

**Testimony of Kevin J. McIntyre  
Chairman, Federal Energy Regulatory Commission  
Before the Committee on Energy and Natural Resources  
United States Senate  
January 23, 2018**

Chairman Murkowski, Ranking Member Cantwell, and members of the Committee. Thank you for the opportunity to appear before you today to discuss the performance of the electric system during the recent weather events. I am honored to serve as the Chairman of the FERC. Our Commission takes seriously the responsibilities that Congress has entrusted to us concerning the reliability of the bulk power system in this country.

We are still receiving and reviewing the data related to the performance of the bulk power system during the cold weather event that has taken place over the past month. Based on what we know to date it appears that, notwithstanding stress in several regions, overall the bulk power system performed relatively well amid challenging circumstances. Looking forward, we must both learn from this experience and remain vigilant with respect to challenges to the reliability and resilience of the bulk power system.

The performance of the bulk power system during the 2014 winter event you've referred to, now commonly known as the Polar Vortex, did provide useful context for understanding the performance of the bulk power system under the more recent winter events of the past month. During the 2014 Polar Vortex, much of the U.S. experienced sustained, and at times, extreme, cold weather. The challenges provided by these conditions, and high electric demand, were compounded by unplanned generator shutdowns of various fuel types. These combined circumstances tested grid reliability and power supplies and contributed to high electricity prices.

Drawing on that experience, FERC took numerous actions, as you have referenced, to address reliability and resource performance issues. For example, the Commission directed Regional Transmission Organizations and Independent System Operators, or RTOs and ISOs as we usually call them, to report on fuel assurance issues. And, the Commission revised its regulations to enhance coordination between the natural gas and the electric industries, in light of the increasing use of natural gas as a fuel for electric generation. For certain regions, the Commission approved capacity market reforms that are intended to increase financial incentives for improved resource performance and to penalize non-performance or poor performance. The commission also approved temporary winter reliability programs in New England.

Returning to the winter weather events of the past month, it is useful to consider the impact of the recent weather events on both the provision of service and the associated costs of that service. Importantly, there were no significant customer outages as a result of failures of the bulk power system, generators or transmission lines. While there were no significant reliability problems during this recent cold weather event, wholesale energy prices were high, reflecting the stress on the system. Higher wholesale energy prices that accurately reflect fuel costs and current

system conditions can be beneficial, sending important signals that provide operational and investment decisions for both utilities and consumers. We also recognize that higher wholesale energy prices are ultimately borne by retail customers. And so the Commission is attentive to the potential for behavior that takes advantage of extreme weather events.

Just as the Commission and the RTOs and ISOs drew lessons from the polar vortex in 2014, and applied them in ways that better prepared us for this recent cold weather event, we will examine these more recent weather events very carefully and seek to learn from them.

I'd like to emphasize a few points that the Commission made in an order issued a couple of weeks ago on the issue of resilience more generally, referred to by Ranking Member Cantwell in her opening remarks. On January 8<sup>th</sup>, the Commission responded to the proposed rule on grid reliability and resilience pricing submitted to the Commission by the Secretary of Energy, and we initiated a new proceeding to further explore resilience issues, beginning with the RTOs and the ISOs.

As we stated in our order, we appreciate the Secretary reinforcing the importance of resilience of the bulk power system as an issue that warrants further attention and, as we said in our order, prompt attention. The goals of our new proceeding are, first, to develop a common understanding among the Commission and industry and others as to what the resilience of the bulk power system actually means and requires. Second, to understand how each RTO and ISO assesses resilience within its geographic footprint. And third, to use this information to evaluate whether additional Commission action regarding resilience is appropriate at this time.

The Commission directed each RTO and ISO to submit, within 60 days of our order, specific information regarding resilience of the bulk power system within those respective regions, and we invited the other entities to file reply comments within 30 days after the RTOs and ISOs submit their comments. We expect to review the additional material and promptly decide whether additional commission action is warranted to address grid resilience.

In our January 8<sup>th</sup> order, The Commission also recognized that the concept of resilience necessarily involves issues that extend beyond our Commission's jurisdiction, such as distribution system reliability and modernization. For that reason, we encouraged RTOs and ISOs and other interested entities to engage with state regulators and other stakeholders to address resilience at the distribution level and more broadly.

I assure you that reliability and the resilience of the bulk power system will remain a priority of the FERC. I look forward to answering your questions.