



# Public Utilities Commission

John R. Kasich, Governor  
Andre T. Porter, Chairman

## Commissioners

Asim Z. Haque  
Lynn Slaby  
M. Beth Trombold  
Thomas W. Johnson

Reliability Technical Conference

Docket No. AD-15-7-000

## Written Remarks of Asim Z. Haque

Vice-Chairman of the Public Utilities Commission of Ohio

June 4, 2015

Chairman Bay, Commissioners, and Staff, thank you for inviting me to participate in today's technical conference. My name is Asim Z. Haque and I am the Vice-Chairman of the Public Utilities Commission of Ohio (PUCO). I serve on the Board of Directors of the National Association of Regulatory Utility Commissioners (NARUC) and am the President elect of the Mid-Atlantic Conference of Regulatory Utility Commissioners (MACRUC). More importantly, for the purposes of this technical conference, I am one of two state government sector representatives elected to NERC's Member Representative Committee (MRC). The NERC MRC, which reports directly to the NERC Board of Directors, is a wonderfully collaborative group consisting of facility owners, end-use customers, trade associations, ISOs/RTOs, regional entities, marketers, and governmental segments. Again, I am very grateful for the opportunity to address the Commission today.

My comments this morning reflect two core themes, both of which I opined upon at this same technical conference last year. As much has happened in the electric industry over the past year, my perspectives on these themes have evolved considerably. First, I continue to assert that cost remain part of the NERC standards discussion in meaningful ways. Second, I believe that

serious consideration should be given to establishing formal, proactive collaboration between FERC, NERC and the States to understand and plan for reliability challenges that could arise as our nation's energy policy evolves, and our generation fleet continues to transform.

Before I elaborate on these themes, I would be remiss if I didn't first applaud the diligent work of NERC. NERC has the difficult and highly technical task of ensuring reliability of the bulk power system, and they perform very admirably in that task. State Commissions also appreciate the strong relationship we have developed with NERC. The organization's leadership has undertaken serious efforts to engage with States through the MRC, and through their attendance at national/regional State Commission conferences. This relationship will continue to be of the utmost importance as we enter a time of uncertainty over the future of the bulk power system.

### **Cost Considerations**

I testified last year that cost should be considered in NERC standard development and implementation, and that this would help to foster a culture of reliability excellence. The cost of facility compliance with NERC reliability standards will always be a concern for State Commissions, as we are tasked with not only ensuring the delivery of reliable electric service, but also implementing fair rates that are just and reasonable. Cost concerns should not be evoked at the expense of grid reliability. However, cost should be considered to ensure that consumers in our respective States are being protected from either unnecessary costs, or costs that are extraordinary in exchange for minimal reliability gains.

While NERC has not officially adopted a cost evaluation mechanism in standard development, NERC has made strides over the last year in at least implicitly incorporating cost

into standard implementation and compliance. Two initiatives in particular, the Reliability Assurance Initiative, as well as Risk Based Registration, should have a positive impact on controlling consumer costs for standard implementation and compliance. The Reliability Assurance Initiative seeks to focus compliance and monitoring on the areas of highest risk for facility owners. Risk Based Registration seeks to ensure that the right entities are subject to the right set of applicable reliability standards. Both of these initiatives should help contain consumer costs, focusing standard implementation and compliance on areas of high risk and relevant applicability.

This Commission and NERC should consider if it is sensible to include cost in compliance metrics as well. In its *State of Reliability Report 2015*, NERC set forth various metrics to assess the efficacy of NERC cyber and physical standards. State Commissions, including the Ohio Commission, have been generally supportive of NERC cyber and physical standards as threats to our nation's bulk power system facilities have proven to be very real. At the same time, States would be curious to know if the cost of implementing these standards are commensurate to the protection and reliability gains made. This concept, of incorporating cost into compliance metrics, is one that this Commission and NERC could utilize to determine the necessity and value of particular standards on a going forward basis.

Again, the cost to facilities and consumers of NERC standard implementation and compliance should always be a concern for State Commissions. I am encouraged by initiatives like the Reliability Assurance Initiative and Risk Based Registration that implicitly integrate cost evaluation into the NERC standard process, and I encourage the Commission and NERC to further, where appropriate, inject cost into the NERC standard process.

