

Opportunities for FERC to Speed Deployment of Solar, Storage and Clean Energy

The federal government, and FERC in particular, has an exciting opportunity in 2021 and beyond to spur innovation and deployment of solar energy technologies that will increase resilience and decrease the costs and emissions of the American energy system. With the leadership of President Biden, who shares the industry's goal to aggressively deploy solar energy across the country, FERC can be a key catalyst for the clean energy growth needed to address climate change, stimulate the U.S. economy, and support frontline communities who are most vulnerable to environmental degradation.

SEIA's top 3 priorities at FERC in the coming year are well-aligned with those of the new administration:

1. Capacity market reform
2. Interconnection reform
3. Promoting new regional markets where they do not exist today, particularly in the Southeast and West

Capacity Market Reform

FERC's December 2019 PJM Minimum Offer Price Rule (MOPR) Order caused a significant backlash at states that have set high renewable portfolio standards for clean energy. Under the current rules, state clean energy goals are considered subsidies. As a result, fossil fuel generators will continue to receive lucrative capacity payments, while solar projects will be faced with submitting "minimum bids" that price solar generators out of the market. It has become clear that **conflicts between wholesale markets and state policies are untenable in the long run**, and contrary to the administration's clean energy goals.

SEIA worked with PJM to develop the unit-specific exemption program that was authorized by the order. Roughly 10 gigawatts (GW) of solar and wind have submitted commercial data to the PJM market monitor that would enable them to bid as price-takers. This is an encouraging short-term result, but reforms are nonetheless needed.

SEIA is engaged in the PJM workshop process that will consider new capacity market solutions. We are encouraged by recent statements from PJM that suggest that they are open to both near-term modifications to the MOPR and longer-term, more comprehensive capacity market reforms that fully respect state resource choices.

Similar issues are at play in the NYISO and ISO-NE capacity markets as well. SEIA has been supportive of efforts in NY to develop and incorporate carbon pricing into their market, which could be an effective tool.

FERC has indicated that they would rather see capacity market reforms proposed through Section 205 filings rather than a Section 206 Complaint process. Time is of the essence, and FERC leadership will be necessary to ensure that reforms move ahead.

Interconnection Reform

Interconnection is a perennial problem both at the distribution level and in wholesale markets. At the end of 2019, **734 GW of proposed generation were waiting in interconnection queues nationwide, of which almost 90 percent is for wind, solar, and storage projects.**

Despite various efforts to alleviate interconnection backlogs, queues remain costly, lengthy, and unpredictable. Cluster studies have proven not to be the silver bullet, and even with good rules, compliance with timelines is an issue.

The most promising solution on interconnection may simply be to end FERC's longstanding "participant funding" policy that places nearly all costs of shared large network upgrades on the interconnection customer, as recently suggested by Americans for A Clean Energy Grid (ACEG).

Interconnection network upgrades often create economic and reliability benefits to loads and reduce congestion to improve grid efficiencies and operational flexibility, and therefore should not be fully assigned to interconnection generators. And freeing interconnection customers from the burden of uncertain and often excessive interconnection costs could unlock thousands of megawatts of urgently needed solar and solar + storage projects.

New and Expanded Markets

SEIA is the voice for competitive renewable developers and competitive markets, and **expansion of and access to markets remains among our highest priorities.**

The North Carolina Utilities Commission's (NCUC) dismissal of protests on February 8 means that we expect the Southeast Energy Exchange Market (SEEM) proposal to be filed at FERC shortly. While there are pros and cons to SEEM, the biggest negative is the risk that Duke and its partners will use the incremental progress of SEEM to prevent more significant market reform. In December, South Carolina enacted H. 4940, creating a committee that will study electricity market reform in South Carolina. Parallel legislation has been proposed in North Carolina and is expected to be considered early next year. **The SEEM bilateral exchange market should serve as the foundation to a future regional market,** rather than as an end in itself.

Stakeholders must have a voice in the regional market to ensure it is unbiased. Inclusion of an independent market monitor will be critical to ensure transparency and confidence in trades executed through the SEEM platform. The solar industry is developing a proposed framework on how a third-party market monitor could be instituted.

SEIA is also supportive of, and engaged in, efforts to expand markets in the west.