

**Written Testimony of Colette D. Honorable, Commissioner
Federal Energy Regulatory Commission
Before the Committee on Energy and Commerce
Subcommittee on Energy and Power
United States House of Representatives
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Hearing on, “Oversight of the Federal Energy Regulatory Commission”

Good morning Chairman Whitfield, Ranking Member Rush, and members of the Energy and Power Subcommittee. I am Colette Honorable, a member of the Federal Energy Regulatory Commission (Commission).

Thank you for the opportunity to testify at today’s hearing. I am the newest member of the Commission, having been sworn in this past January. This is my first appearance before this august subcommittee and I am grateful for the opportunity.

Prior to joining the Commission, I served as a commissioner and chairman at the Arkansas Public Service Commission for seven years. I also had the privilege to serve as President of the National Association of Regulatory Utility Commissioners (NARUC) when the Clean Power Plan proposal was issued. This role offered me an opportunity to interact with and gain an appreciation for the diversity of the states and regions and lead the association's engagement with the Administration and other energy principals on a wide range of energy issues. This experience provided a unique foundation for my current tenure at the Commission.

Our mission at the Commission is to regulate the interstate transmission of electricity, natural gas and oil. We oversee the reliability of the Bulk-Power System, regulate wholesale energy

markets, consider proposals to build energy projects, and ensure wholesale sales of electricity in interstate commerce are just and reasonable. This work is especially significant because our economy is increasingly dependent upon reliable and affordable energy. I look forward to discussing the following issues in my testimony today: reliability generally, the Clean Power Plan, infrastructure development, and markets.

Reliability

I will begin with our overarching work regarding the reliability of the electricity grid. In the Energy Policy Act of 2005, Congress granted FERC authority to oversee the development and enforcement of reliability standards and impose civil penalties where necessary to ensure the reliability of the Bulk-Power System. Over the ensuing years, the agency designated the North American Electric Reliability Corporation (NERC) as the Electric Reliability Organization responsible for developing reliability standards. In its oversight role, the Commission has worked collaboratively with NERC to incrementally refine those standards. Moreover, our Office of Energy Infrastructure Security routinely collaborates with federal and state agencies, and energy system owners, users, and operators to identify, communicate, and mitigate cyber and physical threats to the Nation's energy facilities. This also includes a voluntary commitment to proactively assess industry systems for weaknesses and collaborate on securing infrastructure. I believe the systems in place are serving consumers of this country well.

The ongoing implementation of NERC's Risk-Based Compliance Monitoring and Enforcement Program is an excellent example of the collaborative work between NERC and the Commission to ensure the reliable operation of the Bulk-Power System. This program uses risk-based

reliability assurance methods instead of monitoring all reliability standards and requirements or compliance issues in the same manner. This will enable NERC and the industry to dedicate their resources where they are most needed to ensure the reliable operation of the grid. The Commission continues to oversee this effort to ensure that the program becomes more efficient without sacrificing system reliability.

The commission has also approved the consolidation of multiple Reliability Standards in the past year. Through these rulemakings, the Commission seeks to promote efficiency by reducing requirements that are either redundant with current requirements or have little reliability benefit. These consolidated Standards have the potential to increase reliability by improving the efficiency of compliance programs industry-wide.

Separately, the Commission issued a Notice of Proposed Rulemaking to address threats from geomagnetic disturbances, or space weather. These high-impact, low-frequency events have the potential to severely impact the reliable operation of the Bulk-Power System. If implemented, this proposal would require planning coordinators, transmission planners, transmission owners and generator owners to take appropriate actions to prepare to withstand geomagnetic disturbances.

Clean Power Plan

Our focus on reliability has continued through our engagement with stakeholders in the energy sector and the Environmental Protection Agency (EPA) during implementation of the Clean Power Plan. In early 2015, FERC hosted a series of technical conferences on the implications of

compliance efforts with regard to the Clean Power Plan. These conferences, held in Washington, D.C., Denver, and St. Louis, aided the Commission in assessing whether and how the Plan may impact the reliability of the grid. We heard from diverse stakeholder groups: regulators, utilities, regional transmission organizations (RTOs) and independent system operators (ISOs), environmental groups and consumer organizations. These conferences raised a host of issues that informed the Commission's advice and counsel to the EPA. In addition, I co-moderated a "deep dive" workshop in May 2015 sponsored by the Bipartisan Policy Center (BPC) on specific reliability measures such as the Reliability Safety Value and Reliability Assurance Mechanism that many believe will help shore up the reliability during compliance with the Clean Power Plan if necessary.

The feedback the Commission received during our technical conferences, along with information gathered from the BPC event and other types of engagement, including letters and comments from stakeholders, informed our communication to EPA this past May. In a letter signed unanimously by the Commission, we advised EPA to consider reviewing the interim compliance timeline set forth in the proposed Clean Power Plan to ensure flexibility in the early years of compliance. In addition, we encouraged EPA to consider adopting both a "Reliability Safety Valve," which would allow the Commission to work with the EPA to address temporary, unexpected impacts upon Bulk-Power System reliability, and a proactive process to provide for reliability monitoring and assistance. Under the latter process, existing planning procedures should be used initially to review state plans for potential reliability concerns. The EPA accepted our recommendations in the final rule.

