

December 21, 2020

Ms. Kimberley A. Campbell, Chief Clerk
North Carolina Utilities Commission
4325 Mail Service Center
Raleigh, North Carolina 27699-4300

**RE: Duke Energy Carolinas, LLC and Duke Energy Progress, LLC's Joint Informational Filing
Company Folders E-7 and E-2, DOCKET NO. E-100, SUB 171**

Dear Ms. Campbell:

We represent hundreds of stakeholders in business and industry that want to increase the availability and accessibility of clean energy resources in North Carolina. Our members are prominent drivers of North Carolina's economy, representing dozens of sectors, employing tens of thousands of people, and operating hundreds of facilities across the state. Our members are guided by ambitious climate and clean energy action plans—driven in large part by their own customers' demands—that influence operational decisions, long-term planning, and financial bottom lines. As a result, we are extremely interested in any proposal before the North Carolina Utilities Commission (the Commission, NCUC) related to wholesale energy markets.

Duke's filing of the Southeast Energy Exchange Market (SEEM) proposal, via a letter dated December 11, 2020 in Company Folders E-7 and E-2, represents an important development toward the creation of a regional wholesale market and we believe it should be a stepping stone to realizing the greater benefits of regional wholesale markets in North Carolina.

Our members believe mutually beneficial solutions would be developed through a comprehensive, independent evaluation of the creation or expansion of a regional wholesale power market in North Carolina and other areas of the Southeastern United States. Any such evaluation should be undertaken with substantial public engagement and through a transparent partnership between utilities, regulators, and other stakeholders. SEEM was created by a consortium of utilities and was neither customer-led nor developed with input from state policymakers or other stakeholders.

While SEEM is a step in the direction of greater energy trading, with modest customer benefits, we believe the proposal has three primary shortcomings:

1. **Benefits are small in comparison to what could be realized under broader wholesale competition.** SEEM is recognition that regional energy trading is the future. The proposal captures limited short-term benefits, but the longer-term, larger benefits of organized wholesale markets remain on the table. Two-thirds of the country's customers already experience significant economic, health, and environmental benefits from wholesale markets. An analysis from utilities participating in SEEM shows that this new system is expected to save

\$47 million per year, regionwide, or about \$846 million through 2040.¹ Compare that to analysis from the nonpartisan, independent non-profit organization Energy Innovation, which estimates that a Southeast Regional Transmission Organization (RTO) would produce \$384 *billion* in cost savings through 2040, principally by reducing over-build of capacity and transitioning to cleaner, more economic forms of energy.² The vast disparity in savings between SEEM and more robust market structures is consistent across studies. For example, SEEM is expected to produce about \$7 million per year in total savings for Duke Energy in North and South Carolina. Compare that to independent analyses that show \$100-\$600 million in annual savings from more significant, but still limited, reforms like a Carolinas Energy Imbalance Market³ or a finding by the Brattle Group that if North Carolina joined an RTO it would yield \$60-\$180 million in annual production cost savings alone.⁴

2. **More robust market structures will accelerate the deployment of cleaner and more cost-effective resources.** Many North Carolina businesses have aggressive clean energy goals and advancing a clean energy economy is critical to the future of all North Carolinians. Rather than establishing a more robust wholesale market that creates a platform for the development of clean energy, SEEM's bilateral transactions will likely prolong uncompetitive fossil generation owned by incumbent utilities. SEEM also does little to address transmission system constraints hampering further development of clean generation resources. This will result in limited opportunities to develop the clean and cost-effective renewable resources North Carolina's businesses, industries, cities, universities, and other customers demand.
3. **Customers will not experience meaningful improvement in transparency.** SEEM does not use an independent market operator or monitor, meaning customers will not receive the extra level of protection they have come to expect in states with organized wholesale markets. The pricing and operational insight associated with transparency is critical to the long-term planning decisions made by our members.

To begin its examination of the Duke letter filing, we urge the Commission to consider a number of questions about the impacts and implications of the SEEM proposal, including:

¹ Southeast Electric Providers to Create Advanced Bilateral Market Platform. Cision PR Newswire, December 11, 2020. <https://www.prnewswire.com/news-releases/southeast-electric-providers-to-create-advanced-bilateral-market-platform-301191300.html>.

² Summary Report: Economic and Clean Energy Benefits of Establishing a Southeast U.S. Competitive Wholesale Electricity Market. Energy Innovation, August 2020. https://energyinnovation.org/wp-content/uploads/2020/08/Economic-And-Clean-Energy-Benefits-Of-Establishing-A-Southeast-U.S.-Competitive-Wholesale-Electricity-Market_FINAL.pdf

³ An Energy Imbalance Market in the Southeastern United States. Energy Transition Institute, September 2020. https://mattbutner.github.io/policy/Southeast_EIM_Report_ETI_Sept2020.pdf.

⁴ Potential Benefits of a Regional Wholesale Power Market to North Carolina's Electricity Customers. The Brattle Group, April 2019. https://brattlefiles.blob.core.windows.net/files/16092_nc_wholesale_power_market_whitepaper_april_2019_final.pdf.

- What does SEEM mean for resource adequacy and capacity reserves, especially when the latter drives a large portion of customer costs?
- How does SEEM affect overall utility planning, specifically recently filed integrated resource plans?
- How does SEEM enable North Carolina to achieve its clean energy goals, which are strongly supported by our hundreds of members?
- To what extent does SEEM assist in supporting renewable power integration, specifically with respect to mitigating renewable electricity curtailment and integration charges?
- How will SEEM ensure price transparency and prevent possible manipulation without a market monitor?

We also request the NCUC to explore opportunities to expand organized wholesale markets.

Optimally, to review SEEM and plan for future iterations of a regional wholesale market, we encourage the Commission to initiate a collaborative effort with other state commissions and state officials in the region, the Federal Energy Regulatory Commission (FERC), utilities, and stakeholders to ensure a full examination of all of the costs and benefits of the SEEM proposal and potential enhancements to unleash further benefits for all North Carolina customers.

Short of a full SEEM footprint collaborative, we believe a joint technical conference with FERC and the South Carolina Public Service Commission would also provide valuable insight into the range of opportunities wholesale markets can provide jointly to energy customers in the Carolinas.

Energy market reform remains a key priority for businesses, industries, cities, universities, and other customers across North Carolina. Our members believe the development of a regional wholesale market can provide enormous economic opportunities for the state, but that without action, North Carolina will be at a disadvantage. We encourage the Commission to undertake the steps outlined above to ensure North Carolinians can enjoy competitive clean energy by leveraging the economic efficiencies of the organized wholesale markets.

Sincerely,

**Advanced Energy Economy
Carolina Utility Customers Association
Ceres Business for Innovative Climate and Energy Policy
North Carolina Clean Energy Business Alliance
Renewable Energy Buyers Alliance
Solar Energy Industries Association**