



NEWS RELEASE

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FERC Proposes to Modernize PURPA Regulations

The Federal Energy Regulatory Commission today proposed to modernize its regulations governing small power producers and cogenerators under the Public Utility Regulatory Policies Act of 1978 (PURPA) to better address consumer concerns and market changes in the energy landscape in recent decades.

Congress enacted PURPA to address the national energy crisis by encouraging the development of small power producers and cogenerators, called qualifying facilities (QFs), to reduce the country's demand for traditional fossil fuels, which were considered to be in short supply. FERC first enacted its rules in 1980. With scattered changes over the ensuing 39 years, they remain in effect today.

Today's Notice of Proposed Rulemaking (NOPR) constitutes the Commission's first comprehensive review of its PURPA regulations. The proposed changes are intended to continue encouraging development of QFs while addressing concerns regarding how the current regulations work in today's competitive wholesale power markets.

"PURPA laid the foundation for the Commission's open access transmission policies and the competitive wholesale power markets that we have today," FERC Chairman Neil Chatterjee said. "But a lot has changed since 1980. We have seen tremendous technological advancements in renewables, increasing sophistication in competitive electric power markets, and abundant supplies of domestic natural gas. It's time to modernize the Commission's implementation of PURPA to reflect those significant developments."

The NOPR focuses on providing flexibility to state regulatory authorities so they can accommodate recent wholesale power market developments and streamlines the Commission's policies and practices. Specifically, the proposal allows states to incorporate market pricing into avoided cost energy rates in various ways, allows states to require energy rates (but not capacity rates) to vary during the life of QF contracts, modifies the "one-mile rule," and lowers the threshold presumption for nondiscriminatory access to power markets from 20 megawatts to 1 megawatt for small power production, but not cogeneration, facilities. It also requires states to establish objective and reasonable standards for QFs to obtain legally enforceable obligations for the purchase of their power. Finally, the proposal permits protests of a QF's self-certification or self-recertification without the need to file and pay for a separate petition for declaratory order.

"It's clearly time for FERC to revisit its PURPA policies," Chatterjee said. "Congress told us to review our policies from time to time to ensure that our regulations continue both to protect consumers and to encourage the development of QFs. That is precisely what we are doing here."

Comments are due 60 days after publication in the *Federal Register*.

R-19-35

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