

**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

State Policies and Wholesale Markets)	
Operated by ISO New England Inc., New York)	Docket No. AD17-11-000
Independent System Operator, Inc., and)	
PJM Interconnection, L.L.C.)	

**PRE-TECHNICAL CONFERENCE STATEMENT OF DR. BILL MURRAY
SENIOR POLICY & ELECTRIC POLICY DIRECTOR, DOMINION RESOURCES**

Commissioners, FERC staff and fellow panel members, thank you for organizing this Technical Conference and for inviting Dominion to speak on this critically important topic.

Dominion believes states should be able to support energy policies through state actions that respect the federal/state jurisdictional divide.

Dominion's efforts in Connecticut to allow Millstone to participate in RFPs for zero emission resources should be considered a state action within the current wholesale market design and entirely consistent with our federal system. It advances important state public policy goals of lower rates, long-term rate stability, and a transition to a lower carbon economy.

It is not dissimilar to long standing state efforts across the country to incent renewable energy and energy efficiency through mechanisms like renewable portfolio and energy efficiency standards.

The proposed RFP process in Connecticut authorizes the local distribution companies to negotiate bilateral wholesale energy contracts with the selected generator from a competitive process. The only difference from a typical bilateral contract that incents competitive price bidding is that the generator is providing characteristics other than energy and capacity that are valued by the states but not reflected in wholesale market pricing -- in this case zero emission, zero carbon energy available around the clock. Furthermore, if Millstone is a successful bidder in the RFP, the contract would be with an existing generator, which avoids the concerns addressed by the MOPR and the procurement of new capacity.

The Connecticut legislation is a viable way to properly value the zero emission characteristics of resources without infringing on the wholesale markets.

Dominion does not believe that the Connecticut legislation would result in an out-of-market payment. The program is necessary because the current wholesale energy market design does not value zero emission, zero carbon energy from resources. Dominion does not believe that a contract with Millstone will adversely affect the market. Millstone will continue to be bid into

the ISO-NE markets as a must-run resource. However, a study completed by Dr. Sue Tierney of the Analysis Group on the effects of Millstone retiring has shown significant adverse effects from the retirement of Millstone, even with the most conservative assumptions about deployment of natural gas and renewable resources. You can find a copy of the study on the Analysis Group website.

http://www.analysisgroup.com/uploadedfiles/content/insights/publishing/analysis_group_millstone_report_final_12-1-2016.pdf

SB 106 provides a way for the state to value zero emission, zero carbon resources in a manner consistent with state public policy and the interests of electric utility customers in lower rates and rate stability. Valuing lower emission resources has been an attribute of state policy making throughout the United States, in both regulated and deregulated markets, for well over a decade, beginning with the first state renewable portfolio standards.

SB 106 works within the existing market structure to give state regulators, at their discretion, an additional tool to value zero emission, zero carbon electricity while at the same time benefitting customers.

Dominion believes that there are no consequences to state support for existing resources. Market participants making long-term decisions based on the status of existing resources typically receive adequate notice when a resource plans to retire. There is more concern with state support for the construction of new resources that are built without regards for need or cost prudence, which is why the MOPR was created. The MOPR should help ensure that new non-state supported resources will not be subject to chronic over-build of subsidized capacity and intentional price suppression in the capacity markets. Absent an appropriately designed MOPR for new resources, long-term decisions become very risky.

I look forward to our further discussion.

Thank you.