

Commissioner John Norris
House Energy and Commerce Committee Hearing
Impacts of the Environmental Protection Agency's
New and Proposed Power Sector Regulations on Electric Reliability
September 14, 2011

Thank you Mr. Chairman, Representative Rush and members of the subcommittee for inviting me here today. My name is John Norris. I'm a Commissioner with the Federal Energy Regulatory Commission.

As I stated in my written statement that I submitted for today's hearing, I am sufficiently satisfied that the reliability of the electric grid can be adequately maintained as compliance with EPA's regulations is achieved.

Why do I say sufficiently? Because, frankly, I don't think we can ever be totally satisfied. Situations occur every day that impact the reliability of the electric grid.

I believe the key is to be vigilant in protecting the grid from a myriad of vulnerabilities, while being cognizant of the cost, while maintaining a reliable grid, and being able to promptly address new and emerging threats to reliability.

Nearly every decision involving reliability involves choices. Choices between the competing variables like cost, like level of reliability, environmental protections and more. The situation we face with the EPA rules is no different.

That's why we have tools developed for meeting reliability and electricity supply challenges. Some of my colleagues have already cited the tool that you gave us with EPAct '05, with the tools regarding reliability standards, and the enforcement and penalty provisions that we have to oversee those standards on reliability. That is a tool we have, going forward, to address reliability concerns.

FERC has other tools in place, as does the DOE, as does EPA and even the president to deal with reliability concerns going forward. Specifically, under our jurisdiction at FERC, there are markets in place under our jurisdiction to provide market signals so the upcoming rules and costs associated with them can produce the most effective solutions to meet the resource needs for implementing these rules.

These markets have fostered the development of new capacity resources, demand side resources, new technologies like energy storage and more that currently are meeting our needs and will in the future. I have confidence these same markets will enable us to address the resource needs as a result of the EPA rules. That is not say there will not be challenges, and we may need to adopt new market rules to deal with situations that arise for specifically addressing the impact of these EPA rules.

But that is not a reason to delay the rules. The transmission planning regions and processes under FERC's jurisdiction that we have established with Order 890 and in recent Order 1000 have put in place tools needed for transmission planning so that resources are there to address these types of challenges.

There have been numerous studies conducted regarding the impact of the EPA rules and the impact they may have on resource adequacy and reliability. The biggest take-away I have from these studies is that there is a wide range of potential outcomes, and the wide range is driven by

many different scenarios the studies have studied for the many possible rules EPA may determine or make final.

But all of these studies reach the conclusion that there will be adequate resources available. The challenge is: How do we make sure we apply the tools that we have, which we do every day, in addressing reliability?

The studies also reveal that there are a number of factors outside the EPA rules that are changing the make-up of our electric generation today, largely driven by the market and largely driven by low natural gas prices, as multiple studies have indicated. There is a transition occurring. We have a tremendous amount of our generation fleet today unfortunately, I like to say unlike you and I, we can handle being members of AARP but I am not sure our electric fleet should be.

We have an opportunity in this country to make a more efficient electric generation fleet to serve our needs going forward. This just presents another challenge of how we change that fleet out. But it is happening right today, irrespective of these EPA rules.

With the marketplaces we have in place to make this transition most efficiently and what's already happening in the marketplace with the natural gas and the change out of our generation, this is an opportunity to address health concerns and make our energy system more efficient for a more efficient economy in the future. We should not shy away.

I don't think another study about potential outcomes or different scenarios will add to our ability to address reliability. We have tools in place today, that if we use those tools, if we continue to be diligent, we will be able to accommodate the impact of these EPA regulations.

Thank you for the opportunity to share with you today.