

## **FERC's LaFleur wants 'reliability mechanism' in EPA Clean Power Plan**

Federal regulators should craft some type of electric "reliability mechanism" into the final rule on U.S. EPA's proposed Clean Power Plan, Federal Energy Regulatory Commission Chairwoman Cheryl LaFleur said Friday.

"I think we're going to have to get involved in making sure that reliability is protected as the Clean Power Plan is implemented," LaFleur said. "Protecting reliability isn't optional. The lights are going to stay on. So that this should somehow be built into the process seems to make sense," she said at a media event in Washington, D.C., sponsored by IHS.

LaFleur drew an analogy to the process being used in the implementation of EPA's Mercury and Air Toxics Standards (MATS) rule, whereby electricity-generating units that are critical for reliability in a state or region can ask for and receive a fourth or even fifth year to comply. In the case of a fifth-year request, FERC may advise EPA on the claim that the unit is critical to maintaining grid reliability.

A key difference, LaFleur said, is that the Clean Power Plan does not envision compliance with the rule to curb greenhouse gas emissions from existing power plants on a unit-by-unit basis, but by state or region.

"A reliability mechanism would have to be considerably more complicated than the simple 'I need another year for this plant' that the EPA put in place for MATS," LaFleur said.

To say "this state needs another year is a way different level of discussion. And so it's not quite as straightforward as to how exactly FERC would do it," she said. But "I think it's an appropriate role for the commission" on the Clean Power Plan. "There might be something comparable."

LaFleur's statement was much more specific than assurances she gave the Senate Energy and Natural Resources Committee after her nomination hearing in June when she said FERC "has a responsibility to help ensure that grid reliability is maintained as EPA rules are implemented."

It may have been influenced by a report last week by the nation's grid overseer warning that EPA's proposal threatens reliable electricity delivery in 2020, EPA's initial compliance deadline.

The North American Electric Reliability Corp., the federally designated grid reliability overseer, found in its report that the EPA proposal's 2020 target would cause the retirement of 108,000 to 134,000 megawatts of existing generation capacity, primarily at coal plants (*EnergyWire*, Nov. 5).

NERC called for detailed analysis by power companies and regulators to determine whether pipelines and power lines can be in place quickly enough to support an unprecedented switch away from coal-fired plants to natural gas, wind and solar generation, as well as increased energy efficiency, all within EPA's timetable. NERC also recommended consideration of a backstop "safety valve" that would allow particular coal plants to keep running outside the EPA plan's targets if required to ensure adequate power supplies and essential voltage and frequency support in vulnerable sections of the grid.

LaFleur said NERC was correct in giving a "forward warning" on issues that could emerge, rather than expressing what the rule should say. "That's exactly the line I've tried to walk, to identify issues but not become an environmental regulator," she said.

#### Regional approach preferable

LaFleur said FERC needs to be prepared to address reliability whether states choose to comply alone or with other states on a regional basis, "especially in the competitive market regions of the country where the competitive markets dispatch and call for [generation] resources."

"If the states act independently, I think a lot of our work will be helping the [regional transmission organizations] figure out how to patch together all those state plans in a way that states can meet their compliance targets and still dispatch the resources regionally, which is a little bit of a mind-bender when you start to think how that would work," LaFleur said.

"If the states do operate regionally, not only do they get a little more flexibility of timing under the draft rule, but I think it'll dovetail better with the way the markets are structured regionally," she said.

An example of where that is already working is in ISO New England, where all the states also belong to the Regional Greenhouse Gas Initiative, which caps carbon dioxide emissions and enables the trading of CO2 allowances. In turn, the allowances are a factor into how the grid operator dispatches power plants to provide electricity as needed.

"I'm not suggesting it'll be that smooth and easy everywhere," but "regional is much better than state by state for the way the grid works," she said.

LaFleur described as a "head scratcher" the question of "how do you run a regional market if states have all different proposals?"

Executives from two regional transmission organizations, the Midcontinent Independent System Operator and the PJM Interconnection, expressed support for a multistate approach at

a meeting in Chicago on Thursday with Illinois officials about how to comply with the EPA rule (*EnergyWire*, Nov. 7).

Carmel, Ind.-based MISO has estimated a regional approach would save \$3 billion in compliance costs annually across its footprint, which stretches from the Gulf Coast to Manitoba. PJM has yet to complete its analysis.