PURPA: A Time to Reform or Reduce Its Role?

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PURPA: Then and Now

- Multi-purpose statute
  - Encourage oil alternatives (unneeded)
  - Enable electric competition (needed, selectively)
    - Includes industrial self-supply

- Modernization
  - EPAct 2005 largely addressed RTO context
    - States: full authority to avoid must-purchase obligation
  - Fine-tune implementation
  - Relevant in absence of competitive markets

- New relevance
  - Enable consumer self-supply beyond CHP
  - Discipline utility renewables rate base
FERC’s PURPA NOPR

• One-mile rule
  – Warrants reform

• 20 MW threshold
  – May warrant reform for merchant suppliers
  – Relevant for self-suppliers

• Avoided cost
  – Devil in the details
  – Big opportunity: competitive procurement
Consumer Perspective

- **Industrials**
  - Self-supply outside RTOs
  - Discipline utility self-builds
    - QF contracts shorter – sunk adv.
  - No concern over “bad” QFs
- **Residentials**
  - States can adjust avoided costs
- **Claiming harm to consumers**
  - Utilities & contractors
  - Groups without electricity expertise
  - Select PUCs: admin burden
- **NARUC: competitive procurement**
EEI / Concentric Study

- Incorrect benchmark for PURPA
  - Proper counterfactual: utility self build
- Very relevant: markets > admin procurement

Verdict
Generation is NOT a natural monopoly

Source: Concentric Energy Advisors
Competitive Procurement: Current Practices

• “Competitive” in name only
  – Colorado: encouraging but insufficient
  – Deflated advocates from last decade

• IRP reform era lessons
  – E.g., Oregon 95% incumbent

• Failed “market tests”
  – E.g., MISO states, Entergy

• North Carolina evolution

Source: UtilityDive
Competitive Procurement: Next Steps

- FERC: set high bar for “workably competitive”
  - Conditions: transparency, independent admin, proper technical parameters, affiliate abuse protections, etc.
    - See ELCON, SEIA, EPSA comments
  - Cutoff points e.g., Virginia’s new law
  - Exempt self-supply: not homogeneous product

- Side docket forthcoming?
  - Record is limited
  - FERC motivated by low hanging fruit
Investment Paradigm Hierarchy

- Restructured Energy-Only
- Restructured with Capacity Market
- Competitive Procurement

Next Up?

PURPA Substitute