



FEDERAL ENERGY REGULATORY COMMISSION

Remarks

Remarks of Chairman Neil Chatterjee on Order 2222

I'm extremely pleased to turn our attention to Item E-1, Order 2222, on today's agenda. Today we'll vote on this critical final rule requiring organized wholesale markets to remove barriers to the participation of distributed energy resource (or DER) aggregations.

This may sound like some technical alphabet soup, but here's what it all boils down to: Order 2222 is a landmark, foundational rule that paves the way for the grid of tomorrow.

That's no small feat. I'm extremely proud of the action we're taking today.

Let me tell you why...

DERs are resources located on the distribution system or behind customer meters including everything from rooftop solar panels and storage resources to demand response and energy efficiency resources such as grid-enabled water heaters, and even electric vehicles and their supply equipment.

DERs can hide in plain sight in our homes, businesses, and communities across the nation. *But their power is mighty.* How much so? Well, some studies have projected that the United States will see 65 gigawatts of DER capacity come online over the next four years, while others have even projected upwards of exceed *380 gigawatts by 2025*. While these estimates and analytical frameworks vary, there's no doubt that investments in these advanced technologies will only accelerate in the years to come, continuing the seismic shifts we're seeing in our energy landscape.

Today's order is designed to capitalize on those shifts, allowing us to meet the moment and develop the grid of the future. Here's how:

This final rule will help us increase competition and efficiencies in our markets...

It will enhance grid flexibility and reliability attributes...

And it will stimulate the kind of innovation that's needed to keep pace with our ever-evolving energy demands.

Importantly, this significant and forward-leaning action achieves all of this while staying rooted in a simple, market-based premise: When DERs come together through the power of advanced technologies to form an aggregation, they can -- and *should* -- be able to participate



FEDERAL ENERGY REGULATORY COMMISSION

Remarks

in our wholesale markets. And when they do that -- when DER aggregations line up and compete with traditional resources to provide all the energy, ancillary services, and capacity that they have to offer -- consumers win.

Too often, when we talk about the nuances of technical energy policy, the tangible benefits to consumers can get lost in translation.

But I'd like to take a moment to examine them now...

Earlier I told you this final rule would increase competition and efficiencies in our markets. Here's what I mean. Because DERs are nimble, more so even than many traditional resources, they can locate where price signals indicate they're most needed. This can, for instance, help reduce congestion costs, driving down prices for customers. That means smaller energy bills for hardworking families and businesses of all shapes and sizes.

Earlier, I also told you that this rule would bring with it more grid flexibility and reliability attributes. Because many DERs have fast response times and can serve multiple functions, they're able to show up quickly and meet various grid needs as they arise. Bottom line: this means that DERs can help keep the lights on.

Let me give you a real-life example of what we're doing today. Think about electric vehicles, or EVs, for a moment. Estimates from EEI show there will be almost 19 million electric vehicles on the road in the United States by the end of this decade alone, and that's on the *low end* of some of the projections I've seen. When those vehicles are charging, say, in our garages, they amount to a significant energy resource that could -- over time, using the power of advanced technologies -- be managed through aggregations to provide a range of services in our organized energy markets. They could provide energy and spinning reserves, or even frequency regulation. By unleashing the power of EVs in this way, we have the ability to further drive down costs in our markets and bolster grid resilience. That's to say nothing of the added benefit of emissions reductions we could see from increased EV deployment.

Harnessing the power of EVs is *just one* example of the huge potential impact of our action today. But it fits squarely with the last major benefit that I told you we could reap from today's final rule: innovation.

I firmly believe we'll see more forward-thinking and innovative breakthroughs -- and bipartisan breakthroughs at that -- as a result of today's action. We've seen it time and again: When our markets are truly open, the best and brightest minds pool their talents and bring new ideas to the table.



FEDERAL ENERGY REGULATORY COMMISSION

Remarks

We at the Commission always talk about being “fuel neutral” when it comes to our actions. But today, the rule we’re issuing is, just as importantly, “*technology neutral*.” Now, that’s a really critical component of this final rule, because it means it’s built for the future and will allow us to continue to evolve and adapt as emerging technologies and capabilities develop. The policies we’re putting forth today aren’t just near-term, short-sighted wins. They’ll have long-lasting, meaningful impacts for years to come. And that’s something we can all be proud of.

