

Oral Testimony
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Thank you for the opportunity to speak to you today about EPA's proposed Clean Power Plan and about the vital issue of electric system reliability. And thanks to all of the states, utilities, PUCs and other organizations here today who have met with us over the past two years and to everyone who has submitted excellent, substantive comments on the proposal. We have received 4.3 million comments and continue to review each and every one as we work toward finalizing the rule this summer.

And thank you to FERC for organizing these conferences. It's a great way for stakeholders to engage directly with FERC and it's a great opportunity for us to build on the working relationship that we've forged with the Commission over the years. We look forward to our ongoing conversation with FERC at the staff and leadership levels and with FERC stakeholders. This coordination will be particularly important as states begin to put their compliance plans together. I also want to thank the many organizations, including NERC, MISO, SPP, ERCOT and other RTO/ISOs, for taking the time to run analyses and provide us with additional information. All of your work and input will help us draft a final rule that reflects what's happening in the electricity sector today and what the sector will look like down the road.

A few weeks ago, I spoke to the Commission-led National Overview session in Washington, D.C. And while there will be some overlap in the remarks that I deliver today and those that I delivered a few weeks ago, my goal is to focus on issues that are pertinent to, and raised by, the Central states, utilities and stakeholders and to answer any questions you may have. Over EPA's long history developing Clean Air Act pollution standards for the electric power sector, including the proposed Clean Power Plan, the agency has consistently treated electric system reliability as absolutely critical. We have devoted significant attention to this issue ourselves and have also made sure that we are coordinating with stakeholders and energy regulators at the federal, state, and regional levels to ensure that the important public health and environmental protections Congress has called for are achieved without interfering with the country's reliable and affordable supply of electricity. In fact, at no time in the more than 40 years that EPA has been implementing the Clean Air Act has compliance with air pollution standards caused the lights to go out.

Of course, we are equally committed to our mission to protect public health and the environment. In the case of the Clean Power Plan proposal that means addressing climate change—a problem that is already affecting the health and economic well-being of communities across the country. These impacts—both dramatic and incremental—will get worse if we do not take steps to cut carbon pollution today.

111(d) Proposal

So let me turn to the proposal, to Section 111(d), and to the issue of reliability. In crafting the Clean Power Plan proposal, EPA sought to provide the flexibility and the kind of timeline states, Tribes,

territories, and affected generators would need to cut carbon emissions while maintaining affordable electric power and safeguarding system reliability.

While our proposal recognizes the interconnected nature of the power sector and is founded on common strategies that are already in use today, it also proposes unique goals for each state that reflect the differences in the mix of resources that are currently being used to generate electricity in each state and differences in the potential each state has to increase the use of lower-carbon and zero-carbon resources. Because of these key differences, we proposed different goals for different states.

We know that there are several aspects about electricity generation in the Central part of the U.S. that are different from those in the West and East. For instance, we acknowledge that some states in the central part of the country are very reliant on coal. And there are others that are real leaders in developing and implementing renewable sources of energy. States, utilities, and stakeholders have made these points clear through the comments and input that have been provided throughout this process and we are paying close attention to these regional differences.

We've heard from many Central states about ways that the proposed goals may affect coal fleets in the region and how that may affect reliability. We are looking closely at this issue because we agree that coal must continue to be a part of a diverse energy mix in this country.

We've also heard about how the proposal can change the way states participate in the energy market. For example, stakeholders in Wisconsin, Kansas and my home state of Indiana commented that the Clean Power Plan could cause coal plants in some states to shift from being base-load generators to operating as peaking units while natural gas plants could shift from being peakers to base-load providers. Oklahoma is concerned that the CPP might encourage large electricity consumers to move to off-grid, on-site generation that is not subject to the CPP and could be dirtier, less efficient, and not available in emergency situations to help maintain grid reliability. Several states expressed concern about the effect that the Clean Power Plan could have on the natural gas market during the cold winters in many Central states, as demand for natural gas used for home heating competes with demand for natural gas used for electricity generation.

At the same time, several states and stakeholders in the Central region have commented that they appreciate the work that EPA has done to make sure that the right flexibilities and protocols are in the rule so that it can be implemented without triggering reliability issues. For example, stakeholders in Missouri noted that the option to use utility-scale solar power under the rule can improve the stability and reliability of the grid while Minnesota cited analysis that shows that significant increases in renewable energy can be incorporated into the state and MISO region by 2030 without negative impacts on reliability. And Michigan stakeholders applauded the ability of states to use renewable energy to meet their goals, pointing to an evaluation done in Michigan that found that a significant increase in renewable energy – even more than was assumed in the goal-setting calculation for the state – could be accomplished without harming reliability.

