

Opening Statement of the Honorable Fred Upton
Subcommittee on Energy
Hearing on “Powering America: A Review of the Operation and
Effectiveness of the Nation’s Wholesale Electricity Markets”
July 26, 2017

(As prepared for delivery)

Good morning. Last week this Subcommittee embarked on its first hearing in our “*Powering America*” series, where a panel of witnesses shared their diverse perspectives regarding the state of the wholesale electricity markets. During that hearing, we heard from directly from market participants who operate in all seven of the nation’s RTO and ISO markets. Today, I’d like to welcome representatives from the nation’s grid operators and invite them to share their thoughts regarding current issues and challenges in their respective regional markets.

Americans have come to expect that electricity will always be available when it’s needed, and it is the role of the grid operators to make sure that this expectation is always met. RTOs and ISOs play a vital role in the delivery of power from the generator to the consumer, but it’s a role that is largely outside the public’s view. By operating and dispatching the transmission system 24/7, the grid operators must ensure that supply and demand is continually kept in balance. In addition, they are responsible for conducting long-term planning to reduce congestion on existing transmission lines *and* to ensure that there’s adequate transmission capacity to reliably serve future electricity demand.

As we sit in this Committee room today, the grid operator responsible for coordinating the movement of electricity to Washington D.C. is known as “PJM”. In addition to serving the needs of 13 other states (including Michigan) and serving 65 million people, PJM also operates over 82,000 miles of transmission lines. That should provide a sense of the size and importance of these grid operators. Along with the other six grid operators at the table today, these RTOs and ISOs combined serve two-thirds of the nation’s population.

However, as we heard from our witnesses last week, there are concerns regarding the state of our nation’s competitive electricity markets. Some of the testimony focused on specific RTO functions, such as the complexities of the “capacity” market – but we spent much of the time focused on broader issues involving grid

reliability, market competition, generator fuel diversity and whether certain baseload resources should receive financial assistance to remain viable.

As our witnesses are aware, there are many evolving challenges currently facing the electricity industry. In a very short period, we've witnessed significant changes in the market's supply and demand fundamentals; specifically, weak growth in electricity consumption combined with the availability of large supplies of inexpensive natural gas. In turn, wholesale electricity prices are now at near record lows around the country and these low prices have resulted in some generators being unable to recover their costs. Notably, several States are advancing proposals to support "at-risk" nuclear plants that are unable to survive on revenues from the energy and capacity markets alone.

The witnesses before the Subcommittee today all operate *competitive* markets that dispatch generation across the country based on lowest-cost. They also now find themselves in the middle of this policy debate involving changing technology, environmental goals, and the effects of "out-of-market" actions. Many are questioning whether the RTO and ISO markets can remain competitive and perform all their existing essential functions, while also tackling new challenges in the face of these emerging trends.