



NARUC
National Association of Regulatory
Utility Commissioners

For Immediate Release

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New National Regulatory Research Institute Paper Challenges FERC to Adopt More Prudent Regulation in the Face of a Changing Energy Landscape

WASHINGTON (January 15, 2021) – A new paper calls for the Federal Energy Regulatory Commission to re-assess its long-established theories of regulation. [Whither the FERC?: Overcoming the Existential Threat to Its Magic Pricing Formula through Prudent Regulation](#), by Carl Pechman, PhD, takes a critical look at the agency's ability to adapt to overall industry changes and the evolving nature of utility customers.

Pechman, director of the National Regulatory Research Institute (the research arm of the National Association of Regulatory Utility Commissioners), outlines FERC's role in affecting the U.S. economy through its regulation of interstate markets for wholesale electricity. The agency's continued effectiveness and ability to fulfill its responsibility to ensure just and reasonable rates, its capacity to respond to an ever-changing industry and address the needs of the 'prosumer' are covered. The author meticulously deconstructs FERC's 'magic pricing formula,' which is the foundation of its method of regulation.

"FERC needs to move beyond what the courts have described as its 'passive' regulatory approach and become a proactive force for decarbonization and customer protection," said Pechman. "The paper provides a number of recommendations for ways to accomplish this task, including the adoption of prudent regulation to put FERC on that path."

"There is much value in this paper for state and federal regulators alike, as well as anyone concerned with the course of energy regulation today and in the future," said NRRI and NARUC Executive Director Greg R. White. "It explains why the theory underlying the FERC's regulation of wholesale electric markets — its 'magic pricing formula' — is being rendered obsolete by the changing role of the consumer, advances in technology, and calls for decarbonization."

Whither the FERC?: Overcoming the Existential Threat to Its Magic Pricing Formula through Prudent Regulation is available for download online at bit.ly/2XPGcnb.

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About NRRI

The National Regulatory Research Institute (NRRI) was founded in 1976 by the National Association of Regulatory Utility Commissioners (NARUC). NRRI serves as a research arm to NARUC and its members, the utility regulatory commissions of the fifty states and the District of Columbia in the United States. NRRI's primary mission is to produce and disseminate relevant and applicable research for NARUC members.

About NARUC

NARUC is a non-profit organization founded in 1889 whose members include the governmental agencies that are engaged in the regulation of utilities and carriers in the fifty states, the District of Columbia, Puerto Rico and the Virgin Islands. NARUC's member agencies regulate telecommunications, energy, and water utilities. NARUC represents the interests of state public utility commissions before the three branches of the federal government.