

# The Free Market Energy Act of 2015

*U.S. Senator Angus King (I-Maine)*

**General:** A lot has changed since the days of Thomas Edison, but if he were alive today, he'd likely recognize one thing: America's electricity grid. Indeed, the grid has changed little over the past 100 years, and just as it did then, it continues to serve its purpose of moving electricity from power plants to consumers.

But today, innovative technologies are fundamentally changing the way that electricity is generated and delivered. Increasingly, cutting-edge energy assets are being deployed at the edge of the grid. Those assets, called distributed energy resources (DER) – like generation, storage (batteries), efficiency, and demand response – are creating a more secure, resilient, and independent electricity grid that holds enormous potential for America's energy future.

However, government policies do not support the free market conditions that allow distributed energy to flourish. For example, expensive grid-connection fees discourage consumers from pursuing newer technologies while simplistic net metering formulas do not properly compensate grid owners. The result is a slowing in DER innovation at a time when our energy policies should promote appropriately-valued, consumer-based energy technologies.

To that end, the Free Market Energy Act of 2015 creates the outlines of a free market, but allows states to set the specific rules in order to reflect each state's unique needs. By protecting the right of consumers to connect their distributed resources for a reasonable price while also ensuring that grid owners and operators are properly compensated, the Free Market Energy Act of 2015 will help foster energy independence, commerce, and innovation while creating jobs and supporting national security by moving our electricity system into the future.

## **Summary:**

### *Section 1 – Short Title*

- Free Market Energy Act of 2015.

### *Section 2 – Findings*

- Determines that it is in the public interest to enhance personal freedom and national security by reinforcing the right to sovereignty over personal energy choices.

### *Section 3 – Definition of Distributed Energy Resources*

- Defines DER broadly to accommodate innovative ownership mechanisms as well as geographically dispersed assets that are aggregated for management.

### *Section 4 – General Right to Neutrality of Interconnection*

- Provides for the right of DER to connect in a reasonable timeframe and only be charged just and reasonable fees, accounting for the benefit of DER to the grid and the grid to DER.

### *Section 5 – Rates for DER*

- Directs that states shall consider just and reasonable rates for DER in an unbundled manner, according to certain attribute factors in order to incentivize rational behavior in the energy market and better account for the two-way value of DER to the grid and the grid to DER.

### *Section 6 – Qualifying Facilities/Improved Interconnection Standards for Distributed Energy Resources*

- Directs that, if after consideration of Section 5, above, states choose not to implement unbundled rates, then DER shall be designated Qualifying Facilities under PURPA.
- Provides for rates and treatment of DER as qualifying facilities and, in essence, states that in the alternative of unbundled rates, net metering shall be used.

### *Section 7 – Smart Grid/DSO*

- Through a competitive process, states shall consider designation of a smart grid coordinator or distribution system operator to manage DER, which can be but is not limited to a regulated utility.

### *Section 8 – Nontransmission Alternatives*

- States shall consider alternatives to transmission, which may include DER. When a transmission upgrade is proposed, often a nontransmission alternative can save ratepayers money.