Of course, it’s important to note that no major rulemaking like this one is developed in a vacuum...

In everything we do, my colleagues and I take great care in heeding stakeholder’s input and comments. That’s no different with our action today. We solicited stakeholders’ input, we received numerous comments, and we listened. The result is a careful balance – a balance between taking bold action to break down barriers to organized wholesale market entry while also maintaining our acknowledgement and respect for the important role and responsibilities of state and local authorities and distribution utilities.

I’m pleased by the concerted steps we’ve taken in this final rule, and think stakeholders from across the spectrum can appreciate the Commission’s action. In the order, we explain that state and local officials retain authority to oversee the interconnection of individual DERs for the purpose of participating in a DER aggregation in RTO and ISO markets. We also require each RTO and ISO to establish a comprehensive process ensuring distribution utilities can review the individual DERs that comprise an aggregation. And we underscore the importance of real-time coordination to guarantee safe and reliable operation of both the transmission and distribution systems.

As those who closely follow the issue know, the DC Circuit affirmed our landmark Order 841 on storage, making clear that the Commission’s rules can prevent retail regulatory authorities from blocking distribution-level resources from accessing our markets. Consistent with that ruling, today’s final rule makes clear that the Commission is not compelled to adopt a broad retail regulatory authority opt out for DERs. This means that, as a general matter, a retail regulatory authority cannot broadly prohibit all DERs from participating in our markets. However, in today’s final rule, the Commission acknowledges the potentially greater burden this order may have on small utility systems, and so, we will exercise our discretion to include an opt-in mechanism for small utilities.

So I think it’s pretty clear that I’m extremely proud of this comprehensive and well-thought-out final rule.



FEDERAL ENERGY REGULATORY COMMISSION

Remarks

It wasn't always easy. It didn't happen overnight. But it was important to get this right. And I feel confident that we have.

As we look to bring this rule to a vote today, I'd like to just briefly reflect on the efforts that brought us here...

It's hard to believe it's been more than three years since I was going through the Senate confirmation process, meeting with Senators on both sides of the aisle and discussing issues that were top of mind for them at FERC. As I was moving through that process, I made a commitment to Senators Whitehouse and Markey that I would do everything in my power to bring this and our order on storage across the finish line. We agreed that the work the Commission was doing to unleash the power of emerging technologies was — as I now like to say, a game-changer — and we weren't wrong: Order 841 is one of the most important actions this Commission could take to advance the energy transition that's happening in our country now. But we also agreed that a real way to catapult our markets toward the future lies with DERs.

Now you have to consider, at the time I joined the Commission in 2017, storage and DERs were coupled together, which, for all my Capitol Hill friends out there, was kind of along the lines of a FERC equivalent to an omnibus on emerging technologies, if you will, in the sense that: there was a lot to unpack policy-wise, the issues weren't always clear-cut and a great deal of work and consideration was left to be done. But it was imperative it get done — and as quickly but carefully as possible. So, we took a trick I learned from my days as a policy aide in the Senate and decided to break these out into two separate orders. That way we were able to move forward with storage, which was much further along than DERs, as staff continued to double down on the work that was required to sort through the really complex issues on DERs.

That decision paid off. But none of this would have happened without the hardworking staff who rolled their sleeves up, kept their heads down and delivered on these really important issues — all while balancing the various other huge challenges facing us over the years, including the pandemic.

I'm grateful to them. I'm proud that we stayed the course. And I'm thrilled to be keeping my commitment to get this rule done.

So here we are, looking ahead toward the future.

I wish we were together so that I could, in person, acknowledge the staff team who put countless hours into the analysis, discussion and collaboration that was required to bring this



FEDERAL ENERGY REGULATORY COMMISSION

Remarks

final rule over the finish line. I look forward to your presentation and digging further into this final rule later in the program.