



Industrial Energy Consumers of America *The Voice of the Industrial Energy Consumers*

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February 14, 2013

The Honorable Ron Wyden
Chairman
Committee on Energy and Natural
Resources
U.S. Senate
Washington, DC 20510

The Honorable Lisa Murkowski
Ranking Member
Committee on Energy and Natural
Resources
U.S. Senate
Washington, DC 20510

RE: Request for Congressional Oversight – FERC Gas/Electric Coordination and Natural Gas Pipeline Sufficiency

On behalf of the Industrial Energy Consumers of America (IECA), we request Congressional oversight of the Federal Energy Regulatory Commission (FERC) activities concerning its assessment of Natural Gas and Electricity Interdependency. Among other things, the oversight should review FERC authority and readiness to prevent regulatory-driven electric reliability and industrial facility shut-downs from natural gas interruptions or curtailment. FERC should be asked to provide its opinion of natural gas pipeline sufficiency at peak demand for all consumers, including manufacturers, in the face of coal-fired capacity retirements, retrofits and replacements with other resources.

To its credit, in 2012, the FERC opened a docket (AD12-12) for comment and held regional meetings concerning natural gas and electricity market coordination. FERC recently issued a relevant staff report (November 15, 2012) and announced additional technical conferences on industry communications and scheduling. The North American Electricity Reliability Corporation (NERC) also recently released its 2012 Long-Term Reliability Assessment (November 29, 2012). Soon, a NERC report is due on Natural Gas and Electricity Interdependency. Through these organizations and their relevant processes and reports, manufacturers have grown concerned about electricity and natural gas reliability over the near-and mid-term (i.e., next 6 years).

IECA is particularly concerned that the combination of implementation of the Utility MAT regulation and low natural gas prices are driving combined cycle and combustion turbine consumption of natural gas to levels that could cause unacceptable levels of interruption or curtailment of natural gas supply to manufacturers. Furthermore, in some regions, natural gas-fueled electricity reliability is at risk.

In support of these concerns, IECA cites the Midwest ISO natural gas pipeline sufficiency study dated July 12, 2012. In that study, 65% of the pipelines in that region are deemed insufficient to meet expected coal-fired retirements and replacement with existing natural gas generation units over the next 5 to 6 years. The reason is that the timeline for Utility MAT implementation is far shorter than the time necessary to build additional natural gas pipeline capacity to meet the rising demand for natural gas-fired generation from the existing units. Since a large

proportion of natural gas supply presently goes to industrial demand in that region, there is concern that industrial gas use will be interrupted or curtailed. Additionally, electricity reliability is at risk.

Manufacturers in other organized markets have reason for concern as well. Recently PJM and NYISO, with ISO-NE, have undertaken an effort to study gas pipeline sufficiency. That effort appears to be well behind MISO. One major pipeline in the Mid-Atlantic (NiSource) recently made a presentation indicating that there was little or no additional capacity available for gas-fired generation on its system. Notably, all natural gas pipeline sufficiency studies are focused only on electricity reliability. There is no study of potential industrial natural gas interruption or curtailment.

The most recent point of evidence of a growing problem came from PJM. During the period of January 22 to 25, PJM reports that over 4,000 MWs of gas-fired units were unavailable due to non-firm natural gas curtailments driven by very cold weather.

Oversight of this area is timely and the implications are great to all consumers of natural gas and electricity. We are entering a period of significant change to the electric generation industry, and demand for natural gas is unlike any of us have seen in our lifetimes. These momentous changes create risks that we have not had before – and need managed. We encourage you to take an active role of oversight to ensure that the lights stay on and that there is sufficient electric reliability and natural gas pipeline capacity to supply every sector's needs.

The industrial sector consumes 30 percent of U.S. natural gas and 30 percent of the electricity. Reliability is both a safety and cost issue. Interruptions or shutdown of our facilities can cost tens of millions per day. We look forward to working with you to ensure reliability of electricity and natural gas supply.

Sincerely,

Paul N. Cicio
President

cc: Senate Committee on Energy and Natural Resources

The Industrial Energy Consumers of America is a nonpartisan association of leading manufacturing companies with \$1.1 trillion in annual sales, over 1,000 facilities nationwide, and with more than 1.4 million employees worldwide. It is an organization created to promote the interests of manufacturing companies through advocacy and collaboration for which the availability, use and cost of energy, power or feedstock play a significant role in their ability to compete in domestic and world markets. IECA membership represents a diverse set of industries including: chemical, plastics, steel, aluminum, paper, food processing, fertilizer, insulation, glass, industrial gases, pharmaceutical, brewing, cement, agricultural equipment, and auto.