

Open Access Podcast: Chairman Chatterjee and Commissioner Glick talk FERC's new landmark DERs rule and carbon pricing

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Mary O'Driscoll: Welcome to Open Access, I'm Mary O'Driscoll.

We're honored to have both FERC Chairman Neil Chatterjee and Commissioner Rich Glick with us today to discuss the landmark FERC rule that opens up wholesale power markets to distributed energy resources – Order No. 2222 is huge step forward in getting us to the grid of the future and encouraging development of energy sources and technologies of all stripes. Welcome, both of you!

Chairman Chatterjee: Thanks for having us.

Commissioner Glick: Thank you.

Mary O'Driscoll: I wanted to go to Chairman Chatterjee first, but, please, don't be afraid to step in and add your thoughts if the questions I ask are not directed at you. So, Chairman, some people can't quite get their heads around just what it is that FERC has done. For instance, some people wonder if the Commission is going to be handing out subsidies to people to put solar panels on their houses. So, how do you explain why this is such a groundbreaking move?

Chairman Chatterjee: Thank you, that's a great question. To be clear, this has absolutely nothing to do with subsidies, so thank you for letting me start with that point. This is all about unleashing the power of our markets. Order 2222 removes market barriers to distributed energy resources or DERs. I get it. That sounds like technical alphabet soup. But it's really quite simple. We're talking about smaller energy resources located in our homes, our businesses, within communities. I'm thinking here rooftop solar panels, electric vehicles, really advanced water heaters. What our rule did was say, 'You know what, these smaller assets should be able to join together through the power of technology and compete in our wholesale electric markets, just like the large power plant down the street.' So just think about that. This action, in my view, is revolutionary, and will help us pave the way for the grid of the future. It lets our markets be a catalyst for bringing new technologies and cleaner resources online. And, the big payoff here is really for consumers: This action will make our markets more efficient, and it also promises to drive down costs for consumers. It also makes our grid more nimble, flexible and reliable. So this rule is just a very forward-leaning, technology-focused way to carry out our mandate to ensure consumers have access to reliable power at just and reasonable rates, and I'm really proud to have worked so closely with my colleague Commissioner Glick to bring this historic ruling forward.

Mary O'Driscoll: OK. Thanks. Commissioner Glick, what in your view is the most significant development that could come out of this new rule?

Commissioner Glick: I don't think I can just point to one. There are just so many very important developments I think, associated with this rule. As the Chairman mentioned, there's a lot of DERs out there already – a lot of rooftop solar, electric appliances like water heaters, electric vehicles – they're all over the place. Allowing them to participate in the wholesale markets, in the organized markets, at

least, is going to allow them to add new capacity, add new energy sources, add diversity to our regional energy mix. And that's going to help improve reliability, decrease customers' bills, and it's going to promote or help the transition to a clean energy future that we're undoubtedly in right now. In addition to that, we're giving these DERs by allowing them into the energy markets another revenue source, which is very important. Because we're going to need significantly more DERS as we go into the future, as we go into a cleaner energy future, and by giving them an additional revenue stream, we're going to promote the additional electrification that we need to combat climate change.

Mary O'Driscoll: OK. Chairman, back to you. You've been particularly outspoken about this new rule in the context of electric vehicles and what they might be able to contribute to the grid. Can you explain that?

Chairman Chatterjee: Absolutely. I think just a great, real-life example of how Order 2222 will create new opportunities and change is when it comes to electric vehicles or EVs. We've seen some estimates that there will be almost 19 million electric vehicles on the road in the US by the end of this decade. And that's really on the low end. When all those vehicles are plugged in, say, in our garages, in the future, through the power of technology they'll be able to virtually form one large battery providing grid-level services, like providing energy when we need it most. So, Commissioner Glick and I are roughly the same age, he may not remember a cartoon that I grew up with, Voltron, where all these different characters came together to form Voltron, this superhero. That's what these batteries may have the capacity to do. I think vehicle-to-grid technologies, they're still developing and advancing, but that's part of the beauty of the action that we took. Order 2222 is technology-neutral, meaning that as technology evolves and improves, it's only going to create new opportunities. And our markets will remain a platform for that. What's really exciting about it is Commissioner Glick talked about its impact on climate change. I think we at the Commission, and I particularly want to commend Commissioner Glick for his leadership on this, have done a great deal to squeeze carbon out of the power sector. But at the end of the day, the single most significant source of carbon emissions in the US is in the transportation sector. If our actions on the power sector side lead to the increased deployment of electric vehicles, that can only help squeeze carbon out of the transportation sector as well. And that's a big deal not just for the economy and consumers, but for the environment as well.

