

# Energy (In)Security in the 21st Century A USAEE Policy Symposium

December 4, 2003  
Cambridge, MA

The Making of Sausages and Energy Policy:  
Not a Pretty Picture

Or

US Energy Policy: Clear Skies or Turbulence  
Ahead?

Presentation by Shirley Neff  
Goldwyn International Strategies

[shirleyneff@earthlink.net](mailto:shirleyneff@earthlink.net)  
[www.goldwyn.org](http://www.goldwyn.org)

# History of Current Energy Policy Legislation

2000 Campaign – High oil and natural gas prices – swap from SPR and California “Crisis”

1/01 Administration responds to the “lack of an energy policy” by creating Cheney Task Force

2/01 Governor Bush of Florida objects to Clinton proposed lease sale in Eastern Gulf of Mexico

3-4/01 Administration rejects Kyoto Protocol, rolls back Clinton efficiency standard for new air conditioners

5/01 National Energy Policy: Reliable, Affordable and Environmentally Sound Energy for America’s Future

7/01 House passes bill to open ANWR, Environmentalists file lawsuit against Cheney Task Force

9/11 Terrorist Incident and 10/11 Anthrax shuts down Senate

4/02 Senate passes bill including a Renewable Portfolio Standard, without ANWR

10/02 House/Senate Conference breaks down over electricity restructuring

New Congress

4/03 House passes new bill

7/03 Senate abandons effort to pass new bill and passes 2002 bill again – including RPS

8/03 Blackout covering Northeast and Midwest

10/03 House/Senate conference produces bill costing \$31 billion - described as a “turkey filled with pork” and “no lobbyist left behind” – House passes, Senate refuses

# National Energy Policy: Reliable, Affordable and Environmentally Sound Energy for America's Future

Administration's NEP – Balance of supply from all sources and efficiency from new technologies

Supply – Increase oil and gas production by opening ANWR and increasing access onshore but not offshore,  
Federal siting authority for electric transmission,  
Tax incentives for renewables, support for cleaner coal

Demand – Tax incentives for efficient equipment and buildings,  
Nothing on vehicle efficiency other than tax incentives for hybrids

# Jurisdictional Authorities

## ■ Federal

- Oil and gas leasing on Federal lands and offshore (1/3 of total)
- Siting and economic regulation of gas transmission lines
- Rates for electric transmission lines and wholesale power generation
- Federal Clean Air Act (CAA)

## ■ States

- Production of oil and gas on state and private lands
- Retail sales of natural gas and electricity
- Siting power plants, all electric lines and local gas lines
- Adequacy of power supply and distribution systems (local franchise)
- State Implementation Plans under CAA

Local jurisdiction over municipal utility systems

# Federal Electricity Policy (NEP)

Mandatory Reliability Authority

Federal Siting Authority for Transmission

FERC Policy Authority over National Transmission  
Grid

Expand Deregulation-Repeal of PUHCA

Support Renewables, but not a Portfolio  
Standard

Diversity Policy – more Coal and Nuclear

Minimal Commitment to Policy Changes to Support  
Distributed Generation

# Regional Politics Drive Electricity Policy

- Fallout from California Crisis affecting Western States
- NW and SE - Low Cost Regions and Public Power Oppose Federal Policies
- NE and MW – support federal policies on transmission
- White House Agrees to Limit FERC Authority over transmission policy in order to pass an Energy Bill



# Ownership of U.S. Utilities (2000)

## Source of additional friction with respect to federal policy changes

Publicly Owned (Munis)	Investor Owned (IOU's)	Cooperative	Federal	Total
2009	240	894	9	3152

Source: Energy Information Administration

# FERC WHITE PAPER ON TRANSMISSION POLICY

OUT: Standard Market Design (SMD)

IN: White Paper/ Wholesale Market Platform – But uncertain future due to limitation on FERC authority in energy bill through 2006

*Organizational framework:* Utilities required to join RTO's, but not required to turn over facilities to an independent transmission operating company. FERC ensures RTO's are independent and have authority to operate transmission lines

*Rates and Access to the Grid:* FERC guarantees all parties comparable terms of access. States retain jurisdiction over bundled transmission rates for local retail customers. Involves States in determining rates to pay for expansions and upgrades to the grid.

# FERC WHITE PAPER ON TRANSMISSION POLICY

*Market Power:* RTO's would have independent market monitors and tariff rules to address market power

*Smooth, cost-effective transition:* Phased-in with only cost effective features included

