PURPA Perspective: Regulation to Support Competition and Innovation

Prepared for the Harvard Electricity Policy Group
March 26, 2020
The Changing Paradigm of Power Generation

*The Golden Era of Electricity*

- After WWII, steady growth rate of approximately 8% per year
- Industry promotes increased electricity usage; as industry grows, prices decline.

*The 1970s Energy Crisis*

- Utilities couldn’t manage downturn in natural gas production and were overly-reliant on imported petroleum;
- The ability to build larger, more efficient plants hit a technological wall;
- Conservation was encouraged, but infrastructure to implement effective demand management was lacking;
- As utilities struggled to meet demand, power prices rose and GDP was threatened.

*The National Energy Act and PURPA*

- Encourage efficient use, and management, of scarce fossil fuels;
- Promote conservation, cogeneration, and renewable generation;
- Create wholesale independent power companies
Generation Ceases to be a Natural Monopoly

EPAct 1992 provides non-utility generators access to the transmission system and creates Exempt Wholesale Generators ("EWGs")

- FERC Orders 888 and 889 provide framework to open transmission network on a non-discriminatory basis;
- Regional wholesale electricity markets develop, with RTOs managing approximately 60% of electric power supply;
- Thirteen States and the District of Columbia implement full retail competition.

>Fully integrated utilities remain in significant portions of the country; in these regions consumers are denied benefits of competition.

PURPA proves that non-utility generators can produce power as inexpensively and effectively as incumbents.

Source: National Renewable Energy Laboratory
An Old Story Made New Again

**PURPA stimulates the development of competitively-priced renewable generation**

- **Power:** A reliable and resilient electric grid is critical not only to our national and economic security, but also to the everyday lives of Americans.

- **Competition:** The cost of new solar is lower than the Avoided Cost of energy and capacity in non-RTO regions. Avoided cost is the incremental cost to an electric utility of electric energy or capacity which, but for the purchase from the QF, such utility would generate itself or purchase from another source. 18 C.F.R. § 292.101(b)(6).

- **Innovation:** Challenging the status quo is necessary to unlock value at the grid edge.
Will PURPA Drive Towards a Southeastern RTO?

The $9 billion expansion of V.C. Summer was abandoned.

The 2019 S.C. Energy Freedom Act is relying on PURPA to deliver state-wide benefits to residents. Forty years after the passage of PURPA, the state legislature directed the commission to:

• Establish each electrical utility’s standard offer, avoided cost methodologies, form contract power purchase agreements, commitment to sell forms, and any other terms or conditions necessary.

• Treat QFs a fair and equal footing with electrical utility-owned resources by ensuring that (1) rates accurately reflect the avoided cost and (2) PPAs include terms that are commercially reasonable.

The S.C. legislature is considering two bills to study market reforms; including an RTO (S.998) and retail choice (H.4940). North Carolina considering similar measures.

Today, there is a patchwork of restructured and vertically integrated utilities across the United States – PURPA ensures that all ratepayers receive the benefits of competition.
The NOPR Fails to Harness Power of Competition for the Benefit of Ratepayers

*Where QFs cannot access buyers other than the host utility, the circumstances have not changed since 1978.*

A predictable stream of revenue is the key that unlocks the capital necessary to develop competitive renewable energy projects.

- Price and term known at time of contracting; providing QFs a reasonable opportunity to attract capital from potential investors.
- Avoided Cost calculations should be transparent and compare apples to apples (i.e. depreciation schedule to contract term).
- Competitive solicitations, with adequate safeguards, can deliver substantial value.
Thank you

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