

**Chris Newkumet:** For years now, federal oversight of US energy markets has been compared to a cop on the beat just waiting for someone to step out of line and get a conk on the head. But that view is starting to evolve, with fresh ideas emerging on how to better articulate rules of the road, organize critical markets and educate market players. Joining us is a central figure in the discussion, Commissioner Philip Moeller of the Federal Energy Regulatory Commission. Commissioner thanks for coming.

**Commissioner Moeller:** Chris thanks for having me.

**CN:** You're pushing the idea of requiring energy traders to be licensed. Why is that necessary?

**PM:** I think it is worth discussing. Unlike other traders perhaps regulated by the SEC or the CFTC, there is no licensing requirement in the energy markets. And the feeling is that we have had a disproportionately small number of traders we would allege create a lot of the harm in the markets. Perhaps we can come to some kind of a system where there is a little better regulation of these players.

**CN:** Maybe targeting the bad apples in the bunch.

**PM:** Well it also has the upside of potentially promoting best practices as some of the other trading organizations do. But yes, potentially getting some bad actors out of the marketplace.

**CN:** How quickly do you think something like this could be accomplished?

**PM:** I think it would take several years, frankly, and possibly even a law change by Congress. But at least I think we should start the discussion so that we can get some attention on it, and it may not be a good idea but let's talk about it.

**CN:** Any thoughts on who would oversee licensing of these guys?

**PM:** That needs to be discussed as well, but I think the most efficient way would be some kind of a self-regulatory organization, like the others do.

**CN:** Like they do at SEC, CFTC.

**PM:** Exactly, right. I don't think it is something we want FERC to be doing itself. At least that's my initial view.

**CN:** You also feel that gas trading is stuck in a bit of a time warp driven by some old fashion techniques that really leave it not able to respond to some dynamic demand sources such as gas-fired generation. How would the idea of creating regional market platforms help?

**PM:** Well right now the gas markets close at night and on the weekends, and we found that to be a particular problem during some of the polar vortex events last winter -- especially those three-day weekends where you have to buy gas on a Friday to burn it on a Tuesday and perhaps buy it all weekend long.

**CN:** You called it a Rolodex situation.

PM: Yes, basically, essentially it's not a very transparent or liquid market. When people need it in hurry they have to, frankly, sometimes get on cell phones. And then if they bought too much then it is suddenly a buyers' market and they have to unload it at a loss sometimes. So we can be more efficient in these transactions in some type of hopefully a regional marketplace.

CN: So something akin to, as on the power side, an RTO or an ISO.

PM: We don't necessarily have to go that far, but at least some kind of a trading platform that possibly would be done by the existing RTOs.

CN: This brings us to the ongoing challenge of better coordination of gas and electric markets. You were an early voice in the wilderness on this, and it's been kicked around in fairly high profile settings for a couple of years now, and it certainly has gotten a much higher profile now in the wake of the polar vortex, or the three or four polar vortexes, of the last winter heating season. But I would say that the problem does seem to have dragged on. Why is that? There doesn't seem to be enough movement on the part of these energy sectors.

PM: Well I think part of it is that the sectors are very different. People tend to come up on the electric side or the gas side. The challenge now is that the two industries are converging. But they are different in terms of the speed of the fuel -- electricity at the speed of light; gas at 20, 30 miles per hour through a pipeline. And there are some fundamental issues that have been growing in concern and yet we've got to the point, as you noted, in the polar vortex where there was a very tight gas situation. As we burn more gas for electricity, we have to make sure there is enough to go around.

CN: Got it. Let's bring this down to the street level where most of us live. You take every chance to sound an alarm about the shrinking power generation fleet in the US. Give me a real world example of the potential for problems here; map this out for me a little bit.

PM: Well we've got a few things going on. The economics of generation have been challenging because prices have been low. So some units, particularly nuclear units, have threatened to be shutting down in the next couple of years.

CN: Higher operating costs, right?

PM: Higher operating costs and they are not making money. And yet that has implications for carbon policy. At the same time, we are closing an enormous amount of coal generation through a variety of rules, and a good number of those plants are set to retire next April. But most people would say that about 90% of that capacity was running and used and necessary during these last polar vortex events. So the question is, are we going to have mild weather for the next two to three years? If so, we can probably get through it. But if we have more extreme weather events, like we had this winter, and that power is now no longer available, we could be in a real situation that is not good for consumers.

CN: Are regional rolling blackouts a possibility?

PM: They are a possibility. Again, so much depends on the weather. But if you take the Midwest, they are already looking at what they call a reserve margin deficit for the summer of 2016. And that is assuming that there is very little, in fact negative, demand growth. The

rules in that market are such that if there is a shortage, they share it. In other words it is a rolling black out.

CN: Pro rata. Everybody feels the pain.

PM: Everybody feels the pain.

CN: You talked about these various Environmental Protection Agency rules. One of them, obviously, is the MATS rule, which will force a lot of gas-fired plants offline by, I think, 2016. What is EPA's responsibility in helping confront this issue?

PM: Well the first wave is going to shut down in the spring of 2015 and then there will be more after that. I'd like to see a more formal process to find out if we actually have enough power in the various markets, and that we get to kind of a common understanding.

CN: Phil Moeller from FERC, right in the middle of things, thanks for joining us.

PM: Chris thanks for having me.