

PJM, states clash over market jurisdiction at NARUC conference

PJM CEO Andy Ott said some states in his market had entered a "compact" to allow generation decisions to be determined by competitive markets, sparking spirited responses from state regulators.

By Gavin Bade

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ORLANDO, Fla. — The PJM Interconnection and its state members clashed at a regulatory conference Tuesday over who holds the ultimate jurisdictional authority to site power plants in the mid-Atlantic electricity market.

PJM CEO Andy Ott told a panel audience on Tuesday that some states in his market had entered a "compact" to allow power generation decisions to be determined by competitive markets, rather than state resource planning.

"The compact ... was we opened up resource adequacy to competition, so investment was now driven by competition in parts of our states," Ott said at the annual meeting of the National Association of Regulatory Utility Commissioners (NARUC). "Other states have remained with integrated resource planning. It was a balance between them."

Ott blamed current upheavals in federal electricity markets on a retreat from this compact caused by state policies supporting clean energy resources like nuclear plants and renewables. That sparked a spirited response from some state regulators, who said states still retain ultimate authority over generation siting and retirements.

"Where can I get a copy of the original compact?" Maryland Public Service Commissioner Anthony O'Donnell asked Ott rhetorically during a question and answer session at the panel discussion. "I was told recently at an event that states agreed to give up some of their policymaking ability and sovereignty as a compromise of joining that compact. So I wanted to see the original."

"I agree with the commissioner from Maryland," Illinois Commerce Commissioner John Rosales told Utility Dive after the panel. "We did not agree to give that up. I don't think that was the intention of states that we would give up that right, give up that sovereignty where they would have the authority to make decisions on our behalf."

The clash illustrates the conflicts behind ongoing market reform cases at the Federal Energy Regulatory Commission (FERC), which pit state clean energy policies against fossil fuel generators who want to limit their impact on the market. Ott said failure to find a way to adjust market outcomes for these policies could lead states to revert to centralized utility generation planning.

"The big debate is when you start to have competitive states take action to preserve competitive generation or favor certain generation, the crowd on the other side says 'Hey I'm putting my money at risk, it's unfair,'" Ott said. "If we can't have a viable market then Plan B is to flip back to something like competitive procurement where it's almost like a synthetic reregulation at a regional level. We cannot have open competition where there's no confidence in the market."

The debate at the NARUC annual meeting comes weeks after PJM and stakeholders filed their latest comments on capacity market reform at FERC, with the grid operator framing its market reform proposal as a necessary compromise between states and generators. It's a narrative Ott revisited in comments before state regulators.

"We're the referee, we've got to make sure there isn't a cost shift between one state or another, or somebody has to," he said. "Somebody has to step up and say there's a cost shift here and unfortunately now that seems to fall to us."


Last month, Illinois Commerce Commission Chairman Brien Sheehan warned states may leave PJM's voluntary electricity market if it or FERC moves to curtail state policymaking power. It's a message reiterated by his colleague Rosales.

"If we continue to have these types of disagreements where it always ends up that we agree to disagree, at some point you have to cut the cord," he said. "I'll be honest with you, that's not the solution I'm looking for, but it is a solution. I'd rather go through every other avenue before that occurs."

Rosales proposed a resolution at the NARUC meeting that would have directed the organization to release an official statement urging FERC to "respect and protect the right of states to adopt laws or policies consistent with their individual energy goals ... without forfeiting their access to wholesale capacity markets."

The resolution was tabled by members of NARUC's electricity committee on Monday before coming up to a full vote, a turn of events Rosales blamed on insufficient time at the conference to discuss the issue.

"There were a number of questions that came up that couldn't get answered at that point so they felt more comfortable to table it rather than to vote because there were votes on both sides ... and there was a happy medium to table this because there wasn't enough time," Rosales said.



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Andy Ott
CEO, PJM Interconnection

The Illinois regulator said he may bring the resolution back up at NARUC's winter policy meeting in February, depending on whether FERC issues a decision in the PJM docket by that time.

"All we have as states is the sovereignty of what we want to do with our states in terms of consumer preferences and I'm passionate about this," he said. "That's the responsibility of NARUC in representing us as a group."

While defending PJM's capacity market reform plan, Ott also left the door open for more fundamental reforms to the market model if states want to exert more control over power generation.

"If states would rather have a stronger say, we can take that part, make an adjustment and it will be fine," Ott said.