

Panel IV, Written Remarks
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Good afternoon Chairman Wellinghoff, Commissioners, staff, and fellow panelists.

Discussion on Multi-Jurisdictional Processes

As mentioned during Panel III, by Mark Lauby, Section 215 of the Energy Power Act of 2005 and its Rules of Procedures, NERC and the Regional Entities, complete one long-term (10-year) and two seasonal reliability assessments per year to study industry's long-term and seasonal plans to ensure bulk power system reliability. As part of these assessments, NERC's Regional Entities develop annual reliability assessments using detailed local analysis provided by industry stakeholders and coordinated at the regional level. Additionally, NERC and its Regional Entities study special emerging reliability issues, such as the promulgation of environmental rules, and often issue special reliability assessments. NERC and the Regional Entities, working with Planning Authorities, have well established processes and requirements for assessing reliability and ensuring compliance with Reliability Standards. The established practice of performing reliability assessments, created from resource and demand projections, provides a bottoms-up review starting at the local level. This process provides for timely and detailed analyses, critical to assess the plans to maintain the reliability of the bulk power system.

Based on NERC's 2010 and 2011 special reliability assessments, the combined effects on planning reserve margins of four environmental rules may result in reliability concerns: the proposed *Coal Combustion Residuals*, proposed *Air Toxics Standards for Utilities*, proposed *Cooling Water Intake Structures* §316(b) Rule, and the final *Cross-State Air Pollution* rules. Of these, the *Air Toxics Standards for Utilities* rule has the most immediate effect, especially on the need for more resources. Accelerated retirements is only part of the reliability concern, as there are potential operational reliability concerns such as scheduling of retrofits in a short time period and needed enhancement of infrastructure. Therefore, NERC remains concerned that there is a risk that stakeholders may be challenged to meet applicable reliability standards while this transition takes place.

For example, many transmission and non-transmission solutions to address adverse grid impacts of affected generation will require a number of years to complete. Generating units requiring additional controls (such as bag houses), that can take more than 3 years to build, may not be available when needed as scheduled maintenance will be required. These units may be unavailable due to scheduled outages during the critical transition period when vital new resources are being constructed, and system reinforcements put in place to preserve reliability. As the Electric Reliability Organization (ERO), NERC is accountable and responsible for the bulk power system reliability in North America. During the upcoming unprecedented change in resource mix, NERC's Reliability Standards must be met by registered entities, at all times, to

ensure reliability. As industry meets the U.S. Environmental Protection Agency's (EPA) regulations, there must be coordination among Federal agencies, such as FERC, EPA and THE U.S. Department of Energy (DOE), and state regulators to ensure industry is not forced to violate one regulation to meet another.

The existing infrastructure of 81 Planning Authorities within North America is a vital component in the identification of reliability concerns, along with the development and implementation of bulk power system plans to address them. Though not all of these Planning Authorities are equally affected by the upcoming EPA rules, they are an important component to satisfactorily addressing bulk power system reliability concerns that may result. Therefore, NERC recommends using this infrastructure, that includes RTO's and ISO's, to both identify reliability concerns, address them appropriately, while at the same time supporting industry through the potential upcoming resource transition.

As mentioned before, bulk power system reliability exceptions for individual units may be needed to ensure sufficient time is available for both preserving bulk power system reliability and supporting resource transition. The following high-level process is suggested as a basis for discussion:

1. **Affected Planning Authorities will study the potential bulk power system reliability considerations** from industry actions such as unit retirements, deactivation and scheduled outages required to meet EPA's regulations. This study work should identify the specifics of potential bulk power system reliability affects and potential NERC Reliability Standard violations.
2. To address any reliability concerns, **each Planning Authority should be develop valid resource and system plans**, along with timelines, that will ensure bulk power system reliability is preserved. The timeline to implement the plans will form a basis for any waivers required to ensure reliability is preserved during and after the transition. Details of the resources needed, including system reinforcements and additions such as generation, transmission and demand-side management options, would be required to support determination of waivers.
3. **Each Planning Authority should submit their plans to NERC**, along with the detailed study work, data and information that support their recommendations for reliability-based waivers.
4. **NERC will assess these plans** and studies. This assessment will include review of the recommendations, gather additional information and request additional study if required. NERC will then develop a final assessments and set of recommendations. These determinations would be forwarded to FERC for their appraisal.
5. **FERC, in coordination with the DOE and state regulators, would review all information**, gather additional details, and request any required study work. Then, in coordination with EPA, DOE and state regulators, a final determination on exceptions along with the needed time required to preserve reliability would be made.

This process is focused on ensuring a coordinated Federal/state approach is used to make unit exceptions based on industry requirements to preserve bulk power system reliability, while at the same time, meeting EPA rule requirements. Thank you, I look forward to your questions.