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

October 10, 2017

The Honorable Greg Walden
Chairman
Committee on Energy and Commerce
U.S. House of Representatives
2185 Rayburn House Office Building
Washington, DC 20515

The Honorable Frank Pallone
Ranking Member
Committee on Energy and Commerce
U.S. House of Representatives
237 Cannon House Office Building
Washington, DC 20515

Re: Grid Resiliency Pricing Rule, Docket No. RM18-1-000

Dear Chairman Walden and Ranking Member Pallone:

On behalf of the Industrial Energy Consumers of America (IECA), we urge you to communicate with the Secretary of Energy Rick Perry to request the withdrawal of the Grid Resiliency Pricing Rule, Docket No. RM18-1-000, which the Secretary sent to the Federal Energy Regulatory Commission (FERC) on September 28, 2017. We also encourage you to request that FERC extend the comment period to 60 days. IECA has testified on several occasions the importance of coal and nuclear baseload electricity generation to the manufacturing sector. And, though we remain supportive of both coal and nuclear, we are opposed to providing subsidies that would damage competitive markets.

As large stakeholders, who consume 26 percent of U.S. electricity and spend approximately $65 billion on electricity each year, the manufacturing sector is very concerned about this proposed rule. The proposal is anti-competitive and if implemented, it would distort, if not destroy, competitive wholesale electricity markets, increase the price of electricity to all consumers, and directly impact negatively the competitiveness of U.S. manufacturing.

The proposal would undo the competitive wholesale electricity markets that benefit all American consumers, replacing it with an unworkable and intrusive centralized pricing system. Although the competitive markets are not perfect, the current low electricity prices have substantially benefited the competitiveness of the U.S. manufacturing sector, which depends upon affordable and reliable energy supplies. Those markets cannot be sustained if coal, nuclear, wind, and solar resources are all compensated with out-of-market payments.

The proposal would force U.S. manufacturers to pay billions of dollars in subsidies to the owners of uneconomic and obsolete coal and nuclear power plants. The retirement of certain uneconomic power plants represents a normal and efficient functioning of competitive markets and has been ongoing for decades. ***The owners of these plants have already been fully compensated for their costs.***

The federal government should not pick winners and losers in the energy markets and must not treat U.S. manufacturing jobs as inferior to jobs at uneconomic power plants. Allocation of resources should be left to the operation of competitive markets.

Finally, there is not a demonstrated need for the proposal which would warrant such a drastic measure. Recent findings by both the U.S. Department of Energy (DOE) and the North American Electric Reliability Corporation (NERC) categorically conclude that there is no such emergency. DOE's 2017 staff report to the Secretary on electricity markets and reliability concludes, "while markets have evolved since their introduction, they are currently functioning as designed—to ensure reliability and minimize the short-term costs of wholesale electricity—despite pressures[.]"[1] and NERC's CEO recently stated that "the state of reliability in North America remains strong, and the trend line shows continuing improvement year over year."[2]

FERC has taken several steps to address price formation issues in the competitive markets and to promote reliability. FERC should have the opportunity to pursue its numerous initiatives to improve the competitiveness and efficient functioning of the electricity markets. A return to federally-imposed command and control regulation is not the answer.

Sincerely,

Paul N. Cicio
President

cc: The Honorable Rick Perry, U.S. Department of Energy
The Honorable Neil Chatterjee, Federal Energy Regulatory Commission
House Committee on Energy and Commerce

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.

[1] Department of Energy, Staff Report to the Secretary on Electricity Markets and Reliability, August 16, 2017.
[2] FERC Reliability Conference, Panel I: Overview of the State of Reliability, Remarks of Gerry W. Cauley, CEO of the North American Reliability Corporation, June 22, 2017.