UNITED STATES OF AMERICA

BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

Reliability Technical Conference
Docket No. AD12-1-000

North American Electric Reliability Corporation
Docket No. RC11-6-000

Public Service Commission of South Carolina and the South Carolina Office of Regulatory Staff
Docket No. EL11-62-000
(Not Consolidated)

COMMENTS OF THE BUSINESS COUNCIL FOR SUSTAINABLE ENERGY

In accordance with the Federal Energy Regulatory Commission’s (“Commission” or “FERC”) request for comments in the subject proceeding, the Business Council for Sustainable Energy (“BCSE” or “Coalition”) respectfully submits the following comments concerning policy issues related to reliability of the Bulk-Power System.

Due to the need to gain the full input of our membership, BCSE was unable to meet the Commission’s December 9, 2011 deadline, but requests that the Commission accept these comments and include them in the dockets for this matter.

1. INTRODUCTION AND SUMMARY

BCSE is a coalition of companies and trade associations from the energy efficiency, natural gas, and renewable energy sectors, and also includes independent electric power producers, investor-owned utilities, public power, commercial end-users, and environmental market service companies. BCSE was founded in 1992, and advocates for policies at state, national and international levels that increase the use of commercially-available clean energy technologies, products and services. The coalition’s diverse business membership is united around the
revitalization of our economy and creation of a secure and sustainable energy future for America.\textsuperscript{1} As BCSE is a diverse coalition, not all BCSE members endorse or take positions on the issues included in these comments. The comments contained in this filing represent the position of BCSE as an organization, but not necessarily the view of any particular member with respect to any specific issue.

Commissioner Philip D. Moeller’s ("Commissioner Moeller’s") request for evidence in the subject proceeding identifies a range of questions touching on how certain rules under consideration or recently finalized by the Environmental Protection Agency ("EPA") could impact the reliability of electric supply in the United States. Consistent with its prior communications with Congress, BCSE does not believe upcoming EPA rules will present a reliability problem.\textsuperscript{2} This view is based on the fact that EPA, FERC, the Department of Energy ("DOE"), the Regional Transmission Organizations ("RTO"), and Independent System Operators ("ISO") already have the necessary authority to navigate localized reliability. Furthermore, existing underutilized generation, new generation, and energy efficiency (including demand response and supply-side efficiency) is available to increase the reliability cushion. BCSE further believes that natural gas pipeline infrastructure can be expanded in a timely, market responsive manner. Finally, the Council notes the impact of regulations on consumers and on broader reliability concerns.

\textsuperscript{1} More information about BCSE is available at: \url{www.bcse.org}.

\textsuperscript{2} BCSE letter to House and Senate leadership, July 11, 2011. A copy is available at: \url{http://www.bcse.org/images/2011EPA/Advocacy/AirToxics/07.11.11%20business%20coalition%20ltr%20air%20toxics.pdf}.
II. DISCUSSION

1. BCSE Does Not Believe Upcoming EPA Rules Will Present a Reliability Problem.

BCSE notes the general consensus of the participants in the November 29-30, 2011 Reliability Technical Conference and the consensus of the five FERC Commissioners in their testimonies before the House Committee on Energy and Commerce’s Subcommittee on Energy and Power on September 14, 2011 that upcoming EPA rules would not present wide-scale reliability challenges to the bulk-power system. Rather, both discussions centered on the best methods to handle possible local concerns which could pose challenges in certain generation-constrained areas of the country. BCSE agrees with these assessments, as further explained herein.

2. BCSE Believes EPA, FERC, DOE, and the RTOs/ISOs Have the Tools Necessary to Meet Local Reliability Concerns.

EPA, FERC, DOE, and the RTOs/ISOs possess adequate authority and tools to address local reliability concerns that may arise as a result of plant retirements or prolonged maintenance outages due to retrofits that may occur in response to EPA’s air regulations. These various authorities and tools have long functioned together to ensure a safe and reliable electric system and are part of the electric industry’s normal course of doing business. As described in *Ensuring a Clean, Modern Electric Generating Fleet while Maintaining Electric System Reliability*, a report from the Analysis Group released in November 2011, “Long-term reliability planning is an ongoing process involving industry participants, system operators and regulators that ensure adequate resources are available to satisfy future electricity demand—with an added margin of
safety in the event of unplanned contingencies, such as an unexpected generation plant shutdown or extreme weather event.”

3. **BCSE Believes Existing Underutilized Generation, New Generation, and Energy Efficiency Will Add to the Reliability Cushion.**

Existing underutilized clean electricity generation, new clean electricity generation, and increased energy efficiency (including demand response and supply-side efficiency) will help add to the reliability cushion and limit reliability concerns. For power plant operators who choose to install pollution control systems in order to comply with EPA’s regulations, generating units may need to extend their planned outage periods in order to complete the installation of controls. RTOs and other system operators have the authority to coordinate and approve generator outage schedules for the retrofit of pollution control systems. As plant operators take units off-line to complete the construction of pollution control projects, new and existing natural gas-fired power plants, clean and efficient combined-heat-and power, and other resources can increase their dispatch to ensure electric system reliability.

