FERC rejects Department of Energy proposal to subsidize coal and nuclear plants

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On January 8, the Federal Energy Regulation Commission (FERC) rejected a proposal that was submitted by Secretary of Energy Rick Perry in September 2017 to subsidize the operating costs of coal and nuclear power plants, since the rule did not satisfy certain statutory standards. However, the agency recognized that this issue warrants further attention and initiated a new proceeding to specifically evaluate the resilience of the bulk power system in certain operating regions. The Secretary's proposed rule highlighted the need to diversify our fuel resources in order to improve the resiliency and reliability of our nation's electric grid in the face of potential outages from threats such as cyber-attacks or natural disasters. In a letter to FERC Commissioners, Secretary Perry noted that the proposed rule would rectify the artificial devaluation of coal and nuclear power created by market inefficiencies that have led to the "premature" closure of these power plants in recent decades.

Congressional proponents of the proposed rule include those representing coal-producing states, such as Senators Steve Daines (R-MT), Shelly Moore Decapio (R-WV), and Joe Manchin III (R-WV). Private-sector support is almost exclusively from coal producers. Critics of the proposal include energy suppliers from the oil, gas, and renewables sectors, electrical power suppliers, free-market groups, and energy regulators, which have expressed concerns that the rule would violate the free-market principals necessary for a competitive and healthy wholesale electricity market – a market which has been deregulated since the 1990's in order to ensure the lowest-cost sources of power.

Sources: Department of Energy; Federal Energy Regulation Commission; Government Publishing Office