Mary O'Driscoll: OK. Commissioner Glick do you have a Voltron reference?

Commissioner Glick: Well, I'm a little older than Chairman Chatterjee. Actually, I used to watch Bugs Bunny when I was growing up. So, I need to learn about Voltron.

Mary O'Driscoll: OK, Commissioner Glick, I'll give you another question then. You're a Democrat, and Chairman Chatterjee is a Republican. What's the significance of this new rule as a product of bipartisan agreement?

Commissioner Glick: Well, you know, I don't necessarily view as, certainly, Chairman Chatterjee is a Republican and I'm a Democrat. Everyone knows that. But I don't necessarily view FERC as a partisan agency. We're not supposed to represent our party. We're supposed to follow the law, follow the regulations, follow the facts. I think we do that. I think at times we have our strong disagreements, and certainly there's a number of issues where the Chairman and I have disagreed upon. But on the other

hand, there is certainly areas where we have strong agreement, and I think this is certainly one of them. I think the Commission has done an excellent job over the years of removing barriers to new technologies, which is what we're required to do under the Federal Power Act. This is one particular example. But under the Chairman's leadership we also issued Order 841 for storage, and we're also exploring other avenues of offshore wind, hybrid technologies, and other areas that we could still do more on. But again, I want to commend the Chairman for working with me, working with my office, and getting to Yes on this DER rule, because as the Chairman mentioned, it has a lot of significant benefits. And again, we didn't sit down as Republicans and Democrats. We sat down as commissioners and worked it out.

Chairman Chatterjee: And Mary, I just want to build on that real quick. Sorry to interject, but Commissioner Glick deserves a lot of credit for this. When I first came to the Commission, and he and I were both new together, and we looked at both the storage rulemaking and the DER rulemaking. He was really instrumental in helping me appreciate the significance of what these policies could be. We're a quasi-judicial body, but we also have this ability to initiate rulemakings. And he really showed me what potential there was in these areas and convinced me to stay the course. And I committed to him that I would. And as I reflect back, it took a long time, much longer than Commission Glick would have wanted or anticipated initially, but at the end of the day we got to the right result, and I give credit where credit is due. He really pressed me hard on this over the course of a number of years. And I'm forever grateful for his work and his leadership, and that of his team. And I'm particularly proud that, I think, this is something that will outlast both of our tenures at the agency. And that's something to be proud of.

Commissioner Glick: Mary, if I can interject, just for a minute.

Mary O'Driscoll: Of course.

Commissioner Glick: I want to commend the Chairman, because, yes, all that is true, but he committed to me when I first got to the Commission that he would work with me on this, and he did, every step of the way. And sometimes I did get a little frustrated at the speed of it, but the Chairman worked out the technical issues, we worked out the legal issues, and I think we came up with a really helpful rulemaking that I think, as the Chairman mentioned, is going to have an impact for many years to come.

Mary O'Driscoll: All right. Chairman, let me go back to you then. Why would FERC get involved in something like this? I mean, the Commission is supposed to be fuel- and resource-neutral. What do you say to those who might argue that with this rule FERC is putting its thumb on the scale for renewable resources?

Chairman Chatterjee: Yeah, I don't think we are. I think like most other Commission actions we've taken, the key principle underpinning this rule is that it's fuel-neutral, and it's technology-neutral. And that means it doesn't discriminate between resource types or technology types. The premise is that if a DER aggregation can perform and provide a service in our markets that aggregation should be compensated just like any other resource. I think it creates a totally level playing field, and so I think again, to your core question, why would FERC get involved in something like this? It's within our purview to do so. This was a rulemaking that was originally initiated by former Chairman Bay, and it's one that Commissioner Glick in particular was interested in, worked with me on, convinced me of the merits on, and I think, ultimately, I think it will withstand legal scrutiny because we didn't put our thumb on the

scale for a particular resource. We simply removed barriers to markets, and I think that's completely consistent with other actions that we've taken during my tenure as Chairman.

