



STATE OF MINNESOTA PUBLIC UTILITIES COMMISSION

Statement of Commissioner Nancy Lange | Minnesota Public Utilities Commission

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Good Morning Commissioners,

Thank you for sponsoring this important dialogue on the proposed Clean Power Plan. The obligation of the Minnesota Public Utilities Commission is to ensure that Minnesota's Clean Power Plan compliance will keep electricity services reliable and affordable, while meeting our state's carbon reduction targets. Our comments to the USEPA detail our suggested modifications to the draft rule that we believe are necessary for Minnesota to chart a cost effective path to meeting the goal and assuring reliability of our electric system. We addressed some concerns with the Minnesota reduction goal itself, which I will not cover in these remarks. Our comments also discussed Clean Power Plan implementation and reliability –the subject of today's panel.

At the broadest level, reliability is secured by prudent grid planning and operations (primarily the function of FERC and the RTOs) and resource adequacy, which is our commission's jurisdiction. In Minnesota, we have a long history of proactively securing an adequate and diverse fleet of generation resources, including both supply and demand side. We use tools such as Integrated Resource Planning, MN's Conservation Improvement program, baseload diversification studies, competitive resource acquisition, and several iterations of transmission reliability studies to support increasing levels of renewable energy resource standards.

But we recognize that we don't just live in an IRP world, we live in an RTO world. Minnesota has derived economic and reliability benefits from participation in MISO. For example, regional transmission planning and projects have enabled cost effective reductions in carbon emissions in our state through integration of substantial Midwestern wind resources. Our ratepayers benefit from power markets that are governed by economic dispatch. Our agency engages actively with OMS and MISO to ensure that MISO's planning, procedures, and tariffs represent the best interest of Minnesota. We understand that living in an RTO world, actions taken by Minnesota to ensure resource adequacy can be enhanced or compromised by actions of other states or even the RTO itself. We are joined at the reliability hip.

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If we are to maintain reliability under the Clean Power Plan and in the most economical way, we must have sufficient time. The reality of long term shifts in generation and transmission directly conflicts with the plan's interim target. Minnesota's interim target is 80% of our state's very aggressive goal by 2020. Without adequate time we face significantly higher compliance costs that would place an unwarranted burden on Minnesota ratepayers. We believe that it may be necessary to address short-term conditions of reliability and safety. For example states may employ averaging and trading of credits or allowances to increase flexibility for plants to run if needed to address a local reliability concern (such as a new plant construction delay), while maintaining the overall emission reductions of the program. Other tools, such as banking and limited borrowing, allow operators to cope with unexpected events (such as unusually severe weather near the close of a compliance year, or an unanticipated outage of clean resources).

Ensuring reliable operations will require even closer coordination between the RTO and states. MISO projects that up to 14 GW of coal will retire in response to the Clean Power Plan, based on the age and economics of the units. However, the ultimate fate of the affected units will be decided by state commissions. The resulting transmission topology could change markedly as a result of state decisions on affected units. States may permit new generation but be unable to achieve interconnection due to lack of transmission. Generation and transmission planning go hand in hand and will demand even greater coordination under the requirements of the Clean Power Plan.

In closing, I will touch on the potential for regional planning and regional compliance response. A group of environmental and utility regulators from 14 of the states within the Midcontinent ISO territory have come together to explore options for regional collaboration. We call ourselves the Midcontinent States Environmental and Energy Regulators, or MSEER. I co-chair the MSEER group with a colleague from Michigan. We met for the 5th time in person yesterday here in St. Louis.

Most states are not yet in a position to determine whether to collaborate on implementation. However, it seems evident that coordinating compliance across state boundaries, either in a less structured way or in a formal action, will be necessary. Eventual compliance may well be more cost effective when designed across a larger footprint. We're not sure yet how this all would work together. For example, it is unclear how state plans that affect the economics of individual generating units would be executed through MISO's economic unit dispatch. What does seem clear is if state compliance with the Clean Power Plan results in a re-balkanization of the grid all states in the Midwest region and their ratepayers would be negatively affected. Our utilities cross state boundaries, with generation and load dispersed across four states. Minnesota may benefit if our compliance plan taps into the economies of scale and resources of a larger footprint. Finally, states need final plan timelines and plan requirements that will provide states with time to work together to mutual benefit.

Commissioners, thank you again for your commitment to hearing from states and stakeholders.



Nancy Lange, Commissioner
Minnesota Public Utilities Commission