

**Comments of the Nuclear Energy Institute on
the National Association of Regulatory Utility Commissioners’
Draft Manual on Distributed Energy Resources Compensation**

Submitted September 2, 2016

The Nuclear Energy Institute (NEI) appreciates the opportunity to comment on the National Association of Regulatory Utility Commissioners’ (NARUC) *Draft Manual on Distributed Energy Resources Compensation*. NEI is the Washington, D.C.-based policy organization of the nuclear technologies industry. NEI is responsible for establishing unified industry policy on matters affecting the nuclear energy industry, including regulatory, financial, technical and legislative issues. NEI members include all companies licensed to operate commercial nuclear power plants in the United States, nuclear plant designers, major architect/engineering firms, fuel cycle facilities, materials licensees, and other organizations and individuals involved in the nuclear energy industry. In the U.S., 100 nuclear reactors in 30 states produce almost 20 percent of the nation’s electricity and over 60 percent of the nation’s carbon-free electricity. Nuclear energy in the U.S. also generates substantial domestic economic value in electricity sales, \$40-50 billion each year, with over 100,000 workers contributing to production.

NEI thanks NARUC and its leadership for the time and resources devoted to drafting this manual on distributed energy resources compensation. NEI further commends the NARUC staff subcommittee on rate design for its work on this manual and the substantial opportunities for stakeholder participation that have been offered. Once completed, this manual should be a valuable resource for state commissions as they adjust the regulatory paradigm to keep pace with the changes facing electricity generation, transmission and distribution. Ultimately, NEI believes that distributed energy resources should be compensated according to the benefits they provide to the system and the costs they impose on the system. Rates should also address the variable energy costs and relatively fixed costs of maintaining and enhancing the grid, which provides reliable electricity to all customers.

NEI’s comments on the manual focus on two main areas meant to inform further edits of the document. The first is the importance of state utility commissions in addressing the issues surrounding distributed energy resource penetration sooner rather than later in order to foster the continued growth of those technologies. The electric sector is undergoing a profound transformation—both in the way power is produced and the way customers use it. As noted in the comments on the manual made by the Edison Electric Institute, investor-owned electric power companies are investing more than \$100 billion every year to build a smarter energy infrastructure and transition to even cleaner generation sources. States like Georgia and South Carolina are spending billions on the construction of new gigawatt-class nuclear reactors in order to add additional large-scale carbon-free generation to the grid.

Electricity policies must recognize that the nuclear industry and the larger electric power industry operate with long time horizons. The industry invests in power plants and other infrastructure that will operate for 40-80 years. Transparency and certainty provided in the context of rate designs provide a clearer path for those long-term investment decisions that utilities are making today. The new nuclear reactors that will come online later this decade are the product of policy and regulatory decisions made 20 years ago.

This manual is an important step in shaping this future. This document assesses the range of challenges raised by the increasing deployment of distributed energy resources and identifies options that are available to reshape rate designs accordingly. The process of developing this manual reduces long-term uncertainty by beginning to bring order to a complex set of issues that could become intractable if not addressed until after greater penetration of these resources.

The second area of focus for NEI's comments is that market and rate designs should value the attributes of all technologies appropriately. It is a mistake to think of electricity as an undifferentiated bulk commodity. Every kilowatt-hour of electricity on the grid has a unique set of attributes, depending on how it is produced. Nuclear generating capacity has its own set of attributes, starting with the production of large quantities of electricity around the clock, safely and reliably. Nuclear power plants provide forward price stability, and they have portfolio value, contributing to the fuel and technology diversity that is one of the characteristics of a reliable, resilient electric sector. Nuclear plants also provide clean air compliance value and reactive power (essential for voltage support and frequency control). Every kilowatt-hour of electricity on the grid has a distinct pedigree. If markets and rate designs fail to identify those attributes, incorporate them into decision-making, and value them fairly in design and policies, then companies will stop providing those attributes.

This manual considers how the value of distributed energy resources could be evaluated in the context of the entire electricity system. Rate designs should appropriately and fairly value the attributes of all technologies, including distributed energy resources, to avoid distorted pricing systems that are biased in favor of one resource to the detriment of other sources that provide similar value. In developing this document, NARUC is providing a foundation for rate designs that can better capture the value and costs of all attributes of the technologies that make up the system. More flexible designs will allow for more resources to be combined in a portfolio that will efficiently meet the needs of customers and states as the electricity sector continues to evolve.

In conclusion, NEI thanks NARUC for providing leadership and guidance on the issues around distributed energy resources. NEI appreciates the opportunity to comment on the draft manual and looks forward to continuing our engagement on these important issues.

■