

**“Grid Reliability Challenges in a Shifting  
Energy Resource Landscape”**

Before the House Committee on Energy and  
Commerce, Subcommittee on Energy and  
Power

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Five Minute Testimony of  
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Chairman Whitfield, Ranking Member Rush, and Members of the Subcommittee, thank you for the opportunity to testify before you. My name is Paul Cicio, and I am the president of the Industrial Energy Consumers of America (IECA).

IECA is a association of manufacturing companies with \$1.3 trillion in annual sales, over 1,500 facilities nationwide, and with more than 1.7 million employees worldwide.

IECA companies are mostly energy-intensive trade-exposed industries. This means that they are substantial consumers of natural gas and electricity, and that relatively small changes to the price of energy can have significant direct impact on competitiveness and jobs. The industrial sector uses about one-third of U.S. electricity and natural gas.

The key message of this testimony to Congress is that consumers are not being served by a combination of actions and inactions by policy makers – all of which potentially threaten electricity and natural gas reliability.

Because the electric reliability is dependent upon natural gas pipeline capacity reliability, and that no federal agency apparently has responsibility for oversight of natural gas pipeline reliability – means that no one in Washington is in charge of reliability! The U.S. cannot have electric reliability without natural gas pipeline reliability.

Everyone is aware of the NE corridor pipeline constraints and how it has increased prices. Thankfully, policy makers are working to resolve the problem.

What worries IECA is what we do not know about pipeline constraints in other parts of the country.

*The question that keeps us up at night is...“Given the momentous market changes underway over the next four years, at peak natural gas demand periods like a very hot summer day or a very cold winter’s night, will there be adequate natural gas pipeline capacity for all natural gas consumers?”*

While the North American Electric Reliability Corporation (NERC) has responsibility for overseeing electric reliability and appears to be doing a good job, there is no such organization for overseeing natural gas pipeline capacity reliability.

FERC has authority over most aspects of natural gas pipelines but not reliability. They view reliability as a responsibility of the “market.” The decision to build a pipeline is a market decision, not a regulatory decision. We agree with this premise.

While the premise of a pipeline decision to build or not has not changed (and should not change), the market it serves “has changed profoundly” in several complicated ways

that greatly increase the potential for reliability problems that never existed before, all at the same time and over a compressed period of time.

And, we must be mindful that potential solutions in this arena are capital intensive and where timely environmental permitting is a huge obstacle to speed. These facts make a compelling case for why oversight and studies evaluating reliability at future peak demands are necessary to prevent future reliability problems.

In contrast, for electric reliability, NERC is doing studies that encompass the country to evaluate and provide vital information that supports preemptive action by policy makers and markets to guard against electric reliability problems.

The recent study completed by the Midwest Independent System Operator (MISO) clearly demonstrates the need for greater oversight and study.

The MISO study concluded that in the short term, more than 65 percent of the pipelines currently supplying gas into 13 Midwest states has insufficient capacity to fully meet the needs of the existing generating units.

For the period 2016-2030, almost 90 percent of the pipelines have insufficient capacity. The results of this study should have served as a red flag to policy makers – but it has apparently not had this effect.

Lastly, how the FERC and the regional markets respond to these challenges may result in consideration of policy changes that could be a concern to the industrial sector.

For example, a FERC policy that gives certain rights and priority to electric generators for access to natural gas pipeline capacity may provide a potential solution to the electric generation reliability problem but creates a reliability and cost problem for manufacturers regarding their access to such capacity.

Mr. Chairman, in conclusion, reliability is an important safety and cost issue. Policy makers should not wait until there is rolling brown outs or black outs to provide oversight of natural gas pipeline capacity reliability.

Thank you.