



# THE COMMITTEE ON ENERGY AND COMMERCE

## MEMORANDUM

July 25, 2014

TO: Members, Subcommittee on Energy and Power

FROM: Committee Staff

RE: Hearing on “FERC Perspectives: Questions Concerning EPA’s Proposed Clean Power Plan and other Grid Reliability Challenges”

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On Tuesday, July 29, 2014, at 10:00 a.m. in 2123 Rayburn House Office Building, the Subcommittee on Energy and Power will hold a hearing entitled “FERC Perspectives: Questions Concerning EPA’s Proposed Clean Power Plan and other Grid Reliability Challenges.”

### I. WITNESSES

- The Honorable Cheryl A. LaFleur, Acting Chairman, Federal Energy Regulatory Commission;
- The Honorable Philip D. Moeller, Commissioner, Federal Energy Regulatory Commission;
- The Honorable John R. Norris, Commissioner, Federal Energy Regulatory Commission;
- The Honorable Tony Clark, Commissioner, Federal Energy Regulatory Commission; and,
- The Honorable Norman C. Bay, Commissioner, Federal Energy Regulatory Commission.

### II. BACKGROUND

#### A. FERC Organization and Responsibilities

Originally established in 1920 as the Federal Power Commission, the Federal Energy Regulatory Commission (FERC) is an independent administrative agency within the Department of Energy.<sup>1</sup> FERC is tasked with regulating the transmission, reliability, and wholesale sale of electricity in interstate commerce pursuant to the Federal Power Act;<sup>2</sup> the transmission and sale of natural gas for resale in interstate commerce pursuant to the Natural Gas Act;<sup>3</sup> and the transportation of oil by pipeline in interstate commerce pursuant to the Interstate Commerce Act.<sup>4</sup> FERC also is responsible for evaluating proposals to build liquefied natural gas (LNG) terminals and interstate natural gas pipelines, as well as the licensing of non-Federal hydropower projects.

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<sup>1</sup> FERC was established in 1977 pursuant to the Department of Energy Organization Act. 42 U.S.C. §§ 7101 *et seq.*

<sup>2</sup> 16 U.S.C. §§ 791 *et seq.* (Part I); 16 U.S.C. §§ 824 *et seq.* (Parts II and III).

<sup>3</sup> 15 U.S.C. §§ 717 *et seq.*

<sup>4</sup> 49 U.S.C. §§ 1 *et seq.*

FERC is comprised of up to 5 commissioners, each of whom is appointed by the President and confirmed by the U.S. Senate for a 5-year term. One of the 5 commissioners serves as Chairman, as chosen by the President. FERC's organizational structure consists of 12 "offices" within the agency and 5 regional offices. FERC employs approximately 1,480 people. FERC recovers the full cost of its operations through annual charges and filing fees assessed on the industries it regulates. This revenue is deposited into the Treasury as a direct offset to FERC's appropriation, resulting in no net appropriation.

FERC's stated mission is to "assist consumers in obtaining reliable, efficient and sustainable energy services at a reasonable cost through appropriate regulatory and market means." To fulfill its mission, FERC presently identifies the following primary goals: 1) ensure just and reasonable rates, terms, and conditions; 2) promote safe, reliable, secure, and efficient infrastructure; and 3) mission support through organizational excellence.

## **B. EPA's Proposed Clean Power Plan**

On June 2, 2014, the Environmental Protection Agency (EPA) announced a proposed rule under section 111(d) of the Clean Air Act for existing fossil fuel-fired power plants entitled "[\*Carbon Emission Guidelines for Existing Stationary Sources: Electric Generating Units\*](#)" ("Clean Power Plan").<sup>5</sup> In the Clean Power Plan, EPA proposes to set unique "state-specific rate-based goals for carbon dioxide emissions from the power sector," which the agency maintains are achievable if a State undertakes a combination of measures across its power sector. EPA derives its mandatory "goals" for the States based on the consideration of four "building blocks," which include measures to:

- "make fossil fuel power plants more efficient," which EPA projects would result in an average heat rate improvement of 6% for coal units;
- "use low-emitting power sources more," which EPA projects could be achieved by dispatch to existing and under-construction natural gas combined cycle units up to a 70% capacity factor;
- "use more zero- and low-emitting power sources," which EPA projects could be achieved through dispatch to new clean generation, including new nuclear generation under construction, moderate deployment of new renewable generation, and continued use of existing nuclear generation; and,
- "use electricity more efficiently," for which EPA assumes increases in demand-side energy efficiency of 1.5% annually.

EPA's Clean Power Plan, as proposed by the EPA, would require significant changes to the way electricity is generated, transmitted, and consumed in States across the country. Such changes could create implementation challenges within several areas of FERC jurisdiction, including wholesale electricity markets, generation dispatch, interstate transmission rates, natural gas pipeline siting and rates, natural gas and electric sector coordination, grid reliability, integration of intermittent resources, and demand-side management resources. Further, FERC's mission to "assist consumers in obtaining reliable, efficient and sustainable energy services at a reasonable cost" may be affected by

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<sup>5</sup> For additional information and materials related to EPA's Clean Power Plan, see [Majority Memorandum](#) for Energy & Power Subcommittee hearing on "EPA's Proposed Carbon Dioxide Regulations for Power Plants," (June 19, 2014).

EPA's Clean Power Plan, as may be the energy sectors regulated by FERC, which comprise a substantial portion of the U.S. economy and infrastructure.

On July 18, 2014, the Subcommittee sent [preliminary written questions](#) to each of the invited witnesses relating to EPA's proposed Clean Power Plan.

### **III. ISSUES**

The following issues are expected to be examined at the hearing:

- Interagency consultation and coordination by EPA with FERC relating to EPA's proposed Clean Power Plan;
- Potential impacts of EPA's Clean Power Plan on fuel diversity and electricity reliability;
- Potential impacts of EPA's Clean Power Plan on electricity markets;
- Potential challenges associated with increased reliance on natural gas, renewables and energy efficiency under EPA's Clean Power Plan;
- Other grid reliability challenges, including: physical and cyber security, integration of variable energy resources and demand-side management technologies, and fuel diversity;
- FERC oversight of organized wholesale electricity markets and the operation of such markets;
- Electric transmission operations and planning, including implementation of Order No. 1000;
- Natural gas pipeline permitting, LNG siting and hydropower licensing; and
- FERC market manipulation and enforcement authorities.

### **IV. STAFF CONTACT**

If you have any questions regarding the hearing, please contact Tom Hassenboehler, Patrick Currier, or Mary Neumayr of the Committee staff at (202) 225-2927.

### Federal Energy Regulatory Commission