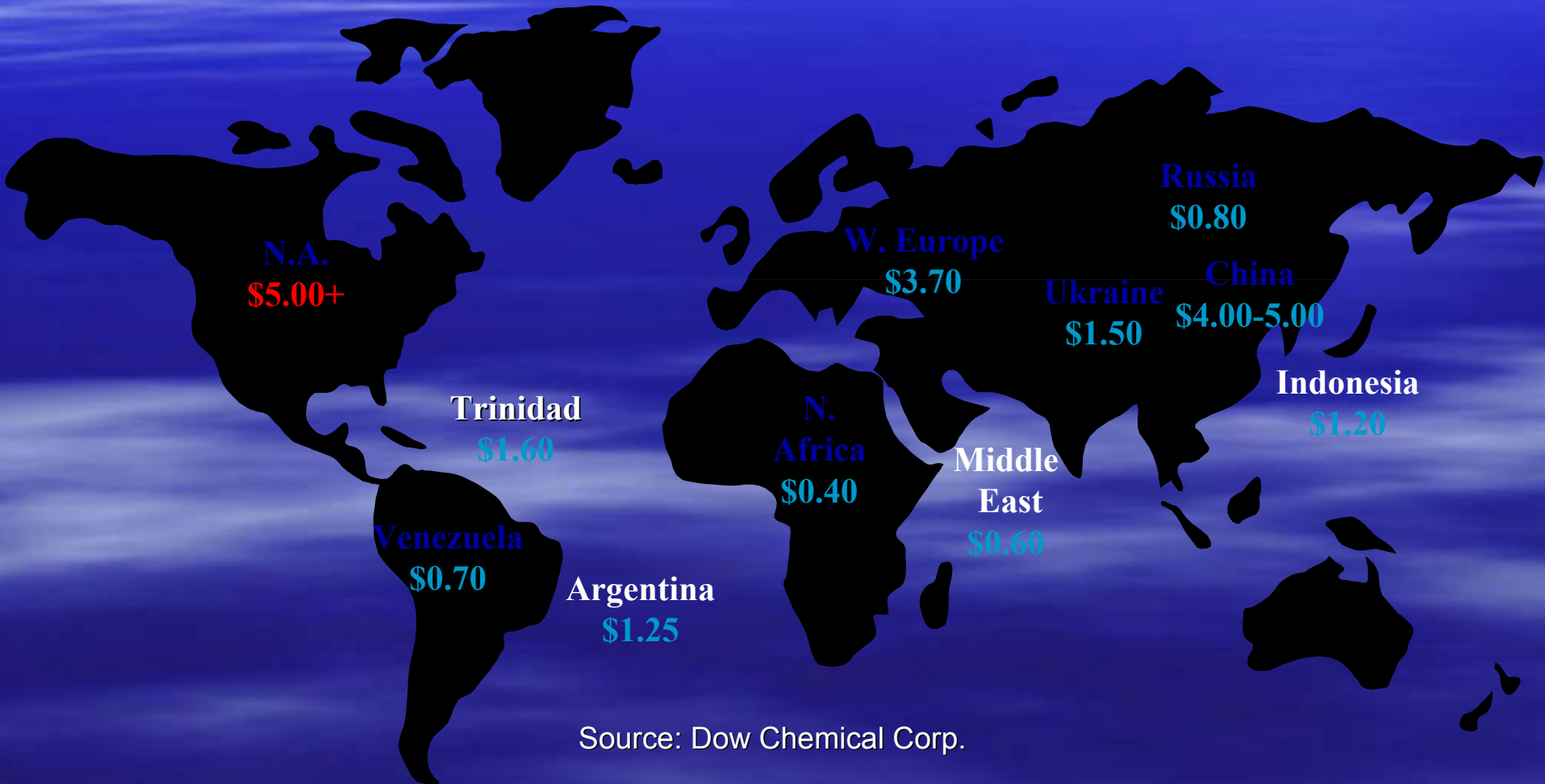
*Expansion Planning and Reliability:* RTO's responsible for short-term reliability and for regional expansion planning, RTO's try to arrange for necessary transmission expansions, additions, and upgrades to ensure reliability, but cannot order construction.

*Resource Adequacy:* Clarifies States are responsible for resource adequacy - generation, transmission, energy efficiency and demand response solutions.

# Gas Costs Remain Paramount Concern of Industry

## Comparison of World Natural Gas Costs

Where will U.S. manufacturing go?



Source: Dow Chemical Corp.

# Status of Policies and Disposition of Major Energy Issues

## *Oil and Gas Supply*

Energy Bill: ANWR - no, Alaska Gas – maybe

NPC Gas Study – Tight supplies, higher prices

LNG Expansion – Siting issues must be addressed at state and local levels

## *Electricity*

Energy Bill - Reliability-yes, PUHCA repeal-yes, federal authority - loser

Net result is ongoing uncertainty

Diversity – Natural gas dominant despite supply concerns, minimal on renewables, coal supported by White House, but siting uncertain

Efficiency – Fails to move aggressively on CHP and District Heating and Cooling

## *Transportation and Fuels*

Energy Bill - MTBE replaced with national ethanol mandate, incentives for hybrid vehicles

SUV's Rule – hydrogen/fuel cell distraction

## *Environment and Climate Change*

Energy Bill – minor efficiency efforts, some tax incentives counterproductive especially for coal, New Source Review and other Clean Air Act rollbacks

Future of Clear Skies Initiative with or without CO2 is uncertain, Administration continues “study” of Climate Change

# US Energy Policy: Clear Skies or Turbulence Ahead?

Modified Energy Bill likely to pass in early 2004

Minimal change in oil and gas production policies

Mixed on federal electric transmission policy -ongoing  
uncertainty with jurisdictional conflicts

Continues bias toward central station power generation with  
expanded transmission grid

Price volatility continues

Support for coal with reduced environmental standards in  
2003 - Skies remain hazy

Partisan chasm widens

Uneasy Relationship between FERC and State Regulators