Fact Sheet

April 2020

NRECA
America's Electric Cooperatives

Protect Local Decision-making on DERs in Wholesale Markets

Key Points

- FERC is considering a proposal to allow third-parties to bid groups or "aggregations" of distributed energy resources (DER) into wholesale electricity markets.
- Under this proposal, a company could solicit local utility customers to sell electricity from their rooftop solar or battery systems into wholesale markets as a group, as if these multiple consumer resources were a single energy source. The company and these customers would enjoy the profits.
- FERC should respect long-standing state and local authority. Any FERC regulation must allow the "relevant electric retail regulatory authority" (or RERRA), including a state public utilities commission, municipal board, or co-op board, to determine whether to allow DER aggregations to participate in wholesale markets.

Impact on Co-ops

FERC's consideration of this proposal without language expressly allowing the "relevant electric retail regulatory authority" (or RERRA), including a state public utilities commission, municipal board, or co-op board, to determine whether to allow DER aggregations to participate in wholesale markets is highly concerning and represents an unprecedented intrusion into the relationship between electric cooperatives and their consumer-members. By allowing third-parties to bid aggregations of DER into wholesale electricity markets, the proposal will increase co-ops' costs while jeopardizing the safety and reliability of electric co-op services.

NRECA Position

The Federal Power Act wisely preserves state and local regulatory authority over retail electricity sales and local distribution service. State and local authorities, including co-ops boards, currently establish DER-related policies to achieve greater efficiencies and enhance their service to co-op consumer-members. FERC's proposal threatens to undermine this local control and the consumer benefits that control allows. It would also extend FERC regulation into matters that Congress purposely left for state and local regulation.

The proposal could be fixed simply by including important language that FERC approved ten years ago prohibiting demand response aggregations from participating in wholesale markets without authorization by the RERRA. Any final rule on DER aggregations should contain this language.

Serious Consequences

Bypassing local control of DERs could have serious and harmful consequences for co-ops and their consumer-members, including:

- System disruptions and the overloading of distribution lines that were not designed for independent DER aggregations.
- Voltage fluctuations and reduced service quality to co-op consumers.
- Increased costs for co-ops and their consumers should distribution systems require adaptations to accommodate DER aggregations.
- Increased capital and operating costs for high-capacity, two-way communications backbones between the RTO or ISO, third-party aggregators, and multiple DERs.
- Increased administrative costs to implement new rate structures to allocate these increased capital and operating costs efficiently and fairly among all of a co-op's member-consumers.
- Diminished ability of co-ops to engage in long-range, integrated resource and distribution planning for the benefit of all their member-consumers.
- Significant new FERC regulation of distribution interconnection, distribution planning and expansion, and cost allocation for a host of retail and distribution costs.
    - FERC may gain the authority to allocate costs between those retail customers with and without DER, including the costs of the distribution system itself as well as the communication system, distribution system, front-office, and back office upgrades required to enable aggregation.
    - The federalization of these issues would undermine the ability of RERRAs to achieve local policy objectives.
    - It could also lead to significant cost shifts to consumers without DER and could impose risks to the safety and reliability of the electric system.

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