

Hearing Idea: Power Market Reform



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The Federal Energy Regulatory Commission (FERC) regulates the wholesale and capacity power markets that provide electricity to nearly two thirds of Americans. The US power industry is undergoing an energy transition, led by natural gas fired generators and renewable energy. The penetration of these technologies due to low cost and favorable policies have driven the wholesale market prices to record lows causing severe financial hardship to the existing nuclear fleet. According to a recent study by Third Way, more than half of the current nuclear fleet in the U.S. is at risk of closure due to financial stress. FERC has begun taking initial steps to improve the pricing mechanisms in electricity markets which could be extremely beneficial to existing nuclear reactors. But there is a lot more to be done. FERC should take additional steps to reform the power market, keeping the following priorities in mind:

1. **Reliability and resource adequacy.** Electricity markets should value reliability in the electric grid, especially baseload generators like the existing nuclear fleet. FERC's recent proposal on minimum pricing requirements for Fast-Start resources is a step in the right direction. ¹
2. **Fuel diversity.** The U.S. electric power mix is becoming increasingly reliant on natural gas, and this over-reliance could cause reliability issues and price fluctuations. NERC's latest long term reliability assessment cautioned that many regions are becoming too dependent on natural gas. ²
3. **Low-carbon sources.** FERC should formulate mechanisms in the markets to incorporate low-carbon technologies like nuclear, renewables, and carbon capture.

Possible witnesses:

- Richard Kauffman, Chairman of Energy & Finance in the Office of New York Governor Andrew Cuomo
- Joe Dominguez, Executive Vice President for Government and Regulatory Affairs and Public Policy at Exelon Corp.
- John Kotek, Vice President for Policy Development and Public Affairs at the Nuclear Energy Institute
- Brien Sheahan, Chairman of the Illinois Commerce Commission

TOPICS

ADVANCED NUCLEAR 81

ENERGY FINANCE 22

END NOTES

- 1.** United States, Federal Energy Regulatory Commission, “Fast-Start Pricing in Markets Operated by Regional Transmission Organizations and Independent System Operators,” Notice of Proposed Rulemaking Docket No. RM17-3-000, December 15, 2016. Accessed February 1, 2017. Available at: <https://www.ferc.gov/whats-new/comm-meet/2016/121516/E-2.pdf>.
- 2.** “2016 Long-Term Reliability Assessment,” Report, North American Electric Reliability Council, January 11, 2017. Accessed February 1, 2017. Available at: <http://www.nerc.com/pa/RAPA/ra/Reliability%20Assessments%20DL/2016%20Long-Term%20Reliability%20Assessment.pdf>.