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ONE HUNDRED FOURTEENTH CONGRESS
Congress of the United States
House of Representatives

COMMITTEE ON ENERGY AND COMMERCE

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December 17, 2015

The Honorable Cheryl A. LaFleur
Commissioner
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, DC 20426

Dear Commissioner LaFleur:

Thank you for appearing before the Subcommittee on Energy and Power on Tuesday, December 1, 2015, to testify at the hearing entitled "Oversight of the Federal Energy Regulatory Commission."

Pursuant to the Rules of the Committee on Energy and Commerce, the hearing record remains open for ten business days to permit Members to submit additional questions for the record, which are attached. The format of your responses to these questions should be as follows: (1) the name of the Member whose question you are addressing, (2) the complete text of the question you are addressing in bold, and (3) your answer to that question in plain text.

To facilitate the printing of the hearing record, please respond to these questions with a transmittal letter by the close of business on January 7, 2016. Your responses should be mailed to Will Batson, Legislative Clerk, Committee on Energy and Commerce, 2125 Rayburn House Office Building, Washington, DC 20515 and e-mailed in Word format to Will.Batson@mail.house.gov.

Thank you again for your time and effort preparing and delivering testimony before the Subcommittee.

Sincerely,



Ed Whitfield
Chairman
Subcommittee on Energy and Power

cc: The Honorable Bobby Rush, Ranking Member, Subcommittee on Energy and Power

Attachment

Additional Questions for the Record

The Honorable Robert Latta

1. The Energy Policy Act of 2005 and previous legislation gave the FERC authority to oversee the reliability of the bulk power system. In November, 2014, FERC approved physical security grid reliability standards submitted by NERC to enhance physical security for the most-critical Bulk-Power System facilities and reduce overall vulnerability of the grid. The Critical Infrastructure Protection (CIP) standards address physical threats to and weaknesses of the power grid and reduce the risk of damage to the system from physical attacks. The standards outline an approach that focuses on the most critical facilities, incorporating risk management planning to mitigate threats. The standards became effective January, 2015.
 - A. What makes you certain that grid security is effectively addressed? What are your metrics for success?
 - B. What more can and should be done to ensure that our nation's grid remains physically secure and reliable?

2. "FERC has certified NERC as the as the nation's Electric Reliability Organization. Through the Energy Policy Act of 2005, Congress established a hybrid system for setting electric grid reliability and security standards; a private corporation, the North American Electric Reliability Corporation (NERC), writes grid standards, while a government agency, the Federal Energy Regulatory Commission (FERC) reviews and approves NERC's standards." "FERC and NERC appear to have a close working relationship in jointly developing grid standards. During an April 10, 2014 Senate Energy Committee hearing "Keeping The Lights On—Are We Doing Enough To Ensure The Reliability And Security Of The U.S. Electric Grid?" both Cheryl LaFleur, than Acting Chair of FERC, and Gerry Cauley, CEO of NERC characterized the hybrid system as "working well." Source: OurEnergyPolicy.org website
 - A. What steps should be taken by FERC to ensure that NERC rules and standards are consistently implemented, with transparency across and among the nation's regional transmission organization to ensure reliability of the system?
 - B. Are there regional differences?
 - C. How do you prioritize reliability rules and initiatives to ensure reliability objectives are met?

The Honorable Joseph Kennedy

The Federal Energy Regulatory Commission's mission statement seeks to achieve "reliable, efficient and sustainable energy services at a reasonable cost through appropriate regulatory and market means."¹ FERC's role is critical to ensuring reliability at just and reasonable rates.

As you are all aware, New England faces great challenges now, and into the future, when it comes to our energy sector. We have limited natural resources and are quite literally located at the end of the line. Many of the decisions made that impact our energy policies are done at the local, state, and regional level. While FERC may not be able to directly set the energy rates, force a power plant to remain open, or pick and choose the appropriate path for new energy infrastructure, FERC has the final say on many issues as the federal regulator.

My district has faced capacity market shortfalls in each of the last two Forward Capacity Market Auctions, and we're quickly approaching FCA10 in February 2016. In mid-October, we got news that yet another power plant in Massachusetts would be closing, taking another 600-plus megawatts off an already overly stretched grid.

For two years I have been told that the market is designed specifically to send appropriate price signals to industry to indicate and prevent a shortfall. But as I read it, this market is currently functioning with the consumers subsidizing energy manufacturers. The reverse auction system could allow producers to come up with their own inflated prices, which all other producers recoup as well, leaving consumers to foot the bill.

Given the current status of the energy markets in Massachusetts and on the federal level, I have several questions:

1. How is the Commission planning to deal with only four sitting commissioners for the foreseeable future when there is always the possibility of a tie ruling? How will the Commission ensure it functions properly so ratepayers are not left without any administrative recourse? We cannot have a replay of FCA8 if a rate change is filed and the four sitting commissioners deadlock.
2. Given that FERC cannot keep a plant open, order the construction of a new one, or physically site infrastructure, what tools does FERC have and how can they be used to permit and incent both infrastructure and a competitive market to ensure electric reliability at just and reasonable rates?
3. What is the definition of "just and reasonable" rates and how does FERC balance that definition in the name of reliability?

¹ <http://www.ferc.gov/about/strat-docs/strat-plan.asp>