

UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

Reliability Technical Conference

Docket No. AD17-8-000

PRE-CONFERENCE STATEMENT OF
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Thank you for the opportunity to participate in this conference. Few things are as important to ELCON members as a reliable electric supply.

ELCON members were severely impacted by the 2003 Northeast Blackout that forced Congress to enact section 215 of the Federal Power Act in 2005. The economic damage in the US of the blackout was variously estimated to be between \$4.5 and \$10 billion. Most of that resulted from physical damage to manufacturing facilities and lost production. Section 215 established NERC as the Electric Reliability Organization (ERO) responsible for promulgating and enforcing mandatory reliability standards subject to FERC oversight. NERC now celebrates its 11th anniversary as the ERO and we are pleased with the leadership of the ERO Enterprise and the access given to large manufacturers by NERC staff, the very capable Board of Trustees and the Regional Entities.

Particularly I want to compliment NERC and the Regional Entities for adopting (1) results-based Standards development and (2) a risk-based approach to compliance monitoring and enforcement. Their technical expertise and sound judgment in developing and implementing these approaches has resulted in very few needless

registrations of large manufacturing facilities that might otherwise have happened under a strict zero-tolerance/bright-line test regime. It is our view that utilities (of all stripes) are positively responding to the “lessons learned” and the BES reliability benefits that have resulted from NERC’s approach.

ELCON members have a unique perspective on reliability issues. Our definition of reliability or reliable service is much broader than the mandate in section 215 because large manufacturing facilities are subject to the dual jurisdictions of FERC and the States. In both cases their number one priority is the protection of billion-dollar assets and the need to produce their products. We are impacted as much by events on the distribution system as we are the BES. And those events are likely to increase as the industry changes with greater adoption of intermittent and distributed energy resources or DER. Power quality issues, for example, are a huge concern of any manufacturer, but are mostly a problem at the distribution level. We are grateful for the fact that we have a forum for addressing our concerns related to the BES both before the Commission and within the ERO Enterprise stakeholder processes, but there is nothing comparable to that for addressing and resolving problems on the distribution system. But I want to make it clear, we are not asking FERC or NERC to intervene on matters related to distribution.

With the remainder of my time I have two specific areas of concern to report to you.

First, as I just stated, we are concerned about the potential deterioration of grid reliability and power quality created in large part by the growing penetration of utility-scale solar and wind facilities and DER. This has led to efforts to force large manufacturers to take actions (often against their will) to support grid reliability. In other words, responsibility for grid reliability is being shifted from utilities (where it belongs) to utility customers. The manufacturing processes of ELCON’s members are carefully optimized not only to ensure least-cost production but also to mitigate important safety, reliability and environmental risks at the manufacturing site. Externally-imposed requirements and constraints can upset this finely-tuned balance, resulting in significant

costs and risks. Unless manufacturing facilities are excluded, for example, adoption of FERC's recent NOPR on Primary Frequency Response would continue the trend of growing challenges and burdens on manufacturing facilities. All customers—large and small—have a right to be served reliably, but utility and regulatory engineers and technicians often do not have a sufficient understanding or appreciation of manufacturing processes—especially steam or thermal driven processes – and therefore are not equipped to take manufacturers' specialized reliability needs into account. ELCON appreciates that NERC senior staff is aware of our concerns and has made great strides to address them. In dealing with the larger problem created by intermittent resources, NERC has several initiatives underway that hopefully will support the high degree of BES reliability that large manufacturers are dependent on. We urge the Commission to support these efforts. Regrettably, nothing similar is taking place at the state level.

A second concern is a reliability gap likely created by the split jurisdiction of the grid between State and federal regulators. ELCON members are reporting an increase in power outages that result in multi-million dollar damages to their manufacturing facilities due to the interruption of critical equipment and processes. These are both outages of the Bulk Electric System (BES) and sub-BES distribution systems that are exempt from NERC Standards and enforcement. It is not clear which type facilities are driving the trend, but the distribution system is immune from the requirements of section 215. This creates a powerful incentive to neglect this infrastructure, vital in supporting the reliability experienced by ultimate end-use consumers. The utilities responsible for the outages often brag about how quickly service is restored, but speed in restoration is not what is needed--rather it is continued reliable service. Swift restoration is little solace to manufacturers because the damage to the equipment and product has been done, and it may take weeks to repair the plant and restore production. This trend may be indicative of what might be expected in the future, and requires jurisdictional discussions to ensure that the ultimate goals of section 215 are met.

Finally, there is room for improvement in other areas, and we compliment the NERC Board for soliciting “Policy Input” from stakeholder groups that participate on NERC’s Member Representatives Committee (MRC). ELCON has employees of two member companies serving on the MRC – including the current chair of ELCON’s board. Recent policy input from ELCON includes: (1) greater application of cost-effectiveness methods in Standards Development; (2) the need for adequate provision of Essential Reliability Services to reduce the potential harm posed by intermittent resources to industrial processes (such as high voltage motors); (3) the need for development of metrics that better connect Reliability Requirements with improved BES reliability; and (4) the need for the ERO Enterprise strategic planning process to establish goals related to the encouragement of market innovation and the increased use of public outreach to explain difficult technical concepts to policy makers, the media and the general public.

Thank you and that concludes my remarks.

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