Compliance Time

Even before we put pen to paper, we understood that states and utilities need time to make changes that cut emissions. By offering states and affected generators wide latitude in meeting the

state goals, the proposal provides room for planning to avoid reliability concerns. The proposed final compliance date of 2030 is intended to give states, generators, reliability entities, and other stakeholders a 15-year planning horizon. Meanwhile, the compliance period of 2020 to 2029 for the interim state goals was intended to allow states and affected generators to shape their own glide paths so that they can determine the pace and timing of the measures and programs that need to be put in place.

The rulemaking record also reflects stakeholder comments regarding how the 2020 initial interim compliance year and the stringency of some state targets may reduce the flexibility the proposal intended to provide. Specifically from several Central states, we've heard that there's a need for more time to develop natural gas pipeline infrastructure and transmission capacity. We appreciate the detailed input we are getting about the challenges posed by the 2020 date and I assure you that we are looking very closely at this issue.

From the perspective of ensuring electric system reliability and the final 2030 compliance date, we believe that the long time horizon for the final target will provide system operators, states, and generators the needed flexibility to do what they are already doing – looking ahead to spot the potential system changes and contingencies that could pose reliability risks and identify the actions needed to mitigate those risks. We do appreciate the length of time that some of these investments can take, and know that planning horizons are essential. We see the significant changes already underway in the industry in response to changes in fuel markets and increased use of renewable and distributed resources. We also know that companies are making long-term investments to address the Mercury and Air Toxics Standards (MATS) and regional haze obligations.

Regional and State Plans

We also know that working together in regional or multi-state plans can provide flexibility and a more integrated path to compliance. We know that states have commented on whether they will be able to commit fully to regional approaches, or be able to do so in the time the final rule will provide for state plans to be completed. But we believe that this option allows states to develop strategies that are more in line with existing interstate power markets, taking maximum advantage of the sector's interconnected nature to maintain reliability and affordability while achieving emission reductions.

We appreciate comments from states like Ohio who noted that coordinated planning and integrated compliance strategies take time. Similarly, Iowa emphasized that this issue is even more difficult for states with utilities participating in more than one regional transmission organization.

And we are glad to see states like Illinois declare their commitment to developing and implementing a state plan that achieves the required emissions reductions while balancing economics and grid reliability.

Finally, we recognize that making full use of the flexibility provided by the proposal requires time for planning. Many states and stakeholders commented that the 1-to-3-year timetable for states to submit their compliance plans is inadequate and that more time is needed. We recognize that planning is key not only to achieving reductions but to safeguarding reliability. Fortunately, commenters, including many from the Central states, have also offered practical suggestions for how we could deal with these elements in our final rule— either in the form of additional process steps in

developing compliance plans or in the form of relief from specific requirements – that would constitute what many call a “reliability safety valve.” It should go without saying that EPA is taking the information and suggestions commenters have provided and the concerns they have raised very seriously.

Additional Engagement and Dialogue

You can expect that EPA will address these ideas in the final Clean Power Plan that will be issued this summer. However, we expect that after the rule is finalized, we will continue to work with FERC, DOE and states to consider reliability issues and how to equip ourselves to plan in order to avoid reliability challenges.

When I spoke with you at the national conference, I noted that the EPA’s Mercury and Air Toxics Standards provide an example of how this could work. As many of you know, when EPA announced the final MATS rule, we also issued an Enforcement Policy that defined a specific path that affected generators could follow if they needed extra time to comply with the rule in order to maintain electric system reliability. In addition, FERC, DOE, and EPA began a process that continues today of jointly and regularly convening with RTOs and ISOs to monitor closely and frequently the changes in the various regional systems that have been occurring as generators work toward MATS compliance, which starts in April of this year. We hope that coordinating among the three agencies continues as state plans take shape as utilities and states implement the Clean Power Plan.

Like you, we will be examining the information and ideas generated by these workshops as we move forward after the final Clean Power Plan. As part of that process, we look forward to working with FERC and DOE.

Before I wrap up and take any questions you might have, I want to emphasize again how very constructive the discussion has been over the past year or so. And how important our interactions with FERC, state energy offices and other federal agencies have been and will continue to be. Our federal and state partners and our stakeholders are putting concrete ideas on the table about how reducing carbon emissions—which is so critical to our future—can be done efficiently, without threatening reliability, and in ways that strengthen and benefit our communities. Thanks again to Chairman LeFleur, all the FERC Commissioners, and the FERC staff for holding these regional reliability sessions. I will look forward to further conversation with you all.