UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

Technical Conference on Environmental Regulations and Energy Reliability, Wholesale Electricity Markets and Energy Infrastructure	))))	Docket No. AD15-4

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Technical Conference for Eastern Region
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1. Introduction

As President of the Large Public Power Council (LPPC), I want to thank the Commission for the opportunity to speak with you today. I also want to commend the Commission for convening this technical conference and other related conferences to address the implications for electric reliability of the Environmental Protection Agency's (EPA) Clean Power Plan (CPP).

LPPC is an association of the 26 largest state-owned and municipal utilities in the nation. Its members own and operate more than 86,000 MW of diverse generation capacity, and approximately 90% of all transmission owned and operated by non-federal public power systems.[1] They will be directly impacted by the requirements of the CPP and have diverse perspectives on some fundamental issues associated the proposed rule. But they are all

[1] LPPC's members are: Austin Energy, Chelan County Public Utility District No. 1, Clark Public Utilities, Colorado Springs Utilities, CPS Energy (San Antonio), ElectriCities of North Carolina, Grand River Dam Authority, Grant County Public Utility District, IID Energy (Imperial Irrigation District), JEA (Jacksonville, FL), Long Island Power Authority, Los Angeles Department of Water and Power, Lower Colorado River Authority, MEAG Power, Nebraska Public Power District, New York Power Authority, Omaha Public Power District, Orlando Utilities Commission, Platte River Power Authority, Puerto Rico Electric Power Authority, Sacramento Municipal Utility District, Salt River Project, Santee Cooper, Seattle City Light, Snohomish County Public Utility District No. 1, and Tacoma Public Utilities.

committed to ensuring that implementation of the rule not compromise reliability of the electric grid, and this of course is why we are here.

I want to focus my comments today on the role that I believe NERC and FERC must play in connection with compliance with the EPA rule in order to help us ensure that the electric grid is not compromised. My pitch is this: I believe that NERC and FERC must have a central role in evaluating State Implementation Plans (SIPs), or any EPA-devised plans governing state-based activity, before they are finalized and approved by the EPA.

In our comments to EPA on the proposed carbon emission guidelines, LPPC asked EPA to modify the proposal in a variety of ways all designed to make compliance more feasible. LPPC recommended: (1) adjustments to the assumptions made in EPA's building blocks for Best System of Emission Reduction (BSER) to reflect demonstrated potential; (2) adjustment to the schedule for interim goals to reflect a phase-in in order to avoid a "compliance cliff"; and (3) additional flexibility to states in the form of explicit protocols for plan modification, the ability to adjust baseline periods as needed, and extended time periods to develop compliance plans.

Of course, I don't know whether EPA's final rule will modify the proposal to reflect these comments. But either way, it is clear that complying with the ultimate rule and maintaining reliable service is going to be a challenge for our members. It has not been easy to develop comprehensive information yet on the anticipated challenges that will be associated with compliance, but I have certainly been made aware of concerns among our members on the east coast regarding shortcomings in natural gas pipeline capacity sufficient to serve expected demand during the compliance period. As well, there is substantial concern regarding the vulnerability of off-shore electric transmission that would be needed in order to accommodate

the development of offshore wind needed to satisfy renewable requirements. Members have also expressed concern regarding the lead time for these and other needed transmission facilities.

2. NERC Must Have a Key Role in Evaluating the Reliability Impact of the EPA Rule.

NERC has a critical role to play in evaluating the reliability implications of the CPP. Congress specified through Federal Power Act section 215(g) that NERC, as the FERC-certified Electric Reliability Organization, has an independent obligation to perform "periodic assessments of the reliability and adequacy of the bulk-power system in North America."[2] Performing these assessments in conjunction with the development and implementation of the CPP seems to me to be very squarely within NERC's statutory responsibilities. NERC is uniquely situated to perform a comprehensive analysis of these issues and NERC is best positioned to do so from an unbiased perspective, without advocating a policy position with regard to EPA's rule, or promoting a specific agenda.

In its Initial Reliability Review of the CPP, released in November of last year, NERC identified a series of potential reliability concerns associated with the proposed EPA rule that closely track the issues that LPPC members have identified in their initial work examining their options for compliance with the CPP. Key concerns are these:

- That the dramatic number of fossil-fired generating plants that may have to be retired to meet EPA's target carbon reductions will strain reserve margins, given the constrained time period for implementation.

- That the CPP's accelerated reliance on natural-gas-fired generation and variable energy resources will require development of transmission and additional pipeline capacity that may not be feasible within the contemplated time frames.

- That essential reliability services (*i.e.*, load and resource balance; voltage support; and frequency support) may be strained with a dramatic change in the generation mix that currently supports those services. Whether and how these services will be maintained in view of shifting resources, load flows and generating

[2] 16 U.S.C. 824o.

