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AEP chief sees market rule changes falling behind investment shifts



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Theme Energy

Market reforms are not happening rapidly enough to help keep certain types of power generation viable, American Electric Power Co. Inc. Chairman, President and CEO Nick Akins said Dec. 6.

It is going to take a long time to sort out some of the issues competitive wholesale power markets grapple with today like accommodating state renewable energy policies, Akins said during the S&P Global Platts Global Energy Outlook Forum in New York.

"Clearly [the market reform process] is not moving quickly enough to keep some generation in place," he said, adding there is no doubt that the states are stepping in because of the lack of movement from the federal standpoint.

'Kiss of death'

The stakeholder process at the regional transmission organizations that run the power markets is "practically the kiss of death" for some projects, Akins said, adding that is why the boards of the RTOs are having to step in to take things directly to the Federal Energy Regulatory Commission.

With regard to fuel security, which is an issue being studied in the PJM Interconnection, New York ISO and ISO New England, looking at the attributes of each individual type of generation will take a long time, and "I don't know that we have the time to do that," Akins said.

It is the American way to wait for a calamity to occur before an adjustment is made, he said.

Coal, nuclear bailout

Asked whether any new coal-fired generation would be built in the U.S., Akins focused on the economics and the risk being taken.

Major capital investments such as coal-fired or nuclear plants transcend political term limits and for coal, regardless of what the Trump administration does, there is always another administration, Akins said. "It's very clear that today those capital investments need to be shortened ... to mitigate the risk to our consumers and investors," he said.

"We were supportive of [the U.S. Department of Energy] and FERC looking at baseload generation attributes because there is a level required to maintain reliability," he said. AEP wanted studies to be done to determine which baseload units are needed for each part of the grid and figure out how to pay for them.

There has been an ongoing grid resilience debate, which started last year when the Trump administration floated plans to prop up struggling coal and nuclear plants in the name of fuel security.

In addition, FirstEnergy Corp. unit FirstEnergy Solutions Corp. in late March filed a request with the DOE under Section 202(c) of the Federal Power Act and Section 301(b) of the DOE Organization Act to declare an emergency requiring PJM to arrange contracts and provide compensation to merchant coal and nuclear plants that have become unprofitable in PJM's competitive wholesale power markets.

It remains unclear what action, if any, the federal government may take on this issue.

'Nothing more risky'

From an investment standpoint, AEP has shifted gears from retrofitting coal plants for environmental compliance requirements toward other priorities.

Investment six or seven years ago was about 65% centered on coal-fired power plant scrubbers and today 75% is centered on transmission and distribution, Akins said. The power generation resource rebalancing occurring today at AEP is centered on less coal and moving toward other forms of energy.

"If you look at our resource plan for the next few years, all of it practically is solar, wind and natural gas. There is nothing more risky for us to make in our industry today than a generation-related investment," Akins said.

The company has a goal to reduce the carbon dioxide emissions of its generating units 60% by 2030 and 80% by 2050 from 2000 levels.

Jared Anderson is a reporter for S&P Global Platts which, like S&P Global Market Intelligence, is owned by S&P Global Inc.

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