

Center for Strategic and International Studies

TRANSCRIPT

Event

**“Powering America: The Grid, Affordability, and Energy
Dominance”**

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FEATURING

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CSIS EXPERTS

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Transcript By

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Joseph Majkut: Good morning. It's a beautiful day in Washington. My name is Joseph Majkut. I'm the director of the Energy Program here at CSIS.

And our conversation today is about one of the largest challenges facing our country: How do we add gigawatts of new electricity generation over the coming years without adversely affecting consumers, the environment, or reliability of what is the largest and most complicated machine on the planet, the American power grid? Joining us in that conversation is Nick Elliot. Nick is the senior director for power in the National Energy Dominance Council, the White House's working lead on power sector issues.

Nick, we were talking in the back about how power sector conversations can be pretty challenging. It's a heterogeneous industry. Governance models vary around the country. You've got hundreds of stakeholders that you deal with. From the White House, how do you cajole and constrain this conversation? You can – we're just talking here

Nick Elliot: Joe, thank you for having me.

Dr. Majkut: Yeah. Welcome.

Mr. Elliot: This is a really exciting conversation. I fully agree with you. It is superbly complicated. You know, I think we tried to tackle this up, to try and figure out how much there is. There are 3,000 utilities in the country. There are vertically integrated utilities. There are obviously deregulated utilities. There is public power and different types of public power. You have a portfolio of different state regulatory frameworks, on top of a federal system that sits on top of it. So a whole lot of different rules, a whole lot of different norms, that for the last 30 years, have been built around, let's call it, anemic – almost zero load growth. So it's growing for the first time. I have to say, I am more optimistic and excited about the power industry than ever before because of that load growth. I think that's an enabler to, you know, helping not only the reliability side but also the cost side.

In terms of – just to answer your question – in terms of how we think about it, you know, the president's three words on this are: affordable, reliable, secure. I like to add the word "abundant" in there. If you think about scaling, the more volume you can push through a fixed cost system like this, the lower you can lower the average unit cost. And that's really what it's all about. The more we can do to push supply, the more we can push scale, the easier it is going to be to deliver – the easier it's going to be to deliver lower unit cost.

Dr. Majkut: One of the – you know, in national levels for the last three years – you mentioned the sort of stagnation of the power sector. That's related to energy efficiency, offshoring of some industry. And when the Trump

administration got into office this second round, the idea that load growth was here had already sort of permeated Washington, but you guys are definitely taking a more supply-side approach on how to build. There are regions in the United States which build. You know, so the national figure shows stagnation but we've seen significant increases in Texas and the southeast. You know, how do we – do you – how do you look at the different models of the power sector and assess their ability to meet the needs of our country right now?

Mr. Elliot: So I remember – prior to taking this role, I was in the private sector. I remember the first call I got from a datacenter. And it was along the lines of, hey, we need 500 megs of power. And, you know, negotiated a deal to sell them the first 500 megs of power. The next day they called and said, we need another 500 megs of power. (Laughs.) And quite quickly we woke up to the fact that, hey, this was seismically different to anything we'd seen before.

Sorry, tell me your question again, in terms of –

Dr. Majkut: What do you see in the regional – you know, when you look around at the last –

Mr. Elliot: Oh, in terms of the regional split?

Dr. Majkut: Yeah, fifteen years –

Mr. Elliot: Yeah, so the –

Dr. Majkut: I think Texas, I think the Southeast. I mean, these places can build. Whereas where we are in the PJM market, this enormous power market in the mid-Atlantic of the United States, we've struggled to grow.

Mr. Elliot: I think, you know, supply is critical, right? Every part of this problem, whether it's affordable, reliable, or abundant, gets sold through more supply coming online, right? You can solve your – you can solve your affordability issues, right? You can solve your reliability issues.

There are three pieces to that supply problem; kind of call it three legs of the stool, right? One of them is the interconnection side of things, and part of that is a function of market structure. Other one – other part of it is permitting. That's both federal and state level. And the third part is cost allocation.

If I – if I focus on the cost allocation piece for a second –

Dr. Majkut: Please.

