

## **Teeing up net metering and capacity markets during the energy bill pause**

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The Senate entered 2016 with Energy and Natural Resources Committee leaders pushing hard for passage of the Energy Policy Modernization Act of 2015, S. 2012. Committee Chairman Lisa Murkowski (R-AK) and Ranking Member Maria Cantwell (D-WA) surprised observers by getting floor time nearly first out of the gate. The rapid advancement of the bill shows the determination of energy committee leaders and their willingness to set aside differences on the most controversial issues.

However, after a week of floor debate, the Senate hit pause on the energy bill because of controversy over another critical aspect of the nation's infrastructure — a failing water system in Flint, Michigan. Michigan senators and Democratic and Republican leaders began to spar over how best to fund a reprieve for Flint, and whether or not the energy bill should be the legislative vehicle for such relief.

The pause is temporary, but Senators Murkowski and Cantwell now face an abbreviated window for legislative action as the focus in Congress will soon shift to the presidential elections, and to finding a replacement for Supreme Court Justice Antonin Scalia. If floor time becomes available despite these challenges, the energy bill is packed with “static” energy that could be rapidly converted to “kinetic” and approved by the Senate.

Many issues of concern for public power remain in the bill, and the American Public Power Association will take advantage of the pause to continue its work. Senator King (I-ME), aided by Minority Leader Harry Reid (D-NV), has filed an amendment that employs a heavy federal hand to decide state issues — which distributed generation providers merit interconnection, and how much they should be compensated are two subjects mandated in this amendment.

If this passes, states may be required to overcompensate distributed generators. And customers without rooftop solar will subsidize the few who do have rooftop solar and net metering. Senator King's amendment takes direct aim at a recent Public Utilities Commission decision in Nevada that reduced the rate of compensation for rooftop solar customers to more fairly treat all utility customers.

The King-Reid amendment likely does not have the 60 votes required for passage, but given the high-stakes nature of this debate, APPA will step up efforts to educate congressional staff about the threat to local control and unfairness to all utility customers.

Public power utilities are in the business of serving all of our customers and communities and continue to develop utility scale and community solar projects and net metering policies fair to all. Importantly, these retail decisions are now made at the local and state levels, not by the federal government which has no understanding of the unique circumstances each state or locality faces.

We hope the defeat of the King-Reid amendment is foreshadowed by a telling vote on another federal mandate that APPA opposed — an amendment by Senators Franken (D-MN), Heinrich (D-NM), Sanders (I-VT), and Warren (D-MA) to establish an energy efficiency resource standard. The amendment, defeated by a vote of 43-52, would have imposed a one-size-fits-all federal energy savings mandate on retail gas and electricity suppliers, increasing costs without real energy savings.

APPA continues to make progress in getting the word out to Senators that mandatory electricity capacity markets in the mid-Atlantic and Northeast spell trouble for customers. These markets lock in high rates for certain incumbent generators and block new generation opportunities. They penalize the not-for-profit public power business model and threaten our ability to self-supply affordable generation. APPA is working with Senate offices to ensure that any final bill helps to preserve self-supply and prevents the spread of capacity markets.

Behind the scenes, many congressional staffers and industry representatives who were engaged with the Energy Policy Act of 2005 through its almost decade-long journey are now engaged in this energy bill. Beyond the politics and rhetoric, its potential to clear the Senate and head to conference — with the House-passed North American Energy and Security Act of 2015 (H.R. 8) — is real.

APPA will take full advantage of this “pause” to advocate on distributed generation and mandatory capacity markets. We’ll also work to preserve hydropower relicensing reform provisions in both bills, and ensure that grid security, vegetation management, and power marketing administration issues are handled appropriately.

We’re committed to helping public power utilities reserve the right to work with their communities and make local decisions that promote affordable, reliable and environmentally sound delivery of electricity.