

Commissioner Cheryl LaFleur
House Committee on Energy and Commerce
Subcommittee on Energy
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Thank you, Chairman Upton, Ranking Member Rush, and members of the subcommittee. My name is Cheryl LaFleur. I've been a Commissioner at FERC for nearly eight years and have appeared before this committee several times. It got a little lonely last year, so I'm extremely happy to be here this morning with a full Commission.

What I'm going to discuss today is FERC's regulation of wholesale electricity markets, and also touch briefly on our oversight of interstate transmission planning. Both areas are covered more fully in my written testimony.

The organized markets that provide electricity to more than two-thirds of Americans are roughly 20 years old now. And I believe they've done a very good job for the nation's electric customers, promoting efficiency and innovation, and protecting reliability at least cost by deploying resources over a broader regional footprint. As the committee knows, there are different market structures in different regions of the country, reflecting varied state and regional regulatory choices. Perhaps the most prominent difference is that the Eastern markets - PJM, New York ISO, and ISO New England - use mandatory capacity markets to ensure resource adequacy, because all or most of the states in those regions chose to deregulate generation in the 1990s. By contrast, the Midwestern and Western markets - MISO, SPP and CAISO - rely primarily on state resource planning for resource adequacy.

The markets have grown dramatically since I joined FERC in 2010. In 2013, the Entergy companies and others in the mid-South became part of MISO, nearly doubling its size. Two years later, in 2015, the integrated systems and part of the Western Area Power Administration in the upper Midwest joined SPP, marking the first time a federal power marketing administration chose to join a market. The big story in 2018 is the expansion of markets in the West. The Western Energy Imbalance Market operated by the California ISO has expanded in recent years to include utilities in five Western states, including several public power entities, and now represents the load of 55 percent of the Western interconnection. Several more entities are scheduled to join in the next two years, when two thirds of the electricity in the West will be shared and balanced by that market.

In addition, a group of companies, primarily in Colorado and Wyoming, known as the Mountain West Transmission Group, have indicated their intent to join the Southwest Power Pool. I think it's really important that these market expansions are being driven at the state and regional and company level, not driven by FERC. In fact, I strongly believe that the only reason they're happening is that the choices are being made in the regions. They reflect the increasing and increasingly broad recognition that

sharing resources over a large footprint can sustain reliability and should save money for customers, especially at a time of a substantial resource change.

FERC has worked hard to make sure the markets do what they're supposed to do, we've taken a number of steps to make sure that markets are fair for all resources including emerging technologies. We've also worked to ensure grid resilience by overseeing capacity market changes to increase compensation to the resources, including baseload, that keep the lights on at times of system stress. In the energy markets, we've taken a number of steps on market mechanics to improve price formation.

The most challenging issue currently confronting the wholesale markets is their interplay with state policy initiatives, which my colleague Mr. Powelson will discuss, and which I touch on in my testimony. Finally, I'll comment briefly on our work on interstate transmission. It's been nearly seven years since FERC issued Order No. 1000 to require regional transmission planning and cost allocation and require competitive transmission selection over some projects. All regions of the nation are in some stage of implementing Order 1000 at this point. Five of them have had competitive transmission processes, and have proven that it saves customers money. They've also proven that it's hard to do, and that we have a lot more work to do on this and is something the Commission is going to continue to monitor and work on.

And with that, I'll thank you again for the opportunity, and look forward to your questions. Thank you.