Mr. Elliot: – the vertically integrated utilities are probably finding it the easiest, simply because there's one decision nexus, right? Like, one of the benefits of Georgia Power is that Georgia Power can look across its transmission system, across its generation system, and think about its load, right? It can look collectively at its system and can think: Where is the headroom available? What's the quickest way to get things online? And what's the best way to deliver lowest average system cost? It's a lot harder in a deregulated structure because of the decentralized decision-making.

It's also a lot easier to, like, be very specific on cost allocation. You know, the easiest way to ensure that the datacenters that are coming online are not subsidizing the existing – or, sorry, are not being subsidized by the existing load is to make sure that you get the price point right and you ensure that the marginal revenues are in excess of marginal cost. If you're doing that, that's pushing rates down for people. And that's kind of one of the benefits of just an integrated decision-making process, right?

Dr. Majkut: Right. And by contrast, you – like you said, you came from the power sector. You've been a trader, a financier. Markets have delivered incredible benefits. Deregulation of the power sector has added a lot of cost efficiency in places around our country. You know, how do we – how do you and what have you guys done to try to seek reforms or some higher level of coordination so they can still grow and realize the efficiencies that markets have brought?

Mr. Elliot: So I think it's interesting to look at the historical context, right? People naturally look at the development of deregulated markets as almost the same time as you saw the load growths slow, right? In many ways, you could say that the development of these deregulated markets was designed as a way to incent the right behavior for utilities that continue to want to grow into what was no load growth, right? So we developed all these mechanisms like avoided cost, right? And we started to think about the utility – the utility industry in those sectors, is how do we – how do we avoid spending money, right? That's actually not the best method to grow. It's not the best method to get to the lowest unit cost of delivered power.

So, in in terms of the context, you've then run through a series of time where there was just enough critical generation capacity on the system that the steel wasn't the problem. It was really about trying to figure out how the energy market was going to balance and less about how you were going to solve the capacity problem. So we've designed these capacity markets that, you know, honestly, are – they serve better as retirement signals than build signals at this point.

So if you start to think about PJM, one of the interesting things about it is the auction clears three years ahead. That's kind of enough time to decide whether, hey, the price signal's not there to keep my 20-year unit on another

three years; maybe I should start thinking about shutting it down. It takes five to six years to build it, right? And that's assuming, like, I've actually got some way to building it already. So a three-year-out auction that that is designed, you know, to balance your capacity when it takes five years to add it is probably not appropriate anymore for a load-growth environment.

So you think – the vertically integrated guys are planning 10 years ahead, right? They're thinking: This is what my load growth's going to look like in 2035. This is – this is the generation I'm building for it. We got a price signal that's running three years in a competitive market, and that price signal's only for one year. So you then end up in this world where financing it is so much harder because you've got a one-year price signal and you've got a 30-year asset. And, again, start to think through that in terms of the amount of equity you have to put into these deals and how hard it is to finance and what the implication is for price point.

Dr. Majkut: Well, then, and what you get then is a divergence between the financing and the operators of the system and the politicians that are leading states within it, right?

Mr. Elliot: Sure. Mmm hmm.

Dr. Majkut: One of the things the White House did earlier this year was create a statement of principles with PJM saying – with the governors – saying here's what we need out of this system. How do you think that has resonated in the past nine months?

Mr. Elliot: I think we're – I think we found just how complicated it is to get the states all working with the federal government at the same time.

Dr. Majkut: (Laughs.)

Mr. Elliot: No, I don't mean that in –

Dr. Majkut: No, I don't mean that in –

Mr. Elliot: No, it – so, interestingly, I think there's actually broad alignment here. But the technicals are really complicated. If you start to think about – PJM has done a huge amount of work to figure out how to take that and turn it into tariff filing with FERC. Under the Federal Power Act end-use power sales are a state's issue, right? So when you start to think about how that cost allocation works, you need this two-step process of PJM designing a tariff that's approved by FERC that hands it to the states, and the states in turn find a way to parse that into, you know, the datacenter load and the non-datacenter load. And that bifurcation is obviously really complicated. It

needs to happen in 13 different states and it needs to happen with the states and PJM coordinating.

