



Rick Perry urges FERC protect coal, nuclear power plants

By John Siciliano | Sep 29, 2017, 12:54 PM

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Energy Secretary Rick Perry prodded the nation's grid regulator on Friday to pick up the pace on an administration proposal to ensure nuclear and coal power plants are adequately compensated for the resilience they offer the power grid.

Perry sent the Federal Energy Regulatory Commission a proposed rule on that matter that he wants the commission to approve swiftly to ensure a diverse energy mix exists.

"A reliable and resilient electrical grid is critical not only to our national and economic security, but also to the everyday lives of American families," Perry said in a letter accompanying the rule. "A diverse mix of power generation resources, including those with on-site reserves, is essential to the reliable delivery of electricity — particularly in times of supply stress such as recent natural disasters. My proposal will strengthen American energy security by ensuring adequate reserve resource supply and I look forward to the Commission acting swiftly on it."

Typically, the energy secretary doesn't send draft proposed rules to the FERC, and in this case, the commission already has a proceeding underway on price formation. But administration sources say FERC has been too slow and it is within Perry's discretion to give the nation's grid regulator a nudge even though it is an independent arm of the Energy Department.

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The need for FERC to propose regulatory fixes to help economically ailing coal and nuclear power plants was made last month in a major grid study that Perry issued, which explained the administration's priorities for the electricity grid. The study showed that nuclear and coal plants are being economically challenged by the low cost of natural gas, which is making gas-fired power plants the top electricity producer in the country.

FERC oversees the wholesale electric markets that compensate power resources based on the lowest cost resource. The low-cost energy gets access to transmission first, so it can sell into the market. This is done under the Federal Power Act to preserve fair and reasonable rates for consumers.

Under the proposed rule, FERC would direct the large electricity operators it oversees to prepare pricing mechanisms that compensate power plants for the specific ways they help stabilize the grid. For example, a power plant's ability to contribute power during a flood or extreme cold should be considered to ensure those characteristics remain part of the grid to stave off blackouts or widespread failures.

Neil Chatterjee, the current Trump-appointed chairman of the commission, told lawmakers last month that "the commission is fuel neutral" but will "evaluate the attributes of fuel sources to see what values they provide and if there is a demonstrated need for reliability whether those things can be compensated."

The coal industry applauded the effort on Friday, and used Perry's rule proposal to prod the commission for swift action.

"We urge FERC to act swiftly on this important proposal," said Hal Quinn, the president of the National Mining Association. "Secretary Perry's action today is a long-overdue and necessary step to address the vulnerability of America's energy grid."

Quinn explained that Perry is invoking his authority under the law to ask the commission "to take decisive steps to arrest the premature retirement of power plants capable of providing American consumers with reliable and affordable electricity."

"By acting on the Secretary's proposal, FERC can appropriately value the importance of reliable and resilient fuels that ensure baseload power, the mainstay of our nation's grid, is available at all times," he said. Baseload refers to power plants that can supply the minimum amount of electricity 24-hours a day to keep the grid up and running without disruption.

Perry announced a separate action to help move along the development of new nuclear plants with conditional commitments of up to \$3.7 billion in loan guarantees to the owners of the Vogtle nuclear power plant in Georgia. The power plant's designer, Westinghouse, had filed for bankruptcy earlier in the year, placing the project's future in jeopardy. It is one of just a handful of new proposed nuclear projects in the country.

"I believe the future of nuclear energy in the United States is bright and look forward to expanding American leadership in innovative nuclear technologies," said Perry. "Advanced nuclear energy projects like Vogtle are the kind of important energy infrastructure projects that support a reliable and resilient grid, promote economic growth, and strengthen our energy and national security."