Going forward, the Commission stands ready to work with EPA, the Department of Energy (DOE), the states, regions, NERC and other stakeholders. The Commission has offered to review analyses or request additional assessments as necessary. We also noted that the Commission could continue holding technical conferences or other public workshops as states and utilities begin implementation of the rule. Pursuant to a joint staff working document that informs our interagency work, we will continue participating in future discussions with EPA and the Department of Energy (DOE). This may include further engagement with NARUC or the BPC, in addition to continuing our work with RTOs, ISOs, NERC and regional entities.

Since the issuance of the final Clean Power Plan, I have continued engaging with diverse groups. For example, in October I was invited to participate in a workshop hosted by the BPC and the Great Plains Institute which focused on compliance in the Midwest. Although most of these states are challenging the rule in court, many are also working in parallel on compliance plans should the rule be upheld. Indeed, my home state of Arkansas is a fitting example. During my tenure as chairman of the Arkansas Public Service Commission, we worked closely with the Arkansas Department of Environmental Quality and a diverse group of stakeholders to evaluate the issues associated with Arkansas's compliance with the Clean Power Plan. These discussions have continued, even though the state has joined the litigation against the final rule. According to press reports, thirteen other states have reportedly indicated they will follow a similar path as Arkansas. A number of studies indicate that if the rule is upheld, fully contemplated compliance plans will have considerable potential to reduce compliance costs, particularly those undertaken in regional efforts. In the Midwest, for example, both the Southwest Power Pool and the Midcontinent Independent System Operator have released studies concluding that regional

compliance with the Clean Power Plan is more efficient, less costly, and therefore better for consumers. It is imperative that all affected stakeholders engage and work collaboratively to maintain reliability while minimizing any potential cost impacts of plan implementation going forward.

Infrastructure

Market realities, new technologies and innovation, and policy and regulations at the Federal and state levels are causing a dynamic shift in our energy usage. With natural gas and renewables comprising a larger role in the U.S. generation resource mix, many new gas infrastructure projects are being proposed for our consideration. The Commission's role includes review of proposals to construct liquefied natural gas terminals and interstate natural gas pipelines, as well as licensure of hydropower projects to ensure that such projects are in the public interest.

In September 2015, the Commission's Office of Energy Projects reported that 60% of the new generation-in service this year (January-September 2015) was from renewable sources. Most of this new capacity was wind—2,966 MW of installed capacity—and solar, with 1,137 MW of installed capacity. Gas accounted for 2,884 MW, or 39.6% of installed capacity thus far in 2015. In order to bring this new and diverse generation to market, new infrastructure—pipelines, power lines, and other technologies—will be necessary.

In the electric industry, RTOs, ISOs, transmission providers, and their respective stakeholders are addressing the need for additional transmission projects and the ability to integrate storage, energy efficiency and demand response in regional and interregional planning processes. We

have continued to refine the Order No. 1000 competitive solicitation process, which has helped bring together a number of significant stakeholders around regional planning processes. While the planning processes are almost fully underway, as demonstrated in compliance filings, regional differences and modeling issues are proving to be particularly challenging for interregional planning processes. As these new processes are evolving, we will continue to listen to stakeholders and be open-minded on changes necessary to improve Order No. 1000. I look forward to working with my colleagues to ensure that our efforts pursuant to Order No. 1000 meet their intended goals.

Markets

The last matter I will discuss in my testimony is our ongoing work regulating wholesale electricity markets.

Overall, we have a responsibility to ensure that electricity markets are functioning as intended. To that end, the Commission is currently undertaking a broad review and assessment of price formation in energy and ancillary service markets. Energy and ancillary service markets are more mature than capacity markets, but I believe it is important to scrutinize these markets to observe recent trends in generation retirement and renewable resource penetration. We have seen generation resources retiring due to economic considerations, along with an increased need for ramping capabilities and flexible resources as more intermittent resource connect to the grid. The Commission recently conducted three technical conferences to explore these and other issues. Our continuing work on price formation will focus on: compensating generation resources for the value they provide; appropriately reflecting commitment and dispatch decisions

in market prices; providing needed transparency and certainty; and, minimizing cost to consumers. The Commission recently took several steps to improve energy and ancillary service price signals and I expect more actions will follow.

Federal and state policies often interact to influence capacity markets. We will continue to evaluate the design and operation of all capacity markets and find new ways to balance the interests of Federal and state policies. As capacity markets across the country continue to respond to dynamic changes in generation, I have appreciated the opportunity to engage with RTOs and ISOs and stakeholders to gain a better appreciation of the diversity of the regions and their robust efforts to support efficient market operations.

We are also observing growth and shifts in regional organization participation as well. The successful launch of market operations as well as markets yielding benefits greater than originally expected all demonstrate that, while not perfect, regional markets continue to yield benefits for consumers nationwide.

Conclusion

I'd like to take this opportunity to offer my appreciation for the hard work of my colleagues and our staff. The work we do is essential to supporting the ongoing work by industry, regulators and other stakeholders in the energy sector, which is vital for a thriving economy. We take our jobs seriously and I am proud to be a member of this Commission.

I am also appreciative of the important oversight work of the Energy and Power Subcommittee. I look forward to working with you throughout my term at the Commission and am pleased to answer any questions you may have.

Thank you.