Compare that with what goes on in Georgia or the Southeast, right? There's one utility that decides, datacenter, this is what your price point is going to be. This is the term of your contract. This is what your ramp rate looks like. This is the amount of collateral you have to post so I can ensure that if you don't show up I'm not going to somehow leave my ratepayer holding the bag. And, you know, I can do a deal with you, and that's great. And I'm going to go to the commission. The commission is going to approve it or not approve it, and we're done, right? Here you're dealing with this interaction of just multiple different actors that make things makes things a lot harder. I'm not saying one's better or worse. I'm just saying, like, one requires a lot more coordination.

Dr. Majkut: And what do you think would be the most important thing that the White House can do to help inspire that coordination? Is it goal setting? Is it using the bully pulpit? You know, how do you see the power that comes from the president and from the visibility that you guys can bring to issues applying on that coordination challenge specifically?

Mr. Elliot: So I can tell you what we've done.

Dr. Majkut: Yes.

Mr. Elliot: And how we're thinking about it. PJM's statement of principles broadly goes out and says, look, in the case of PJM, in the case of a multi-state RTO with deregulated markets, you need to see capacity markets go further out, right? You need to start to think of them more like IRPs, and your procurement needs to be consistent with how long it takes to add capacity, right? You've got to do it for term. So you've got to have long-term contracts in there that are financeable. That's going to help you get the supply in line. You've got to figure out your cost allocation. So that's laying out the headline framework.

Nationally, you've already seen the Ratepayer Protection Pledge. That really tries to lay out, at a very high level – recognizing that deregulated states and regulated states are all going to be different in terms of how they implement this stuff – that lays out not only the cost allocation in terms of how people need to pay for it, but, much more importantly, the risk allocation, making sure that there is no stranded cost of pushing back to a ratepayer if the datacenter doesn't show up. So that's kind of how we've led on the cost allocation piece.

And I went back to, you know, everything affordable, reliable, abundant is all about supply. There's three stools to that. One is interconnection, one is permitting, and the other one is cost allocation. On the interconnection side,

the other thing we are very focused on is, you know, you would have seen the secretary's ANOPR last year which frames up hybrid connectivity. One of the biggest failures we have right now still is that if you are a datacenter that wants to bring their own generation, whether it's co-located or not, you have to go through two entirely different processes to file for your interconnection.

Dr. Majkut: So, yeah, I think we actually – we should add a little clarity at this point. So I'm a project developer. I want to be a good citizen. I've signed the ratepayer pledge. I've got a big datacenter. I'm going to land somewhere, let's say Pennsylvania. And I'm going to bring along new generation to help serve that load so that I don't adversely affect ratepayers. I need to connect my datacenter as a load via one process, and then I connect my generation as generation via a second process. And these two things don't harmonize.

Mr. Elliot: Absolutely not. So – and you could be building and connecting to the same substation in Pennsylvania right now, right? And you'd be going to PPL for your load connection. And you'd be filing with PPL. And PPL would be studying the load interconnection. And then you'd go and – you'd go and file an entirely separate application to connect your generator to that same substation. And that goes to PJM. And PJM studies it. Now you might be talking about a thousand megs of load and a thousand megs of gen, which obviously the interaction of considering both of those together creates synergies across the grid, right? So this is not a regulatory or market failure. This is just a paperwork failure, right? Like, we do this just wrong, right? (Laughter.) As soon as you can simplify that process in terms of timing, and start to model these things together, there are pickups there.

The other thing that's very real is, you know, the time it takes to upgrade the wires to support that thousand megs of load and that thousand megs of gen is material, right? You've got to reinforce the web that is the grid all around that footprint. If you start to think about how much headroom, how many hours of the year, under what contingency events you can use the transmission right now, right, you can probably get on in months rather than years, right? You're not going to be available 87/60, right? You're going to be available, you know, almost all the time. But you're bringing your own generation that can be filling – you know, filling your load during the hours that you're not available. And there's certainly going to be, you know, N-1 transmission contingencies that are going to mean that you're going to have to take down your grid connection at certain points because other transmission lines on the system may be out.

