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## Public Power Weekly Exclusive: FERC's Clark offers thoughts on infrastructure, jurisdictional lines, EPA plan

From the March 9, 2015 issue of *Public Power Daily*

Originally published March 6, 2015

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*FERC Commissioner Tony Clark*

Tony Clark, a commissioner at the Federal Energy Regulatory Commission, recently offered his thoughts on a wide range of issues facing FERC and the power industry as a whole in an exclusive interview with the American Public Power Association's news department.

[The following story is the first of two articles based on Clark's responses to questions during the interview, which took place at the commissioner's offices at FERC headquarters in Washington, DC, on Feb. 23, 2015.]

During the interview, Clark was asked to offer his thoughts about the existing energy infrastructure in the country and any concerns about the adequacy of that infrastructure going forward.

"With regard to infrastructure, you have to talk about the two sides of it that FERC deals with – electric transmission and pipeline transmission," Clark said.

On the electric side, he thinks there have been "fairly good strides made over the last few years" in terms of increasing investment in the grid. But he also said "it doesn't come anything close to what may be needed into the future," especially given the "potential for the Clean Power Plan," the U.S. Environmental Protection Agency's proposed plan to reduce carbon dioxide emissions from existing power plants.

On the gas pipeline side, "for some period of time, the U.S. has probably been the envy of the world in terms of interstate natural gas pipelines. We just have a natural gas pipeline system that really doesn't exist anywhere else, and that's been to our great benefit," Clark went on to say.

But he added that "it's changing a lot, however, because the sources of gas have changed so much over the last few years. Where it was so predominantly a Gulf Coast-centric production in the past, now we have fields that are popping up in all sorts of different locations – some of them close to load, as in the Northeast," with the Marcellus Shale natural gas formation.

"So there'll be a lot of investment that will be needed with that as well, just in terms of accommodating where the new sources of gas are coming from, but also accommodating a very big increase in gas usage because of the affordability of gas supplies," the FERC commissioner said.

With the "impetus of the Clean Power Plan, again, that will" increase the need for more infrastructure as well, he said.

Clark also was asked whether he thinks FERC has an adequate set of tools to encourage investment in infrastructure.

"I think, in general, we do," the FERC commissioner said. "There are always things that you can look to that could possibly be improved. I think right now in terms of our tools, they're generally quite good."

At the same time, Clark said that the "one issue that I think is vexing some of the regions of the country a little bit that I think FERC will continue to have to work on is in the nexus between the electricity markets and how gas pipelines get built."

This is "especially true in the Northeast – New England and New York, parts of PJM, but especially New England," he said in the interview.

"It seems like the further north and east you go, the bigger the issue is. There you have gas generators in a restructured environment and a region that's turning increasingly to gas and away from more traditional sources of energy," he said.

Clark said that "the way that the electricity markets work," with forward capacity markets that have timeframes of one or three years, for example, "doesn't work real well" in terms of financing the natural gas pipeline industry, "which says, 'we'll build these pipes, but the way our model works, we require 10, 15, 20 year contracts.'"

He said that there's been "a real issue of capital financing in that region because of this mismatch between electricity and gas."

Meanwhile, Clark gave his initial thoughts about what he heard at [FERC's first technical conference on the EPA plan](#), which took place on Feb. 19.

"I think we saw the value" in the discussions "and I was glad that we've begun the process," Clark said.

"I think we've also just scratched the surface, though," Clark went on to say. "One of the things that's very difficult with this particular issue" is that there are "a lot of folks, especially in DC, that talk in very general terms about nationwide impacts," he said.

At this point, "we're still talking at a fairly high level and where we're really going to start getting down into the nitty gritty of this, I think, is in the regional meetings, which to me is going to be very helpful," he said.

FERC convened [the first of three regional technical conferences](#) looking at the EPA proposed plan on Feb. 25 in Denver, Colorado. The interview took place prior to the Denver conference, which heard from power industry participants in the Western region.

"I think we've set out the broad parameters of some of the discussions and the concerns that we're going to hear from states, but until we start talking state-by-state, region-by-region, we're not going to have a full picture of exactly what it means," the FERC commissioner said in the interview.

Clark said that even if the EPA's plan continues "to move forward and be upheld by the courts, eventually it's going to become an even much more granular analysis than that, where you're actually looking at specific plants, specific lines, voltage support," things that are "really down into the weeds, but is the really important work that has to be done to keep the lights on."

The agendas for the FERC technical conferences show that panelists are being asked to discuss: 1) reliability, 2) energy infrastructure, and 3) wholesale markets and operations.

Clark was asked whether of these three topics, any topic in particular rises to the top in terms of what he is concerned about vis a vis the impact of the EPA plan.

"Reliability is always job number one," Clark said. But he also said that it is difficult to separate the three areas that are the focus of discussion at the technical conferences. He noted, for example, that "in the market regions of the country, markets and prices are how you get to reliability, so it's almost tough to separate" markets and operations, infrastructure and reliability.

FERC will convene two additional technical conferences examining the EPA plan in March. On March 11, FERC will hold a conference at its Washington, D.C., headquarters, where it will take a closer look at issues tied to the Eastern region. The commission on March 31 will hold a related conference for the Central region in St. Louis, Missouri.

### **Federal and state jurisdictional lines**

Meanwhile, Clark was asked to offer his thoughts on where he thinks the line should be drawn between federal and state jurisdictions when it comes to energy markets.

The commissioner said that "at the general level, it's all laid out in the Federal Power Act and it should be simple enough – which is wholesale is the responsibility of FERC and retail is the responsibility of the states."

In practice, Clark said that "it gets a little bit messier than that, especially recently, because you have evolving markets and technologies that begin to blur the line a little bit between what the retail side is and what the wholesale side is."

Noting that he spent "close to 20 years in state government at one level or another," Clark said that "I do have an interest in preserving a state role for good reason. I think that in a lot of ways they can do some things that we" on the federal side "are not as perhaps equipped to do."

But the commissioner said that it is also important that there be a strong federal role. "It's clear wholesale markets are a federal responsibility. Things like bulk system reliability of the interstate grid – only the federal government can really deal with that – no one state can."

With respect to market enforcement issues, there "clearly has to be a stronger federal role – these are interstate markets that are being dealt with," Clark said.

He said that "I think we'll each have our role. Courts from time to time will define what that line is exactly," but, in general, there are "strong and important roles for each jurisdiction and we're both in it together so we need to learn to get along and make it work as best we can."

Clark is serving his first term on the commission, having been nominated by President Barack Obama and sworn in on June 15, 2012. A Republican, he is serving out a five-year term that expires June 30, 2016.

Clark formerly served as a member of the North Dakota Public Service Commission (PSC), most recently as chairman of that commission. The office is a statewide elective office and Clark was first elected to the PSC in 2000.