



Free markets. Real solutions.

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
 - EAct 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

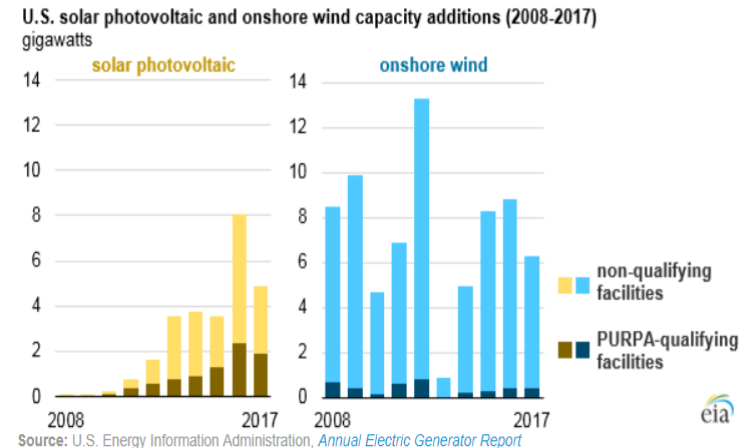


- One-mile rule
 - Warrants reform
- 20 MW threshold
 - May warrant reform for merchant suppliers
 - Relevant for self-suppliers
- Avoided cost
 - Devil in the details
 - Big opportunity: competitive procurement

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

PURPA-qualifying capacity increases, but it's still a small portion of added renewables



NARUC

National Association of Regulatory Utility Commissioners

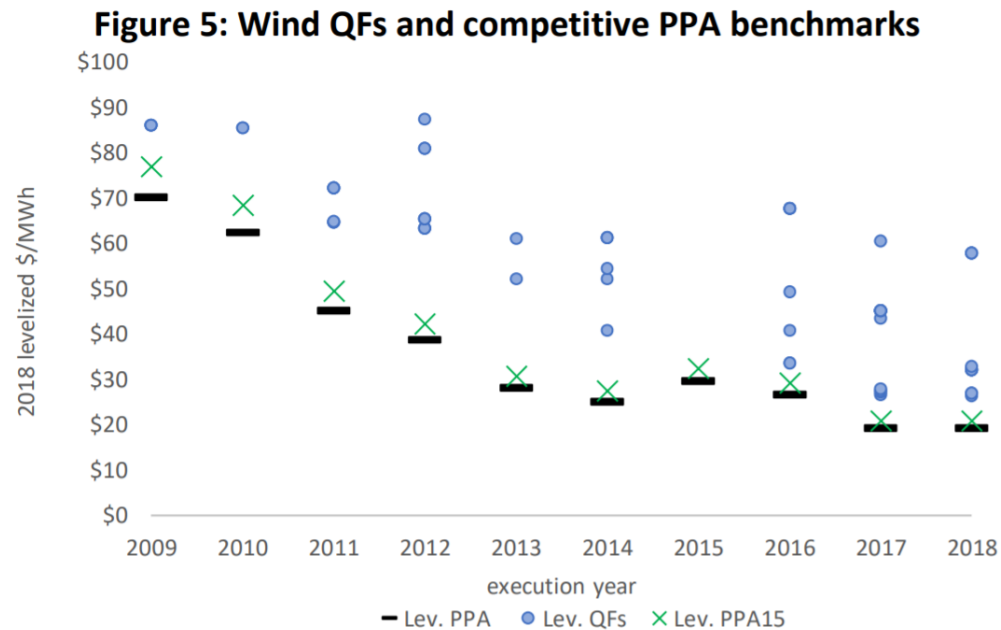
Aligning PURPA with the
Modern Energy Landscape

A Proposal to FERC

EEI / Concentric Study

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

Verdict
Generation is
NOT a natural
monopoly



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

BRIEF

Xcel solicitation returns 'incredible' renewable energy, storage bids



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