Mary O'Driscoll: OK. Commissioner Glick, back to you. How long do you think it's going to be before we see any of the fruits of this rule?

Commissioner Glick: I don't think very long. You know, the order requires, the rule requires, after 60 days it will come into effect, and then there's I think a 270-day period for the RTOs to submit their compliance filings, and certainly that's going to take a little while, we have to review the compliance filings, and act on them. I want to make a plug, I certainly hope that everyone listening participates in those compliance filing proceedings because they are very important. But in the meantime, in the interim, I think there's a lot of additional investments that are going to occur because of this rulemaking. I think we already have a lot of DER technologies already. I think we're going to see more. I think we're going to unleash a significant amount of new investments. I think we'll see that sooner rather than later. The market rules will come. But I think the investment and the creativity that will unleash new and, hopefully, improved DERs will occur now.

Mary O'Driscoll: Chairman, rank has its privileges, you get the last word. You all just completed a day-long technical conference on carbon pricing in wholesale electric markets. I believe it was what – nine and a half hours? What's going on here – is FERC getting involved in environmental matters or what?

Chairman Chatterjee: So, to be clear here, we're not an environmental regulator. And so, we're not in the driver's seat on emissions policy. But as states are taking the lead in adopting policies to curb emissions, carbon pricing is emerging as an important tool. So, we were asked by a broad array of stakeholders to convene a discussion about what that might mean for the markets that we at FERC oversee. And that's why we convened our technical conference.

My overarching takeaway from the conference – from the nine and a half hours, and I really appreciate Commissioner Glick's endurance to power through that with me – there was a lot of consensus and enthusiasm about market-oriented solutions from this diverse array of participants. And I'm talking, we had a high level of engagement and rich discussion: 32 panelists, leaders in their fields, everyone from legal scholars to economists to CEOs. I'm very grateful for the time and the insight that they gave us. We heard broad-based agreement that carbon pricing is a transparent, efficient tool for addressing emissions. And it's a tool that is superior to, and less costly than, other heavy-handed and less-transparent approaches. And so that was important. We also heard some important points about how FERC should proceed, and to proceed cautiously in the space, and about the complexities, and importance of a bottom-up approach to allow states and regions and their diverse stakeholders to coalesce around a market proposal. And so, there's a lot of work to get through. But I was very pleased with the discussion. I think it was very productive. I was grateful for the engagement.

And again, I really want to thank Commissioner Glick not just for participation in the conference, but he and his team did a lot of work in the preparation for the conference as well. And that work and that preparation led to what I thought was a very productive day. I look forward to working with Commissioner Glick and Commissioner Danly and staff at the Commission to see what we can do with this record moving forward.

Mary O'Driscoll: OK. Commissioner Glick, you wanted to add anything on that?

Commissioner Glick: Well, I agree with everything that the Chairman said, and it was a long day, but it was a very productive day. And I think again, it furthers what I think the Commission does. Which is, again, as the Chairman mentioned we're not an environmental regulator. We have to clear the deck essentially, clear out any barriers there might be to states and the federal government as they move forward with a cleaner energy future. And I think yesterday's technical conference demonstrates that.

Mary O'Driscoll: Thanks, both of you, for joining us today. It was a lot of fun. And thank you all for listening, and we'll see you next time.

Craig Cano: FERC is an independent regulatory agency that oversees the interstate transmission of electricity, natural gas and oil. FERC reviews proposals to construct and operate interstate natural gas pipelines and liquefied natural gas terminals and oversees the licensing of nonfederal hydropower projects. FERC protects the reliability of the high-voltage interstate transmission system through mandatory reliability standards, and it monitors interstate energy markets to ensure that everyone in those markets is playing by the rules.

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