

**Written Testimony of Commissioner John Norris
Federal Energy Regulatory Commission**

**Before the
Committee on Energy and Commerce
Subcommittee on Energy and Power
United States House of Representatives**

**Hearing on FERC Perspective:
Questions Concerning EPA's Proposed Clean Power Plan
and other Grid Reliability Challenges**

July 29, 2014

Chairman Whitfield, Ranking Member Rush, and members of the Subcommittee, thank you for the opportunity to share with you my thoughts on EPA's proposed Clean Power Plan and other grid reliability challenges.

My name is John Norris and I have served as a Commissioner on the Federal Energy Regulatory Commission (FERC) since January of 2010.

Summary

Climate change is occurring, and the question is not whether we address greenhouse gas emissions, but how we best address those emissions. EPA's proposed rule 111(d) is an important first step that addresses climate change by appropriately seeking to reduce carbon emitted by our nation's electric power system. The proposed rule will spur investment in non-carbon or lower-carbon emitting generation resources, as well as energy efficiency and other demand-side resources. Increased investment in new technologies is essential for an effective transition to a low-carbon economy.

Such a transition will be challenging, but as the MATS rule has demonstrated, we as a nation should be well positioned to meet those challenges. FERC has already been considering

whether market changes are needed to address our nation's changing resource mix. We are examining the wholesale energy and capacity markets and have issued rules addressing variable energy resources, ancillary services, and storage to effectively integrate renewable resources and other new technologies into our electric grid. I also recognize that the Commission needs to remain vigilant regarding the impacts of 111(d) on the reliability of the grid, and expect that we will continue to coordinate with the North American Electric Reliability Corporation and work closely with the states to ensure that system planners and operators are able to maintain or even enhance reliability.

Testimony

As we begin this important discussion regarding EPA's proposed rule 111(d), I think it is essential to consider the magnitude of the problems facing our country and the world with respect to climate change. I believe that the overwhelming body of scientific evidence proves that climate change is occurring and that the burning of fossil fuels and resulting emissions from that activity is far and away the largest and main contributor to the alteration of our atmosphere and the change in climate. I also believe the resulting gradual increase in global temperature will have a devastating impact on the U.S. and world economy and life on our planet. Thus, the question becomes not should we address greenhouse gas emissions, but how can we best address those emissions.

The EPA's recent proposed rule 111(d) is the most significant potential action that we have taken to date as a nation to begin to address the devastating impact of climate change. While I view it as only a start to further efforts that will be needed to curtail the burning of fossil fuels and reducing carbon emissions, it is a positive first step.

The first positive impact that the proposed rule will have is to provide some much needed certainty for investment in the energy system we need to build for the future. While the proposed rule fails to place a direct cost on the production of carbon emissions, it will spur investment in non-carbon or lower-carbon emitting generation resources, as well as in energy efficiency and other demand side resources. Greater investment in new technologies that enable us to better manage our energy consumption, integrate variable energy resources, and lower the costs of renewable energy generation will accelerate the development of these technologies and enhance our ability to more efficiently manage the transition to a low-carbon economy.

One reason we have already started the transition toward a low-carbon economy is the implementation of the EPA's MATS rule. That rule has contributed to the retirement of many of our highest polluting and least efficient coal-fired generation plants. While MATS has contributed to the retirement of many of these units, a number of the retiring units are old, inefficient plants that would have likely retired soon anyway. Although challenges remain in some areas of the country in providing adequate generation resources to maintain our reserve margins, our electric energy system generally appears well positioned to meet the requirements of the MATS rule.

While it will be challenging to manage the further transition that 111(d) contemplates, it is important to recognize that our energy system has already demonstrated it can handle such challenges. Renewable generation technology continues to make advancements that are lowering costs and increasing the predictability of generation levels. Challenges created by the use of distributed generation resources are not new as a result of 111(d) but in fact distributed generation is already spreading rapidly and being successfully integrated in various regions of the country. Smart grid and smart meter technologies have been deployed for over a decade.

We are continuing to deploy and utilize these technologies because of the valuable contribution they make to grid operations and demand-side management. Industry continues to develop and construct transmission and non-transmission alternatives, enabling greater access to all forms of generation, more competitive wholesale markets, and enhanced reliability.

For our part, FERC is working to respond to the changes occurring to the electric grid and the nation's resource mix. Last year, FERC began a significant look into whether our capacity markets are functioning adequately, and we recently began an inquiry into price formation in our energy and ancillary services markets. Among other things, we are considering whether varying characteristics of different resources are being appropriately valued in the marketplace. Recent FERC rulemakings such as the variable energy resources and ancillary and storage compensation rules are examples of actions that can be taken to meet changes in the resource mix while maintaining or even enhancing reliability.

Going forward, FERC needs to remain vigilant on reliability standards and coordinate with the North American Electric Reliability Corporation in order to communicate any reliability concerns to EPA. We need to work closely with the states on the supply of adequate resources and be prepared to make appropriate market rule changes to enable states, regional transmission organizations and other system planners to meet resource adequacy requirements.

It is certainly too early to say that the implementation of proposed rule 111(d) will proceed without challenges. For example, rule 111(d) appropriately recognizes the key role that nuclear energy will play in our low-carbon future. Yet, our existing nuclear fleet is under significant economic distress. To achieve our carbon-reduction objectives, we must make every effort, both at the state and federal level, to ensure that our existing nuclear fleet remains viable. But, with the multiple tools available today and the increasing technological capabilities to meet

these and other challenges of 111(d), we should not shy away from taking action to mitigate climate change. America's history of technological innovation, along with our entrepreneurial spirit to compete in the rapidly growing worldwide demand for clean energy technologies, leaves me with little doubt of our ability to meet EPA's proposed rule 111(d). As I stated earlier, 111(d) is really just a first step to meet the challenges of climate change. To reach the worldwide goal of 80 percent reductions by 2050, a much steeper reduction in carbon emissions will be necessary. Hopefully the technologies developed and the lessons learned in taking this first step will better enable us to tackle these steeper challenges awaiting us in the future.

I believe America can lead the world in the effort to mitigate the devastating impact of climate change. I have been hopeful for a number of years that Congress would step up to the challenge and pass legislation to begin that effort. Unfortunately, to date, that has not occurred. Even without Congressional action, the scientific consensus on climate change has led to a nearly complete halt of the construction of any new coal-fired generation plants that do not sequester carbon. But, I also believe that Congress' failure to pass legislation to implement a national energy policy and address climate change has discouraged needed investment in technologies that can help us address climate change. For a long-term sustainable energy supply, what we need more than anything is a level of certainty that will spur investment in new technologies necessary for a competitive energy system for the future. The EPA's rule 111(d) provides some hope because of the direction and certainty it provides. But more is needed.

Included with my remarks here for the hearing are my responses to questions from the Committee. Many of the questions from the Committee ask for information on what FERC has done or is doing with regard to the EPA's recent proposed rule 111(d). I defer many of those

responses to Chairman LaFleur as the FERC staff works under her direction. I have provided my thoughts to those questions where you have asked for my opinions.

Thank you for the opportunity to testify today. I am happy to answer any questions you may have.