Context: Adverse Economics for Coal (particularly Appalachian) and Nuclear

2. Social Objectives: Coal and Nuclear Jobs / Local Tax Revenues / Private Interests

3. DOE Prefatory Study: Potential Plant Closings Posed Little or No Threat

4. DOE Effort Effectively Would Have Preempted Existing Resiliency Protections
Example 1: USDOE Efforts on “Grid Resilience” continued

5. Would Have Imposed Resource Portfolio Otherwise Uneconomic

6. Would Have Socialized Market Risks

7. Might Have Achieved Social Objectives but at:
   a) Asymmetrical Cost Allocation
   b) Price Distortions
   c) Market Disruptions
   d) Political Manipulation of Market
Example 2: California and Rooftop Solar (Net Metering and Mandate on New Construction)

1. Context: State’s Aggressive RPS and Carbon Emissions Reduction Agenda
2. Social Objectives: Emissions Reductions / More Renewables / Private Interests
3. Objectives Not Fully Reconcilable / Potentially in Conflict
4. Distorts Market Prices in CAISO / Reduces Price Discipline in RPS
Example 2: California and Rooftop Solar (Net Metering and Mandate on New Construction) continued

5. Ignores System Costs (T&D Grids) and Duck Curve

6. Social Objectives Not Necessarily Achieved Because:
   a) Promotes High Cost / Non-Direct / Less Certain Response to Emissions Reduction
   b) Resources Not Matched to Demand Characteristics
   c) Lack of Incentives for Productivity and Reliability
Example 2: California and Rooftop Solar (Net Metering and Mandate on New Construction) continued

7. To Extent Social Objectives Are Met, there are the Following Costs:
   a) Socially Regressive Effect
   b) Perpetuates Subsidies Over Discipline of Market Prices
   c) Provides Cheap (Perhaps Negative Priced) Off Peak Supply to Neighboring States
   d) Minimal regard for Impact on Grid (PUC Report) or Dispatch
   e) Prioritizing Non-Dispatchable, Intermittent, Less Certain Resources
   f) Driving Down Prices in Emissions trading Market
   g) Driving Up Costs of Housing
   h) Incentives for Uneconomic Bypass
   i) Promo
Conclusions

1. Economics Cannot Be Ignored
2. Internalizing Social Objectives Is Critical
3. Make Decisions Holistically / Avoid Unintended Adverse Consequences
4. Minimize Price and Market Distortions
5. Be Conscious of Incentives Provided