Industrial Energy Consumers of America (IECA)
The Voice of the Industrial Energy Consumers

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September 13, 2021

The Honorable Frank Pallone Jr.
Chairman
Committee on Energy and Commerce
U.S. House of Representatives
Washington, DC 20515

The Honorable Cathy McMorris Rodgers
Ranking Member
Committee on Energy and Commerce
U.S. House of Representative
Washington, DC 20515

Re: Manufacturers Urge Reliability and Economic Examination of the Clean Electricity Performance Program (CEPP) Before Vote

Dear Chairman Pallone and Ranking Member McMorris Rodgers:

We urge careful examination of the impact to reliability and the ultimate cost of power to consumers before this provision is acted upon. This is too important to not get right. We support increased carbon-free power and goals to achieve it, but not at the expense of reliability and undetermined costs. The human and capital costs of what happened last winter in Texas and previously in California, are raw reminders as to what is at stake. Reliability is also a national security issue. We also believe that the design of the CEPP is troublesome and can be manipulated by electric providers, thereby increasing costs to consumers. There are too many important questions that are unanswered.

We urge the Committee to have the U.S. Energy Information Administration (EIA) complete a study and report the results to the House Committee on Energy and Commerce and the Senate Committee on Energy and Natural Resources and have hearings before the bill is considered. We urge transparent input from consumers, utilities, public power, rural electric providers, organized wholesale markets, and state public service commissions in advance of considering this legislation.

Reliability and costs are central to our competitiveness. The loss of power for our facilities can cost tens of millions of dollars per day. Power outages can damage or destroy our products, disrupt or stop production in our facilities, and damage or destroy manufacturing equipment that is valued in the tens and sometimes hundreds of millions of dollars. Importantly, it is also a safety issue for employees.

Reliability and Stranded Fossil Energy Generation Costs

Carbon-free power makes up only 35% of U.S. total generation, and natural gas and coal make up the balance. The composition of carbon-free electricity is nuclear at 20%, wind at 8%, hydro-electric power at 7%, and solar at 2%. Notable is that wind and solar are only 9.7% of total

generation, despite having the Production Tax Credit (PTC) since 1992. Scale challenges, adequate transmission capacity, permitting, and eminent domain are serious barriers. None of these issues are resolved. Of these generation resources, only nuclear is reliable, but the other three require fossil energy back-up generation. The CEPP would disqualify fossil energy generation to participate, putting reliability in question. The result will be the eventual shutdown of hundreds of billions, if not trillions of dollars of fossil energy production facilities, many of which consumers will still have to pay for in their electric rates. These are called stranded assets.

Nuclear plants are very reliable but the ongoing subsidization of wind and solar generation via the PTC threatens the competitiveness of the fleet in competitive markets. It is uncertain the impact the CEPP will have on existing and new nuclear generation.

Because of the intermittency of wind and solar, natural gas-fired power generation has been used as standby generation. The CEPP does not allow gas or coal to qualify, which means that the nation would have to rely primarily upon storage batteries for reliability. No country in the world relies on batteries for their reliability and there are good reasons as to why. The study needs to examine the scale and cost of storage batteries. Currently, these batteries are very expensive and will substantially increase the cost of power to consumers. And, the scale of storage batteries needed by 2030 needs to be examined. Today, the U.S. does not have domestic production and raw material sources in place sufficient enough to achieve the end goal.

Transmission Costs

Transmission costs and the failure of FERC Order 1000 to deliver transmission competition is a significant unresolved issue to consumers. Transmission rate increases have been consumers highest increase in energy costs for the last seven years, despite the fact that national electricity demand has been relatively flat. A Princeton University Study states that needed capital investment in transmission is estimated at $390 billion by 2030.[1] For perspective, according to the Edison Electric Institute (EEI), transmission spending from investor-owned electric utilities surged 42% from $17.7 billion in 2013 to $25.1 billion in 2019.[2] Transmission projects subject to market competition represents only about 3% of U.S. transmission investments between 2013-2017.[3] Transmission additions subject to competition have projected reductions of up to 33% and include a variety of other ratepayer protections.[4] We urge you to ensure that ALL transmission projects are competitively bid to reduce costs.

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[1] [1] "Net-Zero America," Princeton University, December 2020, page 106, https://acee.princeton.edu/acee-news/net-zero-america-report-release/

[2] [2] "Financial Review 2019," Edison Electric Institute (EEI), https://www.eei.org/issuesandpolicy/Finance%20and%20Tax/Financial_Review/FinancialReview_2019.pdf;

[3] "Cost Savings Offered by Competition in Electric Transmission," The Brattle Group, April 2019, page19, https://brattlefiles.blob.core.windows.net/files/15987_brattle_competitive_transmission_report_final_with_data_tables_04-09-2019.pdf

[4] *Id*., Page 13

CEPP Methodology

We are concerned about how the program is constructed. The concerns are too numerous for this letter. In the short-term, there is too little carbon free-generation available to meet the annual GHG/MWh requirement and carbon-free electricity prices will be bid-up, increasing consumer prices.

Impact to Industrial Cogeneration

We need to know how the CEPP will impact our self-generation of combined heat and power (CHP) and waste heat to energy (WHE) facilities. The CEPP will likely stop new generation capacity of industrial CHP because of market regulatory risk. We generate power mostly using wood and natural gas, and most is consumed internally. As the annual GHG/MWh standard is reduced, the utilities or wholesale markets may not want to buy our excess power. In fact, we may have to pay them to take our power under avoided cost rules. Therefore, we urge careful study and input by consumers.

Sincerely,

Paul N. Cicio

Paul N. Cicio

President & CEO

cc: House Committee on Energy and Commerce
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 4,200 facilities nationwide, and with more than 1.8 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.