Dr. Majkut: Right. So –

Mr. Elliot: But hey, you can get online really quick, right? You can pay full network service on those lines, right? And you can use the cost to sort of push down

everyone else – everyone else’s transmission rates, right, while bringing your own generation. So, you know, the cost allocation is critical, but thinking about the order of how we connect things and how we manage that interconnection process is equally important.

Dr. Majkut: So the paper process keeps us from achieving what everybody generally agrees can be win-win-win type solutions.

Mr. Elliot: I think so.

Dr. Majkut: Provided everything else gets built. You mentioned the Ratepayer Protection Pledge. Affordability is a key concern for American consumers. American ratepayers also happen to be voters. Power prices have gone up quite a bit since the COVID pandemic, and some places even leading general inflation. The Ratepayer Protection Pledge says, for all of the participants in this industry – you’ve got some 200-some signatories, I think, at this point – we’re going to protect ratepayers as we achieve this buildout. What is that – how has that changed people’s thinking about the way to approach this problem? And what has it motivated?

Mr. Elliot: I think – you know, if we go through the pledge, I think point one is we’re going to bring your own capacity. The key word there is “new,” right? People got a little bit wrapped around the axle about who needs to own that capacity. I think the pledge is super agnostic. I don’t think people care whether it’s the datacenter that’s bringing their own capacity, whether it’s the utility that’s serving that’s bringing their capacity, or someone entirely different. I think what it’s really focused people on is, A, we need to ensure that if a new load is coming online, new capacity is coming online as well. Goes back to that critical point – affordable, reliable, abundance. Everything’s about supply. If we can make sure that the demand and supply is matched, we’re in great shape. We’re going to get to sort of synergies across the system.

So I think we’ve – the biggest thing it’s focused people on is the word “new,” rather than the capacity itself. Obviously, in terms of transmission, transmission service, and proper cost allocation on the transmission side, you’re seeing a whole barrage of different tariffs that are getting developed around those particular points. And then the last thing I’d say is obviously the risk piece is probably as important as the cost allocation piece. It’s not only about making sure that the existing rate base is not subsidizing the datacenter. It’s making sure that if the datacenter doesn’t show up, or if we find ourselves in an overbuild scenario, that you’re not going to lump the existing rate base with that expense.

Dr. Majkut: So we’ve heard this concern from a lot of people around the country as we’re going out and looking at how do you improve speed to power, how do you

meet these loads affordably and reliably. You know, because you have this – you have a sector which has mixed governance. So the person responsible for retail rates is not responsible for transmission allocation in all cases, right? The vertically integrated is an exception. And so there is, I think, a real concern. Well, we could do everything right, but are there going to be problems in other parts of the system? You know, and then maybe there's macroeconomic uncertainty. Datacenters don't show up. These businesses may fail. And suddenly, you were planning for a black hole of electricity load in your system that doesn't arrive. How do we answer that risk for state regulators, for utilities, that really are responsible to ratepayers?

Mr. Elliot: So, again, different every part of the country and every regulatory system. You know, you haven't asked about the load forecast, but –

Dr. Majkut: It's enormous.

Mr. Elliot: Periodically, people ask about the load forecast. I think we got to move away from this concept of a load forecast. You know, it makes sense when you're trying to forecast, like, how many houses are going to add to the side of a city and how quickly a city is growing. When you're talking about these very, large lumpy loads, that are clearly duplicative across the system, you should start talking about what our order book looks like, right? Don't think about what it could be. Think about how much – how much committed orders do we have for power, right? And how much is collateralized, right?

If people are – you know, people are putting now, I don't know, when you start to bundle the cost of the datacenter, the cost of the power, the cost of the chips, 20 million a megawatt of just pure CAPEX, maybe higher. Let's ask specifically for the collateral needed to support the grid upgrades and the generation upgrades upfront. At that point, you identify very, very quickly whether someone is real or not, right? And at that point, the grid is also indifferent as to whether it's used, right? Someone is paying. Someone has actually ordered the power. Whether they use it or not, if we've got to push it back into the system later and it turns out we don't need it, if we've got – those units don't need to be turned on, that's OK.