> characteristics must be further studied, and appropriate resources dedicated in the right timeframe if reliability is not to be compromised.

NERC's preliminary analysis has triggered additional work on NERC's part, as NERC President Gerry Cauley indicated when he appeared at the Commission's February 19, 2015 technical conference in this docket. NERC's anticipated Phase 1 assessment, which is currently underway, will look closely at resource adequacy needs in light of the anticipated EPA requirements, as well as needed electric transmission and natural gas pipeline infrastructure. NERC's Phase II reliability assessment will be undertaken after the EPA rule is finalized and will consider known impacts of the rule and emerging elements of the SIPs, to the extent they are known.

NERC's contemplated Phase III report will consider the SIPs that have been filed with EPA as of that time, now targeted for December 2016. For reasons I will discuss, this report seems most critical to me, as it should serve as the basis for consideration of the state plans in order to ensure that reliability is assured most effectively and economically.

3. The Commission Should Endorse an Express Role for NERC and FERC in Conjunction with EPA's Review of CPP Compliance Plans and Afterward.

Neither NERC nor FERC have identified roles under the law in connection with the development or implementation of the CPP. To its credit, EPA's proposed rule reflects its understanding that the CPP cannot be finalized or implemented unless the reliability of the electric grid is assured. Our view is that the input that will protect reliability of the grid most effectively will be provided in conjunction with EPA's review of the state compliance plans, or federally-devised plans should states not develop their own.

At the Commission's technical conference on February 19, 2015, Chairman LaFleur outlined five options for reliability input that divide neatly into an evaluation at the time the

states are devising their compliance plans, and those that may be available after the fact. Review at the first such juncture has been advocated by the RTO/ISO Council and referred to as the "RTO/ISO Council Model." The other opportunities for input that the Chairman outlined are these:

- **Dynamic safety valve:** Similar to the RTO/ISO Council Model, but the dynamic safety valve would occur later in the process. States could come in at some later point in time to ask for more time for compliance.

- **FERC gap analysis approach:** FERC to map out the state compliance plans, how they interact, etc., and find where there are gaps, or otherwise to look for mutual achievability.

- **Reliability-must-run-type model** for a specific plant, which FERC would validate and address costs.

- **Real-time-dispatch-like valve:** A company attempts to meet the plan, but something happens, lights will go out today, phone up someone in real-time for a special EPA "hall pass" allowing an out-of-order dispatch to keep the lights on.

All of these avenues have value. Though they have sometimes been referred to as a "reliability safety valve," I have also heard Gerry Cauley refer to a "Reliability Assurance Mechanism" – a better term, I think, because it does not imply an after-the-fact approach to reliability analysis. LPPC emphasizes, above all, the importance of an upfront approach – reliability review in conjunction with consideration of the SIPs prior to their finalization and approval. Optimal planning decisions (for reliability and economic purposes) can only be made in view of all planning options, before funds are expended, and with enough lead time to undertake and implement needed investment. This approach will require EPA to provide time in its rule for NERC to perform the reliability studies after the development of the specific state plans but prior to implementation.

Following approval of the SIPs, dynamic evaluation of the plans as they evolve is also important, particularly to the extent they reflect essential interregional coordination. Reliability

analysis is a function of the location of generation and transmission, and is not limited by state borders. State plans that are being developed up to the submittal date will have difficulty considering impacts on the regional interconnections. There will need to be an assessment, after the plans are submitted, on an interconnection-wide basis to determine the cumulative impacts. Time must be built into the schedule to accommodate this coordinated study, and the regional reliability councils must be authorized to perform the analysis once the state plans are complete.

Who should perform the reliability evaluation? I strongly believe that NERC should have "first chair" responsibility. It has the needed expertise and dispassionate perspective. We ask FERC to endorse this role. As Gerry Cauley put it at the February 19 conference, NERC's "singular focus" is electric reliability, and the organization is clearly geared up to undertake a significant role in connection with the CPP.

Though NERC has an independent statutory responsibility as the certified Electric Reliability Organization to perform this assessment under FPA section 215(g), FERC's role is also critical. It will be important for FERC to review and express its judgment with respect to NERC's work. Of course, to the extent FERC agrees with NERC's assessment, the Commission's imprimatur will carry a good deal of weight as the EPA considers any necessary adjustments to compliance plans in order to assure system reliability.

With this recommendation, I do not mean to minimize the important input that may be provided by the many state-based and regional organizations that are concerned with system reliability. I fully expect that important input will be provided to EPA and to FERC by state commissions, RTOs/ISOs and other regional regulatory organizations.

LPPC appreciates the opportunity to provide these comments, and looks forward to continuing to work with the Commission to advance our shared interest in a reliable electric grid.