Historic operating data demonstrate that natural gas combined cycle facilities (“NGCC”) have significant excess capacity available to help manage these outage schedules. In 2010, NGCC facilities had an average utilization rate of less than 40 percent (annual average). According to NERC’s recent assessment of future environmental regulations, the majority of coal plant retrofits (70%) are projected to occur in three regions of the country: SERC (25%);

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The analysis shows significant amounts of existing, underutilized NGCC capacity that can be deployed to manage coal unit outages.

Increased use of demand response can also help mitigate reliability impacts of retirements. The use of demand response, particularly in organized wholesale markets, has been steadily growing. According to the most recent FERC Assessment of Demand Response and Advanced Metering Staff Report, the potential resource contribution by demand response in Regional Transmission Organization (RTO) and Independent System Operator (ISO) markets operated in the U.S. increased by more than 16 percent from 27,189 megawatts (MW) in 2009 to 31,702 MW in 2010, and there is still room for additional demand response in certain RTOs/ISO. For example, while in PJM demand response contributes a little over 10 percent of its peak demand, other RTO/ISOs are below that, with some in the two to three percent range. Certain states are also taking steps to increase demand response at the retail level.

New additions of wind, hydro, solar, geothermal, clean and efficient combined heat and power, waste heat to power, clean and efficient natural gas-fired generation, and other clean energy technologies also will continue making contributions to meeting reserve margins and maintaining reliability.

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6 Ibid, Table 2 Demand Response Resource Potential at U.S. ISOs and RTOs, p. 10.

7 Ibid, pp 15-18.
4. **The Natural Gas Industry Has a Proven Track Record of Building Infrastructure on a Timely and Environmentally Responsible Basis to Meet Increased Natural Gas Demand.**

   Natural gas pipeline infrastructure can be expanded in a timely, market-responsive manner when shippers are ready to make the contractual commitments to natural gas transportation service necessary to finance the addition of new pipeline capacity. From January 2000 through February 2011, the interstate pipeline industry constructed and placed into service 14,600 miles of interstate pipeline that added 76.4 Bcf/d of capacity. The cost of these projects totaled approximately $46 billion. Specifically, industry investments in pipeline infrastructure alone equaled or exceeded $8 billion per year in three of the past four years. The industry expects that it will remain able to access necessary capital to continue expanding natural gas infrastructure in coming years.

   It has been forecasted that the natural gas industry will add over 43 Bcf/d of new natural gas transmission capacity over the next 25 years to meet demand. These projections are well in line with the industry’s proven annual construction record.

5. **To the Extent Possible, Consumer Cost Impacts Should Be Mitigated.**

   BCSE acknowledges that adjusting to a low-mercury generation fleet will require investments in new generation, energy efficiency, and control technologies. To the extent possible, BCSE encourages states and others responsible for these decisions to consider the impact of the cost of these investments on the broader economy and mitigate the impact of these investments on all classes of customers.

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9 Ibid.
6. **BCSE Acknowledges the Broader Challenges of Ensuring Electric System Reliability and Encourages Further Investments in Transmission, Generation, and Efficiency and Other Measures to Strengthen Reliability.**

While BCSE does not believe the Utility MACT or other EPA rules will threaten the effectiveness of the electric grid, we acknowledge the broader challenge of maintaining reliability, particularly in areas facing drought and prolonged heat waves, potential resource inadequacy or other constraints, severe storms, and other issues. BCSE believes continued investments in generation, energy efficiency, transmission and other infrastructure along with the appropriate policies and mechanisms to spur these investments are necessary to further strengthen the grid and ensure reliability.

**III. CONCLUSION**

Maintaining power system reliability is a top priority. However, BCSE does not view upcoming EPA rules as presenting un-manageable reliability concerns. A range of federal and state agencies have tools to meet local reliability issues and significant investments have been made in control technologies and clean generation in anticipation of implementation of EPA’s upcoming rules. More will be invested as our nation’s electric utility sector modernizes and works to comply with the finalized standards. The continued and expanded deployment of America’s clean energy resources—from clean and efficient combined cycle natural gas units to demand response to renewable energy generation—will strengthen the grid’s reliability and resiliency.

**WHERFORE,** for the forgoing reasons, BCSE respectfully requests that the Commission consider these comments regarding the impact of EPA regulations on electric reliability.
Respectfully submitted,

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Date: December 23, 2011
CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon each person designated on the official service lists of AD12-1-000, RC11-6-000, and EL11-62-000 in these proceedings and in accordance with the requirements of Rule 2010 of the Commission's Rules of Practice and Procedure.

Dated at Washington, DC this 23rd day of December, 2011.

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RC11-6-000
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