



Chairman Chatterjee Discusses His FERC Agenda

Craig Cano: Welcome to Open Access, joining us today is Chairman Neil Chatterjee, who last week outlined his priorities for FERC's activities during his time here in a speech to the Energy Bar Association. Chairman, welcome to the podcast. What's the major message you want everyone to walk away with after the speech?

Chairman Neil Chatterjee: Thanks, Craig. The take-away message I have is that FERC's job is not easy, but with the leadership of my colleagues Cheryl LaFleur and Rob Powelson, and the hard work of the 1,500 FERC staff members who, in my opinion, are among the brightest and most dedicated in the federal government, we at FERC will work hard to improve our project review processes, ensure that electric transmission investment incentives align with need, protect grid reliability and resilience, and defend against ever-changing cyber threats.

Craig Cano: You said that one of the issues stakeholders complain most about are the gas pipeline and hydro project review processes. By nature, those are time-consuming processes involving input from a variety of viewpoints – the applicants, the market, landowners, as well as federal, state and local government agencies, supporters and opponents. What is it you want to do about that?

Neil Chatterjee: I gotta tell you, we hear a lot from stakeholders about this issue. And I want to underscore that delays are a bipartisan concern, as they can have far-reaching effects up and down the process. Delays discourage investment in projects. They harm the communities in areas surrounding a project. And they cause broad harms to end users and consumers who may be looking to projects as a way to lower the prices they pay for energy services.

Now, delays can be caused by any number of outside forces, and we know those well. But that isn't to say we shouldn't continue to examine our own internal FERC review process to identify greater efficiencies. The Commission has done a lot – we just approved a new policy statement on establishing license terms for hydro projects. But there are other actions we can take, including our relationships and interactions with other federal and state agencies. I believe we should pursue understandings that can be reached on an agency-to-agency basis to help improve the review process.

But one final point I really want to make: Anything, anything FERC does to make our processes more efficient will not cut corners. We have a compliance-focused and safety-conscious culture. We demand project developers live up to similarly high standards. When they don't, they're going to be held accountable. Safety and environmental protection are essential to our job here at FERC.

Craig Cano: You also talked about better aligning electric transmission incentives with need. What do you have in mind?

Neil Chatterjee: Look, it's no secret that there have been significant changes to the electric generation mix over the past several decades. We need more and upgraded electric transmission capacity throughout the country to meet diverse end-user needs and energy policy objectives. And that's why we need to ensure that we provide adequate incentives for investment in transmission infrastructure.

What does that mean? It means more than just deciding on a way to respond to the DC Circuit's remand of our Return on Equity determination in Emera Maine. It means we should also take a hard look at Order No. 679, which, by the way, was developed more than a decade ago, and our transmission incentives policy statement to consider innovative ways in which we can apply the principles animating those documents to better promote transmission development.

Craig Cano: I'm wondering, will a more efficient project review process and incentives for electric transmission infrastructure alone ensure the system is more reliable and resilient. What's the role of reliability? And how do you square all that with the resilience proposal that came from the Energy Department?

Neil Chatterjee: Reliability is, and will continue to be, our foremost priority. It's no coincidence that even with all the changes in the generation mix, our nation's electric grid has remained as reliable as it is, thanks to the constant vigilance on the part of operators, industry and state regulators, everyone from the utility linemen to the grid and market operators in the regional markets. And of course, FERC has played an important role of facilitating the creation of market structures that have incentivized reliability-related investments and our continued monitoring and enforcement of grid reliability within those markets.

All of these are inextricably linked – and DOE's NOPR fits comfortably within those efforts. DOE's NOPR is part of a conversation that we need to have. We can't find ourselves in a situation where we regret not having asked the hard questions that the NOPR raises.

One final note on the DOE NOPR, and I can't say this enough: I remain committed to upholding the Commission's independence when considering the DOE NOPR, and the many other issues that may come before us. The 1977 Department of Energy Organization Act established FERC as an independent regulatory Commission. For 40 years, my predecessors and fellow Commissioners have zealously guarded that independence. That will not change as long as my colleagues and I are on the Commission.

Craig Cano: Let me turn to another difficult reliability issue: cyber security. What's FERC doing to ensure the grid is protected against cyber-attacks?

Neil Chatterjee: Clearly, defending our nation from cyber threats is one of the most serious challenges of our time. At FERC, our Office of Energy Infrastructure Security has been working collaboratively with state governments and utilities looking for additional help in improving their security posture.

As Chairman, I'm committed to using all the tools at FERC's disposal to support this mission and stay ahead of these threats. We've taken on several cyber-related initiatives, including a new standard on cyber security management controls, and a new report outlining the lessons learned from a number of CIP audits from the industry.

Craig Cano: So Chairman, is there anything else that you're looking at during your term here at FERC?

Neil Chatterjee: Three things, really. First, the Commission should look at the proper scope of *de novo* review in the context of our enforcement authority. FERC's enforcement responsibilities are critical, are absolutely critical to our mission, but federal courts have rejected FERC's interpretation of this review five times, five times. We really need to look at that to identify a path forward that is legally defensible and fair.

Second, everyone's favorite subject: PURPA. The Public Utility Regulatory Policies Act. PURPA was conceived under fundamentally different energy market conditions than exist today, and it's no secret that it feels so out of sync with our modern energy landscape. The Commission has discretion under the statute to evaluate how it implements the law within the context of our evolving energy markets, and I hope my colleagues and I can examine the record developed in the 2016 technical conference to determine whether any changes could better align PURPA implementation with modern realities.

And finally, our storage rule. The integration of storage is a key policy issue that the Commission began tackling in a NOPR last year. I think that the Commission's goal of removing barriers to the participation of storage in organized markets is a great example of free market economics that will result in better reliability and lower prices for consumers. I've been working closely with our staff here to sort through some of the very complicated issues raised by the NOPR and hope to issue a final rule soon.

Craig Cano: Chairman Chatterjee, thanks for taking the time to talk with us about your priorities, and thank you all for listening.

Tamara Young-Allen: FERC is an independent regulatory agency that oversees the interstate transmission of electricity, natural gas, and oil. Reviews proposals to build interstate natural gas pipelines and liquefied natural gas terminals and oversees the licensing of nonfederal hydropower projects. FERC protects the reliability of the high-voltage interstate transmission system through mandatory reliability standards and it monitors interstate energy markets to ensure that everyone in those markets is playing by the rules. Unless otherwise noted, the views expressed in these podcasts are personal views and do not necessarily express the views of individual Commissioners or the Commission as a whole. This podcast is a production of the Federal Energy Regulatory Commission's Office of External Affairs, Leonard Tao, Director. We will be updating our post when we have news, so be sure to check out our website: www.ferc.gov and follow us on Facebook, Twitter, and LinkedIn to find out when our next podcast airs.