UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Grid Reliability and Resilience Pricing **Docket No. RM18-1-000**

COMMENTS OF WAL-MART STORES, INC.

Wal-Mart Stores, Inc. ("Walmart") hereby submits the following comments in regards to the Grid Resiliency Pricing Rule proposed by the Secretary of Energy ("proposed rule") on September 8, 2017.

Walmart is headquartered in Bentonville, Arkansas, and operates over 5,500 retail units, distribution centers, and other facilities in the United States. Walmart is the largest private employer in the United States and employs more than 1.5 million U.S. associates.[1] Walmart is also a direct participant in the wholesale electricity markets through Texas Retail Energy, a wholly-owned subsidiary which operates as a competitive electric supplier and directly serves our stores in 11 states.

Electricity is a significant operating cost for our business. When electricity costs increase, that increased cost can put pressure on consumer prices and on the other expenses required by our business to operate. Competitive wholesale electricity markets and customer choice in deregulated retail electricity markets are integral to our success and when paired together create direct economic benefits to our stores and our customers. Competitive wholesale markets also provide a transparent and easily transactable platform for the procurement of renewable energy and allow customer demand to directly contract for supply.

The benefits of competitive wholesale markets and customer choice are clear. When we compare our cost per kWh in 2016 to our cost per kWh in 2007, we find that our cost in customer choice jurisdictions decreased by almost 7 percent on average.[2] In contrast, our cost in jurisdictions without customer choice increased by 14 percent on average.

Walmart recognizes the need for a reliable and resilient grid and supports the work of system operators, regional transmission organizations, generators, and utilities to develop innovative and cost-effective solutions to ensure that electricity is available on a 24-hour basis, 365 days a year. In many cases those solutions take advantage of competitive wholesale markets to drive the greatest benefit to all customers at the lowest possible cost.

---

[1] https://corporate.walmart.com/our-story/locations/united-states#/united-states
[2] California, Connecticut, Delaware, Illinois, Massachusetts, Maryland, Maine, Michigan, New Hampshire, New Jersey, New York, Ohio, Oregon, Pennsylvania, Rhode Island, and Texas.

The proposed rule seeks to undercut the operations of competitive wholesale markets and the benefits derived therefrom by requiring that eligible resources per the rule receive cost-based compensation regardless of whether those resources are cost-effective and would operate as part of competitive market outcomes. Instead of the cost discipline provided by the competitive wholesale markets, eligible resources would be subject to an unspecified form of rate of return regulation. Currently the risk of operating eligible resources in the competitive wholesale markets is held by the owners of those resources, and they are compensated for taking that risk by the opportunity to earn a return. The proposed rule transfers that risk directly to customers and replaces the opportunity to earn a return for the resource owners with a guarantee to earn a return. In total, from a customer perspective it is difficult to discern from the proposed rule how the rates for an eligible resource will be rendered "just and reasonable."

As a result, business customers will very likely pay more for electricity as the eligible resources displace lower cost generation in the competitive wholesale markets – one estimate is that customers could pay almost $4 billion more per year through 2030.[3] Additionally, cost-based compensation per the proposed rule can increase cost to business customers, as it removes the incentive of an eligible resource to improve the efficiency of its operations, as the resource would be entitled to be "fully compensated" for its costs.

In conclusion, Walmart recommends that the Commission consider the impacts on business customers and competitive wholesale markets and decline to finalize the rule.

***

Submitted this 23rd day of October, 2017.

<u>/S/ Steve W. Chriss</u>
Steve W. Chriss
Director, Energy and Strategy Analysis
Wal-Mart Stores, Inc.
2001 SE 10th Street
Bentonville, AR 72716-5530

---

[3] "ICF Analysis: DOE NOPR Cost Could near $4B/Year." https://www.rtoinsider.com/icf-doe-nopr-76642/

Document Content(s)