

Press Release

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CONTACT: Kelly Ziegler
609.452.8060
kelly.ziegler@nerc.net

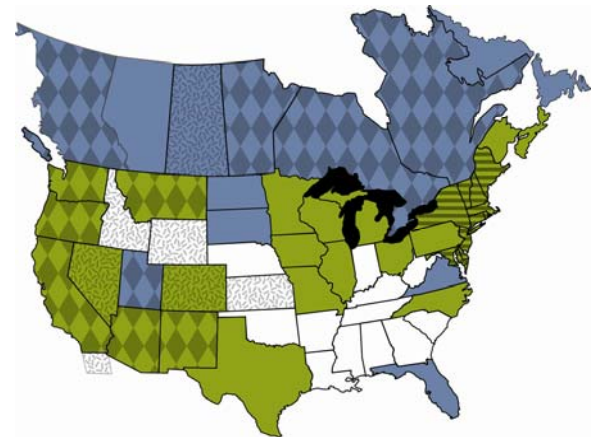
Climate Policy Critical to Grid Reliability

PRINCETON, N.J., November 10, 2008 — Widespread efforts aimed at reducing carbon emissions and increasing the use of renewable fuels for the generation of electricity will fundamentally determine the future course of electric reliability across North America, announced the North American Electric Reliability Corporation in its *Special Report on Electric Industry Concerns on Reliability Impacts of Climate Change Initiatives*.

“We are concerned that, when viewed from a continent-wide perspective, current climate initiatives do not adequately address key reliability objectives, particularly the need for a strong and robust transmission system,” commented Rick Sergel, President and CEO of NERC. “As we consider our energy future, it becomes increasingly clear that our success in reducing carbon emissions and realizing energy independence will hinge on our ability to provide reliable, clean, electricity where and when it is needed.”

Today’s report identifies several key reliability issues associated with climate change initiatives that will need to be addressed as these policies progress:

Broad-scale fuel switching from coal to natural gas — Coal-fired generation currently provides approximately 50% of North America’s electric capacity. Retirements of coal-fired plants over a short timeline could result in the loss of generation needed to support the integrity of the bulk power system and thus severely impact reliability across the continent, especially in those regions heavily dependent on the



- Partner - Western Climate Action Initiative (WCI)
- Observer - Western Climate Action Initiative (WCI)
- Member - Regional Greenhouse Gas Initiative (RGGI)
- Renewable Portfolio Standard
- State/Provincial Renewable Goal

Figure 1: Nearly 40 U.S. states, all eight Canadian provinces, and the majority of Northern Mexico have either mandated or are involved in ongoing initiatives aimed at addressing climate change. High-resolution image available at:

<http://www.nerc.com/fileUploads/File/Assessments/climate-map.jpg>

fuel. The broad-scale replacement and relocation of generating plants from current coal sites to sites that would be suitable for new or expanded natural gas-fired plants would require significant upgrades to existing transmission infrastructure.

Transmission Infrastructure and Planning Mechanisms — The existing bulk transmission network is inadequate to reliably deliver power from new renewable resources to demand centers. Innovative planning and operational mechanisms will be needed as states and provinces attempt to deliver “clean energy” over already heavily-loaded transmission lines to meet renewable portfolio standard requirements.

Demand-Side Resources — Managing growing demand will be critical to meeting both climate and reliability goals, making demand-side resources a critical component of the resource mix. Dispatchable demand response will be particularly important as it adds needed system flexibility and supports the integration of new variable generation such as wind power.

National Climate Change Policy in the U.S. — A decision on national climate change policy is needed in the U.S. to provide regulatory certainty and support for industry action. Delay on this important policy is negatively impacting both reliability and climate objectives.

The *Special Report on Electric Industry Concerns on Reliability Impacts of Climate Change Initiatives* is available at: <http://www.nerc.com/files/2008-Climate-Initiatives-Report.pdf>.

The North American Electric Reliability Corporation’s (NERC) mission is to ensure the reliability of the bulk power system in North America. To achieve that, NERC develops and enforces reliability standards; assesses adequacy annually via a 10-year forecast and winter and summer forecasts; monitors the bulk power system; audits owners, operators, and users for preparedness; and educates, trains, and certifies industry personnel. NERC is a self-regulatory organization, subject to oversight by the U.S. Federal Energy Regulatory Commission and governmental authorities in Canada. Learn more at www.nerc.com.

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