



COMMITTEE ON
ENERGY & COMMERCE
DEMOCRATS
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Pallone Remarks at Energy Hearing on Electric Reliability

“Climate change is having devastating effects on our communities and we must modernize our electricity system”

Washington, D.C. – *Energy and Commerce Ranking Member Frank Pallone, Jr. (D-NJ) submitted the following remarks for the record today at a Subcommittee on Energy hearing titled, “Powering America: Defining Reliability in a Transforming Electricity Industry.”*

Mr. Chairman, thank you for holding today’s hearing to explore how we define electric reliability in today’s world. This is the first of two hearings that we will be holding on electric reliability as part of our bipartisan hearings on the electric sector. I appreciate the way the Chairmen and the Republican Committee staff have worked with us and our staff to move this series forward in a very constructive way.

I want to start by welcoming Chairman Chatterjee: we appreciate your willingness to come before us so soon after taking the reins at FERC. I also appreciate the flexibility of Mr. Cauley and Ms. Hoffman in making themselves available today. I’m particularly pleased to have Ms. Hoffman, not just because of her long service and deep knowledge, but also because her presence represents the first time in eight months that the Trump Administration has provided this subcommittee with a witness. That is unique and unfortunate, and I hope that Ms. Hoffman’s presence today marks a change for the better.

I firmly believe that it is time to start looking at reliability in new and different ways. If there is one thing we have learned in the past two weeks –a period that has left nearly 8 million without power—it is that climate change is having devastating effects on our communities and we must modernize our electricity system to make it more resilient. A recent study of FEMA disaster declaration records shows that over the last 20 years four times as many counties were hit by disaster-scale hurricanes, storms and floods than during the two decades before that period.

While the regulatory standards for what constitutes reliability seem not to have changed much in the past few decades, the technology by which we can achieve reliability certainly

has transformed dramatically. In the past, things like redundant transmission lines may have been the only way to guarantee reliability, but that's hardly the case today.

We can now make our system more reliable and more resilient by incorporating technologies to manage demand and by generating and storing power closer to where it is consumed, through use of batteries and distributed generation resources including renewables like rooftop solar. These assets can be connected by microgrids and isolated from the transmission and main distribution system.

While climate change is producing stronger storms more frequently that can damage every part of the grid, in most storms it is the distribution system that is the most vulnerable part of the grid, and not the larger transmission system or generating assets. In a grid characterized by large, centralized power production, if the distribution lines are down, it doesn't matter how many transmission lines we have because the power can't get to the consumer. While we are awaiting an assessment of the impact of Hurricanes Irma and Harvey, I know that in my area, Superstorm Sandy showed us that centralized power, carried by lines over great distances, does not guarantee reliability or a resilient grid. After its experience with Sandy, New Jersey's largest utility said, "reliability remains fundamental but is no longer enough now that extreme storms have become increasingly common." This is an important distinction that is playing out in the wake of Hurricanes Harvey and Irma.

To encourage the innovation we need to make our grid more reliable and resilient, we also need to reexamine the way we calculate rates and how utilities make money. In many ways, traditional rate setting encourages utilities to make money just by building new transmission lines. Those new lines could also have the effect of locking in a market for older, fossil fuel generation that accelerates climate change while crowding out cleaner and less expensive options for generating power and ensuring reliability. Utilities should be able to make money, but I'm concerned that the old rate-making model may encourage utilities to continue building too many of yesterday's capital facilities that do not maximize reliability and resiliency when better options are available today.

As our Committee discusses the grid, we should carefully reexamine the old approaches to reliability, resiliency and ratemaking to seriously consider whether our long-term interests are better served by charting a new course.

Again, thank you for holding this hearing and I look forward to hearing from our distinguished witnesses.

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