



Federal Energy Regulatory Commission
July 19, 2007
Open Commission Meeting
Statement of
Chairman Joseph T. Kelliher

AD07-14-000: Hydrokinetic - Energy Pilot Project Licensing Process

"I would like to announce an important proposed change in Commission policy with respect to licensing new hydropower technologies. Last December, the Commission held a technical conference on hydrokinetic technologies that would use the force of tides, waves and currents to generate electricity.

These technologies have significant potential. But, there are barriers to realizing the potential of these new technologies, including financial, technological, and regulatory. The principal barrier to development of these technologies may be that they are as yet unproven, not just in the United States but in the rest of the world. The technologies must be proven before large scale commercial deployment can occur.

The Commission has taken steps to promote technological demonstrations. In the *Verdant* order, the Commission interpreted the Federal Power Act in a flexible manner that allowed it to authorize a pilot project. That pilot project is operating, and useful data is being collected. We have also modified our approach towards preliminary permits in order to guard against site banking of promising locations for these technologies.

Today we take a major step to reduce the regulatory barriers to the success of these new technologies, and do so in a way that promotes what is most needed: pilot projects to demonstrate these new technologies. Earlier this year, I directed Commission staff to determine whether we could establish a simplified licensing process suitable to license pilot projects for these new technologies, one that we could implement under our current legal authority. I am pleased to report that the staff has responded with a creative proposal to establish an effective pilot project licensing process. I am proud of the Commission staff for the creative proposal they developed.

The pilot project license would be available for projects that are (1) small, (5 MW or less), (2) removable or able to be shut down on relatively short notice, (3) not located in waters with sensitive designations, and (4) for the purpose of testing new technologies or determining appropriate sites for ocean, wave and tidal energy projects. We would envision the license having a short term, perhaps five years. At the end of that period the project developer could apply for a standard license or decommission and restore the site. The pilot project license would include standard safeguards that would allow the Commission to alter operation to prevent unacceptable environmental effects.

We will release materials describing this proposed pilot project license through the Commission website at the conclusion of today's Open Meeting.

I want to emphasize that it is our view that this pilot project license can be granted under current law, without a change in Commission regulations. In other words, we have the ability to issue pilot project licenses in the immediate future.

However, the success of this new pilot license depends on the cooperation of other federal and state agencies. For the pilot license to work, it will be necessary for

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federal and state agencies to identify any necessary environmental studies early in the process, and issue any necessary permits in due course.

It stands to reason that the potential impact of a pilot project authorized to operate for five years under conditions that allow the Commission to halt operation if it determines environmental impact is unacceptable will be quite different than a large scale project licensed to operate over a half century. For that reason, the scope of the environmental studies necessary to authorize a pilot license should be reduced.

The Commission will hold a technical conference in October to explore issues related to the new pilot license proposal. We will hold this conference in the Pacific Northwest, where there is great interest in these new technologies. I have asked our colleague, Commissioner Phil Moeller, to lead this technical conference.

The Commission is committed to removing barriers to development of these new hydropower technologies. We have demonstrated flexibility in the past, today we offer a new pilot project license carefully tailored to promote technological demonstrations, while guarding against environmental harm. I believe our proposal represents the best means to demonstrate these technologies and allow them to achieve their potential.”