At that point, actually, your planning problem becomes a lot simpler. It also simplifies your interconnection queue, right, all the study processes. Like, the more we can put upfront collateral on the system, the more we move to a, you know, hey, we're not going to just build into what could be a set of load growth and build into what is very specific orders. That becomes a lot easier to plan.

Dr. Majkut: Right. And what does that mean in actuality, if you think through a scenario? You've got – you've got collateralized finance for new generator load doesn't show up, you can – that allows you to bring new load in; or somebody's going

to cover the cost, that doesn't have to fall in the ratepayers. What does that look like mechanically?

Mr. Elliot: Again, different every part of the country. (Laughter.)

Dr. Majkut: Take your pick.

Mr. Elliot: Sorry. By the way, I'm sorry that every answer that you – every question you've asked the answer has been "it depends." It really does, because it really differs depending on where you are.

Dr. Majkut: Well, where's the –

Mr. Elliot: Look, in the – in the case of a vertically integrated system, right, figure out what your collateral requirement is so that you're comfortable that if the load never shows up that your average ratepayer is not going to be worse off, right? You can figure out what that fixed-cost component's going to look like. And, yeah, maybe if that datacenter doesn't show up you can sell it to another datacenter, but this stuff's pretty highly correlated. So if that datacenter's not showing up, it's probably the case that, like, another datacenter's not showing up. So I would say make sure the collateral is sufficient so that at least from, like, an economic planning point of view you get down to a level where you're kind of indifferent, or at least your existing ratepayers are indifferent, to the outcome.

Dr. Majkut: And in that context, you know, one of the things we've thought about load growth here at CSIS is, you know, while the conversation today is dominated by datacenters – the volume of these – of these large load forecasts is dominated by datacenter development – we're relatively confident that there's other sources of load that can come online, whether that's manufacturing, reindustrialization, building more houses. The idea that we are in a period of growth, and we don't need to necessarily solve all these specific problems but build a marketplace and a set – and an industry that is ready to accept some risk for growth seems to me to be as much a vibes question as it is a regulatory question.

Mr. Elliot: Yeah. I mean, I'm going to push back a little bit on that, right? Maybe this is not what you meant to say, but if you think about the regulatory utility construct, right, you're talking about rate of return so that to the extent there is a risk it is not getting passed to the shareholders, probably getting passed to the ratepayer, right? I'm not sure it's totally appropriate that we should be building into a number that may or may not show up and we're building excess capacity, whether it's transmission or generation, needed to, you know, support a client that may not show up. So I think that's the balance.

And, look, the good news is you're dealing with very well-capitalized industries that is putting large amounts of money into the datacenters, into the chips, into everything else, right? Like, they can send that price signal and they can derisk it for, you know, average consumer.

The other thing is, you know, unlike if you think about the model of the past where you had an industry that would come to an area that created – you know, that was sort of integral to the industry, a lot of these datacenters are now nationally beneficial, right? Like, they're going everywhere. So do you want to strand the cost of that – you know, that rate base, like, of that datacenter not showing up, potentially, in one community as across – over the country? I think it's a lot easier to start to think about, like, individual attribution upfront.

Dr. Majkut: Let me ask you just very – yeah.

Mr. Elliot: I think I should just go a little bit even further.

Dr. Majkut: No, please. OK.

Mr. Elliot: Which is, you know, one of the things we should be looking at here is the headroom on the system and thinking about, like, how you can start to auction off those slots, right? This is something we don't talk about, but there's a finite amount of headroom. There is a huge amount of desire to get on quickly. There's a huge amount of value to people who are able to get online quickly. If you really want to solve the ratepayer protection, if you want to – if you want to solve for affordability at the retail level, one of the things you should be doing is taking your spare capacity and taking bids and saying, like: Hey, you want to get on faster? I got a spot over here. What's your number? How much are you willing to pay? Right? To the extent you start to push the datacenters into a competition, right, you can – you can raise more money. You can get people online quicker. Like, that – at the point that someone's cut that check, right, they are – they are much more likely to show up, and you solve the risk problem.

