October 23, 2017

The Honorable Neil Chatterjee
Chairman
Federal Energy Regulatory Commission
888 First St. NE
Washington, DC, 202426

RE: Docket No. RM18-1-000, Grid Resiliency Pricing Rule

Comments of the North Dakota Public Service Commission

The North Dakota Public Service Commission ("NDPSC") respectfully submits comments in response to the Federal Energy Regulatory Commission's ("FERC") Notice Inviting Comments on the proposed "Grid Resiliency Pricing Rule" ("Proposal") submitted by the Secretary of Energy ("Secretary") pursuant to section 403 of the Department of Energy Organization Act to adopt a rule requiring operators of organized markets to ensure that certain reliability and resiliency attributes of electric generation sources are fully valued.

Background

The NDPSC is a constitutionally established agency granted jurisdiction and authority for regulating public utilities within the State of North Dakota. In addition, the NDPSC is vested with statutory authority to take necessary action to investigate and address unreasonable practices in interstate business in the interest of North Dakota before FERC. The State of North Dakota has a long-standing history of being a net energy exporter and contains a robust source supply and generation mix of wind, gas, and coal generation. In the State of North Dakota, power producers are traditionally integrated investor-owned utilities ("IOU") and cooperatives. However, while the utilities have many of the aspects of traditionally integrated IOUs, they

operate in the organized markets through the Midcontinent Independent System Operator ("MISO") and Southwest Power Pool ("SPP") regulated by FERC.

Comments

The North Dakota Public Service Commission would like to thank the Secretary and FERC for the opportunity to respond to the Grid Resiliency Pricing Rule. The NDPSC shares the Secretary's concerns regarding the early retirement of baseload generation and appreciates the intent to address these concerns in an expeditious manner. Many factors internal and external to the FERC regulated marketplace have encumbered coal-fired baseload generation from being able to compete in regional electric markets, including regulatory burdens, lack of full valuation for traditional baseload resources, subsidies resulting in negative market pricing, as well as low gas prices. The NDPSC believes that baseload generation provides certain resiliency and reliability benefits essential to grid operations and that FERC approved markets do not accurately value or adequately compensate for these benefits.

However, the NDPSC believes that the Proposal needs to be further refined to appropriately compensate baseload facilities and prevent early retirement while maintaining affordable rates for customers. A thorough analysis is needed to define reliability and resiliency benefits and how baseload generation contributes to grid operations in order to evaluate the best path forward. The Proposal focuses on fuel supply as an attribute for resiliency and reliability. While important, it is only one of many attributes that must be considered to arrive at a comprehensive and workable solution. The NDPSC requests that FERC investigate the extent to which baseload provides value to adequately compensate for its benefits. Attributes such as inertia to maintain frequency, supplemental and operative reserves, voltage support, reactive

power compensation, and other baseload benefits should be considered to fully provide recovery for valued attributes to grid operations.

The NDPSC also has concerns that the exclusion of cost-of-service regulated entities from cost recovery in the Proposal may be inequitable to utilities and consumers. This unfairly excludes critical resources from receiving cost recovery for their beneficial attributes, distorts MISO energy markets to provide payments to non-regulated merchant suppliers, and leaves the cost to cost-of-service regulated entities. It may also shift costs from consumers in states that have deregulated to consumers in states that have not. The allocation of costs from the Proposal to utilities in vertically integrated jurisdictions may result in ratepayers of those utilities paying twice for reliability and resilience — once in the base rates from their IOU, and again under the Proposal.

Other issues the NDPSC requests FERC to consider include a recognition of the value of mine-mouth coal fired generation[1] for resiliency and reliability, and addressing dispatch issues that are causing baseload coal generation to be reduced to minimum-run levels. North Dakota contains mine-mouth coal fired generation that has easy access to fuel supply providing resiliency beyond 90 days, but may not necessarily have a 90 day supply on site due to the proximity of the fuel supply. The Proposal should be clarified to address the inclusion of these facilities as critical to reliability and resilience. With regard to the dispatch issues, reducing run time and generating output levels of coal-fired generation reduces plant efficiency and revenue needed to maintain cost effectiveness. This problem is likely to be exacerbated as more intermittent wind generation is interconnected in excess of local load growth and transmission

[1] A coal fired electric generating plant built near a mine supply-site.

capabilities. The Commission requests thoughtful consideration be given to addressing these dispatch issues or providing a market structure to provide compensation necessary to handle these challenges.

Conclusion

The North Dakota Public Service Commission appreciates the opportunity offered by the Secretary and FERC to discuss these critical issues and consideration of these comments. The NDPSC respectfully requests that further development of these issues be explored to arrive at a comprehensive and workable solution while ensuring affordable costs to the consumer.

Respectfully submitted,

/s/ John M. Schuh

John M. Schuh
Commerce Counsel
ND Public Service Commission
600 E Boulevard Dept. 408
Bismarck, ND 58505