

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

COMMITTEE ON ENERGY AND COMMERCE

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October 30, 2017

The Honorable Neil Chatterjee
Chairman
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, DC 20426

Dear Chairman Chatterjee:

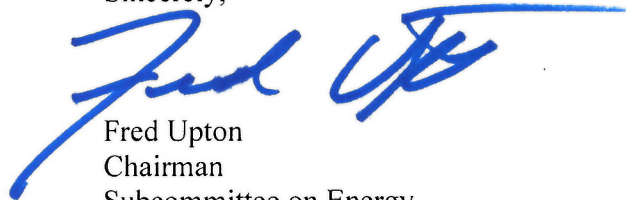
Thank you for appearing before the Subcommittee on Energy on Thursday, September 14, 2017, to testify at the hearing entitled "Part 1: Powering America: Defining Reliability in a Transforming Electricity Industry."

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 Monday, November 13, 2017. Your responses should be mailed to Allie Bury, Legislative Clerk, Committee on Energy and Commerce, 2125 Rayburn House Office Building, Washington, DC 20515 and e-mailed in Word format to Allie.Bury@mail.house.gov.

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

Sincerely,



Fred Upton
Chairman
Subcommittee on Energy

cc: The Honorable Bobby L. Rush, Ranking Member, Subcommittee on Energy

Attachment

Attachment—Additional Questions for the Record

The Honorable Fred Upton

1. As you are aware, New York and Illinois have recently moved forward with a special credit to preserve nuclear power assets and other states are actively considering similar state supports. Those in favor of these “ZEC” credits claim that nuclear power plants provide reliable, zero-emission baseload generation and other benefits.
 - a. Do you or FERC have a position the appropriateness of these credits?
 - b. If these nuclear power plants are not needed for reliability, should they be supported by ratepayers if they cannot compete in the market based on cost?
2. As you know, on May 1st and 2nd, FERC held a technical conference to discuss how competitive wholesale markets can incorporate resources that align with specific state policies. The highlights of FERC’s conference are summarized in the DOE staff report.
 - a. These issues are already being addressed by some RTOs and ISOs, including PJM and ISO-New England. Is FERC currently doing anything to accommodate state policies in its regulated markets?
 - b. If we assume that the markets will need to continue to accommodate various individual state policies, could there be long-term implications for the wholesale power markets related to reliability or resource adequacy?
3. The DOE Staff Report found that the retirement of base-load coal and nuclear generators has not threatened reliability to date. However, the Report also recommended that FERC explore how to better compensate generators for their resiliency benefits if FERC concludes reliability is threatened.
 - a. Can you describe what steps FERC has taken to address the issue of compensating generators for reliability and resiliency attributes?
 - b. How should resiliency be valued?
4. The DOE Staff Report found that FERC should expedite its efforts regarding its price formation efforts. However, FERC has already been working on price formation issues in various dockets since 2014.
 - a. Can you provide a preview of where these various efforts are heading?
5. As a regulator, you are undoubtedly concerned with the reliability of the electric grid. At the PURPA hearing on September 6, 2017, we heard that utilities need the flexibility to curtail QF output for reliability reasons. Do have thoughts on the circumstances under which a utility should be able curtail QF energy to maintain system reliability?

6. Under PURPA, FERC can exercise its enforcement authority to require a state regulatory authority to implement the Commission's regulations. However, during disputes between QFs, utilities, and state commissions, FERC rarely exercises its enforcement authority. Instead, FERC usually issues a "*Notice of Intent Not to Act*" which then allows the underlying petitioner to bring its own action before a U.S. District Court.
 - a. Do you know why FERC is reluctant to use its enforcement authority in such cases?
 - b. Should any changes be made to PURPA with respect to FERC's enforcement authority?

The Honorable Robert Latta

1. The DOE Staff Report found that the retirement of base-load coal and nuclear generators has not threatened reliability to date. However, the Report also recommended that FERC explore how to better compensate generators for their resiliency benefits if FERC concludes reliability is threatened.
 - a. Can you describe what steps FERC has taken to address the issue of compensating generators for reliability and resiliency attributes?
2. How should resiliency be valued?
3. Can you talk more about the Critical Infrastructure Protection Standards that FERC and NERC have worked together on? Specifically, could you talk about the tiered approach to cybersecurity that utilities began to implement in 2016?

The Honorable Gregg Harper

1. Are regulated markets seeing the same baseload generation closures as seen in competitive markets? If not, what is protecting baseload generation in regulated markets?

The Honorable Adam Kinzinger

1. In this Committee, we recently heard testimony from the RTOs on issues including reliability, resiliency, and the successful operation of wholesale markets. PJM, the RTO that operates in my Congressional District, offered testimony regarding energy price formation reforms and the importance of valuing baseload generation. The Department of Energy released a report on grid reliability recently that echoed the importance of energy price formation reform at the FERC.

- a. Can you share what FERC plans to do to implement these reforms and when we can expect these reforms to be in place?
2. At the recent hearing on PURPA, we heard testimony that QF developers site their projects for the benefit of investors, choosing the quickest and cheapest site regardless of the impact to the grid or to reliability.
 - a. Can FERC take regulatory action to address this concern?