Dr. Majkut: Now, we've seen some fairly creative tariff structures being built that are, I think, meant to accomplish some of this, right, these sort of so-called large-load tariffs that include – they might include collateral. They might include funds for new generation. They might include funds for grid upgrades. Are we sort of finding via the laboratories of democracy –

Mr. Elliot: A little bit, yeah.

Dr. Majkut: – some sort of – some sort of bargain?

Mr. Elliot: Absolutely. And that's kind of one of the advantages of, you know, this very disparate system, right?

Dr. Majkut: Yeah.

Time goes too quickly and we're running short. For those who are in the audience, you have a QR code that you can scan to offer a question to Nick. But I would – I'm hoping we can do, like, a slight lightning round.

Mr. Elliot: Sure.

Dr. Majkut: As people are thinking about these challenges –

Mr. Elliot: I promise I'll try and answer quickly. (Laughter.)

Dr. Majkut: We've seen a lot of concepts come up. I just wonder what you think of them, right?

Mr. Elliot: Sure.

Dr. Majkut: So, one is flexibility. Datacenters are large power loads. If they can shut off for 50 or a hundred hours a year, then the planning burden maybe becomes less. Maybe you can absorb more of the headroom currently in the system. What do you think of that as a solution?

Mr. Elliot: So one of the great things about the power grid right now is – people don't focus on this number, but 80 percent of the cost of all the electricity in America is known on January 1, right? So it's all fixed-cost. It's people. It's capital. A very small amount of it's fuel. So the more you can scale, the better you are, right? So any way to get more load online without, like, addressing the critical reliability piece is helpful.

To specifically answer your question, there is a – there's a great line about a banker, which is that the banker – the banker will lend – a banker is a man who lends you his umbrella when the sun's shining and wants it back as – and wants it back as soon as it starts raining.

Dr. Majkut: (Laughs)

Mr. Elliot: Demand response is a little bit like this, depending on how you contract it. And there is a huge separation in my mind between the one-year-out demand response product that is the equivalent of, like, hey, I see it's going to be sunny tomorrow, I'm willing to rent out my umbrella; and the datacenter that is willing to commit for the next 20 years to be curtailable, right? The datacenter that is willing to be committed – is willing to commit to be curtailable for 20 years is hugely valuable. It needs to be contractual. It

needs to be operationalized in the form of, like, a button you can push that shuts it down. I think that is super helpful.

What worries me about the demand response products is how dynamically unstable they are, because a lot of these – and I think we’ve seen this in PJM, right – a lot of the demand response risks going away as you start to use it more. And that’s fundamentally different from a peaker or one of these, like, high extrinsic values that sit on the supply side in the supply stack, right? The more often you use an oil unit, the more economic it’s going to be, the higher the capacity price, the better the economics are going to be for next year. You’re less and less likely, as you use that unit, to want to retire, right? The problem with the very simple, you know, short-term demand-response solution is that, you know, the more you use it, the less likely it’s going to be there next year. And when you need to plan five, six years ahead, or 10 years ahead, that’s inherently unstable.

Dr. Majkut: Well, and it doesn’t solve the supply side growth that we need to see for just total power use.

Mr. Elliot: No. No, it doesn’t. No.

Dr. Majkut: So, on that front, the transmission system takes a long time to develop. Allocating costs is a political nightmare.

Mr. Elliot: I’ve heard. (Laughter.)

Dr. Majkut: You know, what’s the role of transmission? And what do you think the federal government can do to highlight sort of its productive role in meeting – in being an engine of growth?

Mr. Elliot: Sure. So I used to trade out west, right? You know, we used to say the east is all about trading capacity; the west is all about transmission, right? It’s just the nature of how it’s split up. The transmission tends to become the super-valuable component.

Transmission has a huge amount of value. It has, in my mind, two critical sources of value. One is to the extent you are supporting – and I’m assuming you’re talking about interregional transmission, but the same is true regionally. To the extent you are wiring two different regions – and a good example is the Northwest with the Southwest; you’re balancing winter peak and summer peak – you’re avoiding generation capacity build, right? So, hey, if I can avoid building a power plant by building a transmission line, right, I absolutely should be building a transmission line if it’s cheaper, right?

