



May 15, 2014

Commissioner John R. Norris

STATEMENT

Statement of Commissioner John R. Norris on Preserving our Country's Nuclear Fleet

"As many who follow FERC are aware, I have spent the past few months encouraging a dialogue regarding the viability of our country's nuclear fleet and hoping to generate ideas on how to best ensure the continued utilization of nuclear energy for our electric needs. This remains my main objective. We need to maintain our nuclear fleet, as it is a valuable base load and carbon free resource. We also need to further the development of wind and other forms of renewable energy. I believe our electric energy system benefits from a diverse fuel mix that includes nuclear and renewable energy.

"When this dialogue started publicly at our March meeting, I sought to highlight the financial situation of our nuclear fleet, and to stress that this situation needs to be addressed. I emphasized the critical role that nuclear energy should play in our energy future in terms of reliability, price stability, and its non-carbon attributes. In so doing, I cited a number of explanations I had heard for the revenue shortfall the nuclear fleet is experiencing: abundant, low cost gas supply, flat demand growth, and negative pricing. At the meeting, I encouraged parties to provide me with additional information on this issue and offer potential solutions to this dilemma.

"In the past two months, I have heard from a number of people and organizations with different and valuable perspectives on this issue. Based on those meetings, I thought it important to provide my updated thinking on this debate. AWEA offered a report that demonstrated the infrequency of negative pricing in day-ahead markets, and the minimal impact of negative pricing on the nuclear fleets. Exelon responded that an examination of negative pricing cannot ignore the real-time energy markets. I agree that we need to look at both the day-ahead and real-time market impacts. Based on the information I have received, however, I believe the larger issue is not negative pricing but rather the additional supply of new, low cost energy in recent years from both wind and low cost gas that has contributed to lower energy prices and reduced revenues for the nuclear units.

"After these discussions, I have concluded that the argument regarding the impact of negative pricing on nuclear viability is a distraction and not productive to the larger conversation regarding how to ensure that the existing nuclear fleet is maintained. I have concluded that negative pricing is having a very small impact on the nuclear fleet. It certainly would not pass a "but for" test. That is to say, I do not believe that "but for" negative pricing, the currently troubled nuclear units would be economic.

"The focus on negative pricing has revealed a different problem that should be addressed. New transmission is needed to relieve transmission bottlenecks where nuclear and wind energy are both adversely impacted. It appears that negative pricing occurs in transmission-constrained generation pockets. Commission actions like Order No. 1000 and the planning activities of the regional transmission organizations are helping to address these congestion issues, but the continued existence of negative pricing pockets suggests that more work needs to be done. Consumers should have access to competitively priced energy that both wind and nuclear can provide. Transmission development is the better, and more proactive, solution to negative pricing rather than forcing that issue into the debate on the merits of the production tax credit (PTC).



"It's important to note that subsidies have existed for all forms of energy in this country. The additional supply of new energy, regardless of whether it is subsidized or not, will always impact existing energy supply. That does not make the PTC bad policy. I believe that our energy policies should focus on promoting new wind, solar, and other forms of renewable energy, and maintaining our existing nuclear fleet, as these resources bring diversity to our fuel mix and are consistent with our nation's carbon reduction objectives.

"The current low gas prices and increased reliance on our gas fleet pose the biggest economic challenge to our nuclear fleet. This leads to a much broader discussion regarding fuel diversity, pipeline infrastructure and operations, markets, and more, but I will leave that to another day. We have much more to talk about and much more work to do on this issue."