The Honorable Morgan Griffith

1. Last year, FERC issued proposed rules concerning the participation of electric storage resources and distributed energy resources (DER) in wholesale electric markets. Do you have a timeline on moving forward on this? Do you support including in any final rule a role for state and local regulatory authorities to permit the aggregation of distributed energy resources on local distribution grids, similar to the role they have to permit the aggregation of demand response resources?

The Honorable Bill Flores

1. FERC has long held that it “does not pick winners or losers” regarding the fuels for generating electricity – rather its role is to promote competition through market mechanisms.
 - a. How does this philosophy square with the fact that some generators have characteristics or attributes, such as onsite fuel, that allow them to provide additional value in terms of reliability or resiliency?
2. At last week’s hearing on PURPA reform, we heard about situations where a host utility has no need for additional power, but are nevertheless required to purchase the QF output under section 210 of PURPA (i.e, the mandatory purchase obligation).
 - a. How do you respond to concerns by utilities that this requirement is causing reliability concerns?
 - b. Should state commissions be able to suspend the mandatory purchase requirement in situations where it determines that the utility does not need the QF output in order to meet its obligation to serve load?

The Honorable Richard Hudson

1. The DOE recently released an assessment of the electricity grid’s reliability and resiliency in the wake of recent baseload power plant closures. While the study confirmed adequate reserve margins and mechanisms to maintain reliability, it identified significant remaining

work in the area of grid resiliency. The report recommends that FERC properly value essential reliability services for the grid and create new markets and regulatory mechanisms to compensate market participants for these essential services. As you may know, before losing quorum FERC was in the middle of a “price formation review.” Is finalizing that review a priority for you?

- a. Do you agree with the Department of Energy that reforms should include measures that adequately value the reliability and resiliency benefits of technologies like nuclear power?
2. In 2014, FERC began a stakeholder process to reform the process through which market prices are determined and paid. This price formation review period has resulted in significant improvements in the accuracy of price signals, but is not complete. Some of the largest market distortions, such as out of market actions and scarcity pricing, has still not been addressed. The DOE grid study identified further price formation reform as its top recommendation to minimize reliability disruptions, specifically identifying reforms from PJM and MISO. Will you commit to making price formation reform a priority during your tenure, particularly as it pertains to supporting base load generators like nuclear and coal?
 - a. Two of the highest impact price formation reforms are expanding price-setting eligibility and implementing scarcity pricing reforms. What are your views on these price formation issues?
3. As intermittent energy sources, such as wind and solar, increase market share and clear as the marginal generator in an increasing number of hours during the day, wholesale power prices have plummeted. This wholesale power drop could eventually force around-the-clock baseload capacity, like nuclear power, out of the market. The DOE grid study recommended that negative price offers be mitigated where possible. What should FERC do in the short-term to further examine some of these market design issues?
 - a. Will you work with RTOs like PJM to swiftly implement market changes to reduce negative price offers?
4. Over the past year, the Commission has accelerated its efforts to facilitate integration of electric storage projects into wholesale electricity markets. A variety of new energy storage technologies have emerged, and the Department of Energy and the national labs have programs in place, albeit small, to tackle key performance and cost challenges that inhibit these technologies widespread deployment. What role do you see energy storage playing in the future in the organized wholesale electricity markets and transmission system?
 - a. What regulatory barriers are in place that inhibit new storage technologies ability to participate in organized wholesale electricity markets?
 - b. As FERC looks at properly valuing baseload electricity generation like coal and nuclear, what challenges must the Commission tackle when it comes to storage’s benefits to the grid? How should it be compensated for its benefits to grid resiliency and reliability?

The Honorable Jerry McNerney

1. There's been discussion about the connection between markets and reliability and resiliency. Yet not all states regulators distinguish between reliability and resiliency.
 - a. Do you believe states should make a distinction between the two?
 - b. Does the electric sector use a standard definition of resiliency in both the distribution system and bulk power system?
 - c. Are there potential benefits to having a more industry-wide accepted term or definition for resiliency?
2. What barriers exist for utilities and for the federal government as it relates to utilities sharing resources during emergencies, such as hurricane response?
3. Your testimony mentioned that FERC assured companies won't be penalized for helping restore service. What are the potential penalties utilities face in these circumstances and which are FERC waiving?
4. CIP standards are frequently updated given a rapidly evolving electric grid. Has FERC received comments from industry stakeholders regarding difficulties implementing CIP standards while new versions of CIP standards are being developed simultaneously?
5. There is an ever-increasing amount of distributed generation and behind-the-meter technologies and market structures being deployed across the grid. How does additional behind-the-meter activity at the distribution level potentially affect the bulk power system? Is behind-the-meter information and data being shared between utilities, state regulators, and federal entities – including FERC, NERC, and DOE? Are there areas for improvement?

The Honorable Peter Welch

1. In DOE's recent request that FERC raise the price of so called "baseload power" to keep coal and nuclear plants online, the agency says it's necessary because of "energy outages expected to result from the loss of this fuel-secure generation" and because of "recognition that organized markets do not pay generators for all the attributes they provide."
 - a. Whether or not that is true, do you believe generators of solar, wind, and energy storage are compensated fully for their attributes in wholesale markets?
 - b. Do wholesale markets price any electricity source based on their attributes and how they benefit the public?
 - c. Do you think DOE is suggesting that FERC create a Value of Coal Tariff to price in non-monetizable attributes?"