So if you start to think about the cost allocation of that, you can calculate what is effectively a net CONE and you can say how much avoided capacity

am I getting here. And that's, you know, hugely helpful, should be cost allocated. I think there is a federal role for cost allocation based on the fact that there is a free-rider problem and kind of everyone's benefiting. And you know, that makes a lot of sense.

I would truncate it a little bit, though, which is there actually needs to be a capacity need. So, you know, one of the things we do with regulated utilities is if they have a 10 percent reserve margin requirement and they're at eight, you let them go build a new unit, right? If they're at 30, like, you don't let them go build a new unit because you don't let them continue to add capacity. The same thing is true in transmission, right? You need to make sure the rules are written in such a way that it's clear that capacity is helpful, to the extent you are avoiding the construction of a new power plant.

Look, the second thing, obviously, and it's well documented on this, is to the extent you can run a cheaper unit that's further away, or just run a cheaper unit in general rather than one that is close by that is more expensive, you are saving money on the production cost side. That's a – that's obviously a real saving. And, again, this is pretty mathematical and modellable, which is look at the production cost in the system with the line or without the line, and go and figure out where the benefits are and who they're accruing to.

Dr. Majkut: And –

Mr. Elliot: By the way, we should be doing the same thing on natural gas, right? If you start to think about New England, right, it is beyond belief that we have Algonquin Power prices that are trading in excess of European natural gas prices, right? You should be looking at, hey, if you were to fully displace heating oil off the margin in the winter, like, what would the cost saving be? How should we be allocating those benefits?

Dr. Majkut: Yeah. And that brings me to permitting reform.

Mr. Elliot: Sure.

Dr. Majkut: Linear infrastructure, transmission lines, pipelines are a big – have been a huge challenge. And there's – we have environmental licensing issues. We have state and federal power issues. There's an ongoing conversation in Congress that looks like it could proceed to a deal in the Senate, in the coming week – reported yesterday by Josh Siegel of Politico. You know, how important is permitting reform, in your views, for solving these long-term challenges?

Mr. Elliot: So, I mean, I think affordable, reliable abundance, every part of it's about supply. When we started to look at this, you know, early on in the administration we identified – interconnection we talked about, which is

really how do you find a way to just manage the connection of new supply to the grid. The second thing is cost allocation. How do you ensure that you know you're not taking all this new load and subsidizing it, and pushing up rates for everyone else? Ideally, how are you creating it the other way around?

And the third piece is permitting reform, right? Like, you've got to find a way to build things quicker, right? You've got to find a way to get things approved quicker. And you've got to try and change the risk profile for the developer so that they're not waiting years and years and years to get stuff connected. So it's hugely important, right? I am the eternal optimist on this, just because, for me, it's so clear that this is a problem that needs a solution.

Dr. Majkut: As am I. When I first got to Washington, we learned that, you know, politics, policy, and procedure in Congress are the path – you have to have the three to line up to achieve large reforms. And I think on the policy side and on the politics side, we actually have enough consensus around what a deal for permitting reform should look like and the urgency of the question. Now it's mostly a procedural one. Hopefully, they get it across the line

Mr. Elliot: Look, I think the load growth has at least lit a fire under people a little bit. You know, on PJM we got every single governor to agree to a plan, right? Democrats, Republicans, very different states, right? So there is the scope to get consensus on these things. On the interconnection, like, the ANOPR that the secretary filed, you know, it wasn't super well flagged but both Senator Lee and Senator Heinrich filed comments in favor of it with FERC, right? There's actually – you know, below the surface, I think there's consensus to try and get this stuff done.

Obviously, permitting reform is a huge lift. And, you know, I'll be optimistic till the day I die, and it may be 50 years, and we may not have done permitting reform – (laughter) – but, you know, it would be super helpful to everyone in America.

Dr. Majkut: Yes. I think, colleagues, we've managed to work in some of your questions. We are at time. The only thing I can say is there's a lot more to talk about, so I hope you'll come back soon.

Mr. Elliot: (Laughs.) Anytime.

Dr. Majkut: Thank you for your service. And, colleagues, please, with your warm applause, thank Nick for joining us today. (Applause.)

(END.)