## **Establishment of a Federal/State Reliability Planning Council**

Identifying potential reliability concerns associated with our rapidly changing generation resource mix appears to be the easy part. Finding concrete solutions to these concerns has become the hard part.

In Ohio, as of June 1st of this year, 5,682 MWs of coal have retired since February of 2012. This represents a retirement of 25 percent of Ohio's coal-fired fleet, roughly one sixth of Ohio's nameplate capacity in just over three years. Ohio is not alone in facing unprecedented retirements of generation. In fact, NERC has estimated (in its Phase I Assessment of the Clean Power Plan) that 85 GW of generation will retire between 2016 and 2030. To the extent that retiring coal unit MWs are being replaced, it is primarily natural gas and renewable generating units being added to the resource mix.

Nowhere is the impact of retirements and the changing resource mix more evident than from recent weather events. We are all familiar with the effects of cold weather on reserve margins during the Polar Vortex of 2014. While a recent cold weather report from PJM examining the winter of 2015 indicated there were no major incidents, there were still almost 23,000 MW of forced outages on February 20, 2015. These reliability concerns are not just limited to winter months. In its *2015 Summer Reliability Assessment*, NERC identifies potential operational risks to both PJM and MISO in its severe load scenario.

The above-cited numbers are concrete, and they raise concerns about future resource adequacy and grid reliability. As regulators, we are collectively faced with a few daunting questions that we don't have definite answers to at this time. Those questions are: (i) will there be an actual reliability problem in the future due to retirements and a rapidly changing generation

resource mix; and (ii) do we have remedies that can be implemented in a timely fashion to address a reliability problem if it arises.

If we can agree that we do not know with certainty whether we will have grid reliability problems going forward, we should be ready to vigorously address reliability problems in the event that they arise. The difficulty with addressing these potential reliability problems is that FERC and the States have their own jurisdictional domains that could impact reliability, and they don't necessarily have a planning bridge between them to ensure that these authorities are used intelligently and appropriately to ensure that the grid maintains its needed reliability.

This disconnect between FERC and the States is evident in recent State attempts to incent construction of new generation and gas pipeline, and to support existing generation through State regulatory mechanisms and legislation that have been advanced to cure, at least in part, perceived reliability ills. FERC and the States must collectively ask themselves if this is an intelligent path going forward, or, if there is a better path.

With the final Clean Power Plan rule expected in the coming weeks, time is of the essence. In order to be proactive, we must look for other avenues to meet our shared duty to ensure the delivery of adequate and reliable power to our consumers. We cannot be territorial or mistrusting, but must collectively proceed with the understanding that resource adequacy and reliability is a shared federal/state mission that cannot be compromised.

I suggest that this Commission consider convening a unique state and federal partnership that is made up of representatives from the Commission, NERC, and State Commissions – a type of Reliability Planning Council. This Council would meet formally on a regular basis to respond to a quickly changing generation resource mix, identify reliability concerns, and then chart out a

path utilizing our respective jurisdictional authorities to maintain a reliable grid in every pocket of this country.

I fully understand that the concept will take some development, but, again, it reflects an opportunity to ensure that we are all using our collective regulatory authority to secure a reliable grid. I am by no means suggesting that the Reliability Council redefine jurisdictional authority. Rather, I am proposing a forum for scientific, mathematic and economic-centered conversations, meant to ensure that we are utilizing every regulatory tool in our collective toolbox to safeguard reliability.

Commissioner LaFleur recently raised a compelling point that markets have worked well during an era of over-supply, but with resource reserve margins thinning, there will be a new set of challenges for wholesale markets. These challenges, in tandem with the Clean Power Plan, have also sparked Congress's interest, as evidenced by its recent push for mandated market reforms that could drastically change the current landscape. Let us turn this challenge into an opportunity. A federal/state Reliability Council could act as a catalyst to proactively respond to these reliability issues.

Commissioners and fellow panelists, thank you again for the opportunity to participate in today's conference. I look forward to our continued dialogue on these important matters.