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

1776 K Street, NW, Suite 720 • Washington, D.C. 20006
Telephone (202) 223-1420 • www.ieca-us.org

June 15, 2018

The Honorable Bruce Walker
Assistant Secretary, Office of Electricity Delivery and Energy Reliability
U.S. Department of Energy
1000 Independence Ave SW
Washington, DC 20585

Re: Draft Order to Use Emergency Authority Under the Defense Act of 1950 and Federal Power Act to Require the Operation of Specified Coal and Nuclear Electric Generating Facilities

Dear Assistant Secretary Walker:

The Industrial Energy Consumers of America's (IECA) member companies are electricity-intensive manufacturing companies and important stakeholders. We oppose action by the U.S. Department of Energy (DOE) to use emergency authority to address reliability and resiliency. There is no national security emergency to justify the actions being contemplated. Instead, the North American Electric Reliability Corporation (NERC) and the Federal Energy Regulatory Commission (FERC) should move expeditiously to review and revise minimum regional reliability and resiliency performance standards.

We appreciate and support DOE leadership on electricity reliability. However, leadership means advancing reliability solutions by working with and through the public policy processes that are in place, not federal intervention in electricity markets.

IECA supports the following points related to reliability and resiliency:

- A diverse fuel mix is important for reliability and resiliency so long as they are competitive in their own right. Otherwise they prevent a transition to competitive alternatives. There is no shortage of competitive supply and demand-side alternatives.

- Too great a dependency upon natural gas electric generation increases concerns about reliability and potential price impacts long-term.

- A natural disaster or a terrorist attack on critical infrastructure, including but not limited to, natural gas pipelines, electric transmission lines, rail lines, and river corridors, etc, could potentially result in reliability impacts to our nation's electric generation and transmission system.

- Finally, the nation's electric generation and transmission systems and natural gas pipeline systems need to be better coordinated.

DOE should not use emergency authority.

IECA opposes DOE action to utilize emergency authorities to keep certain coal and nuclear electric generating facilities operating. Because reliability is important, the public policy processes that are in place must be made to work. Reliability can be managed by working through NERC and FERC. If by acting upon this issue, DOE finds that NERC and FERC do not have sufficient authority, then Congress must act to give them that authority.

However, if the DOE does proceed to implement the draft order, its actions must be divorced from the politics of coal, nuclear, and FirstEnergy. The public policy optics must be centered on the nation's reliability. A national challenge to address reliability has many options and not a single solution, but a combination of supply-side and demand-side solutions. IECA is a good resource for such policies.

If DOE proceeds with the draft order, the costs of the federal action, which is justified on the basis of national security, should be paid for by taxpayers through the federal government, not electric ratepayers. The Subject Generation Facilities (SGFs) are not economic and the owners cannot under any circumstances benefit financially from a bailout. Many, if not all of these facilities have already received stranded costs from ratepayers.

NERC and FERC should act to review and revise regional minimum reliability/resiliency standards for organized markets and simultaneously act to remove financial incentives and regulations that are inconsistent with increasing grid reliability at the federal level and challenge states to do the same.

We urge the NERC and FERC to move quickly to address grid reliability and resiliency, and review and revise regional minimum reliability and resiliency standards for organized electric markets. Standards should be set to produce "least" costs and "just and reasonable" costs for electric output. Electric generation plants that are considered necessary to meet minimum reliability standards must compete with other similarly classified units to win the right to operate. Competition between and among the alternatives must be the center piece of the outcomes so that consumers are receiving the highest reliability at least cost.

Our present state-of-the-market arises from a number of causes. While low-cost natural gas is a primary driver for changes to the electric generation mix, there are many other federal and state actions that have contributed to the woes of base load generation. For example, we have market rules that prioritize short-term returns over long-term investment that allowed large generation units to age without being replaced. And, there is a growing acceptance of renewable and distributed energy. Projects that until recently would have happened only by regulatory push are increasingly being justified by market pull.

It is therefore important for NERC and FERC to identify and take action to address federal regulations and financial incentives that might be challenging reliability and resiliency. FERC should send Congress a list of recommended changes to existing regulations and financial incentives for them to act upon. FERC should identify state regulations and incentives that damage reliability and create dockets in order to solicit stakeholder input and encourage resolution. We have identified several examples.

Industrial CHP, WHP, and inside-the-fence line wind/solar is one of several policy options that increase reliability and resiliency.

IECA encourages the DOE, FERC, and states, to work with us to support industrial distributive electricity generation, commonly referred to as combined heat and power (CHP), waste heat to power (WHP), and inside-the-fence line renewable power generation as powerful examples of solutions to improving reliability and resiliency. These are industrial facilities that generate and consume the majority of the power internally which means they contribute to grid reliability, reduce transmission congestion and increase resiliency, while providing low-cost energy for manufacturing facilities that support job creation. This is an underutilized and high value reliability resource. Unfortunately, as we speak, industrials face legislative and regulatory challenges that would make it more challenging to maintain existing or new PURPA qualifying facilities (QFs).

In closing, reliability of the electric grid is important to the cost-effective operation of our facilities. Unplanned electric outages can shutdown our manufacturing facilities, potentially damage product and equipment at costs in the tens of millions of dollars per day, and worse, threaten the safety of workers. However, manufacturing facilities also need low-cost power and natural gas to remain competitive. Therefore, we are opposed to any DOE emergency order that interferes with competitive market forces by picking winners and losers, among certain generation assets. We look forward to working with the DOE, NERC, and FERC to make the necessary changes to improve the reliability of the electric grid.

Sincerely,

Paul N. Cicio
President

cc:

The Honorable Kevin McIntyre, Federal Energy Regulatory Commission
The Honorable Lisa Murkowski, Senate Committee on Energy and Natural Resources
The Honorable Maria Cantwell, Senate Committee on Energy and Natural Resources
The Honorable Greg Walden, House Committee on Energy and Commerce
The Honorable Frank Pallone, House Committee on Energy and Commerce
Mr. James Robb, North American Electric Reliability Corporation

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The Industrial Energy Consumers of America is a nonpartisan association of leading manufacturing companies with $1.0 trillion in annual sales, over 3,400 facilities nationwide, and with more than 1.7 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: chemicals, plastics, steel, iron ore, aluminum, paper, food processing, fertilizer, insulation, glass, industrial gases, pharmaceutical, building products, automotive, brewing, independent oil refining, and cement.