



Electricity Consumers Resource Council

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John P. Hughes
President & Chief Executive Officer

March 13, 2017

The Honorable Cheryl A. LaFleur
Acting Chairman
Federal Energy Regulatory Commission
888 First Street, NE
Washington DC 20426

The Honorable Colette D. Honorable
Commissioner
Federal Energy Regulatory Commission
888 First Street, NE
Washington DC 20426

Re: Essential Reliability Services and the Evolving Bulk-Power System – Primary Frequency Response, Docket No. RM16-6-000

Dear Acting Chairman LaFleur and Commissioner Honorable,

I want to draw your attention to supplemental comments ELCON filed today concerning the Proposed Rulemaking on Primary Frequency Response. The comments, which includes a proposed revision to the draft LGIA and SGIA language, are attached.

In our initial comments filed on January 24, 2017, ELCON generally supported the concepts outlined in the NOPR. ELCON said the NOPR “represented a logical progression of the Commission’s emphasis on securing a reliable electricity system in the context of an evolving market” and that it was “consistent with the various recent FERC initiatives to allow the provision of ancillary services.”

Those comments, however, did identify one major concern for many ELCON members who operate behind-the-meter (BTM) generation in the form of combined heat and power (CHP) technologies that serve essential steam or thermal requirements of their

integrated manufacturing processes. The wording of the NOPR could imply that all CHP units would be required to provide primary frequency response (PFR) in the event of system frequency deviations. Such an across-the-board requirement would compromise the integrated manufacturing processes, which could face unplanned shutdowns, and present unacceptable economic, safety and environmental consequences to the generator, the industrial process equipment, and the surrounding community.

In fact, while some CHP facilities are designed to generate electricity in excess of their load and have the flexibility to provide PFR, other CHP units are “sized to the industrial load” to meet the steam or thermal requirement of the host manufacturing process. As explained in detail in ELCON’s supplemental comments, these facilities cannot reasonably provide PFR service without compromising the efficiency, reliability and safe operation of the manufacturing process.

Not only does the proposed rule as currently formulated pose a risk to industrial processes, it also will likely discourage the development of new CHP facilities because of the added investment cost, operational risk, efficiency loss and regulatory burden associated with compliance with the PFR mandate. Facilities may choose to forego CHP altogether, purchase all electricity requirements off the grid, and separately generate steam or other forms of thermal energy, losing the efficiencies of CHP.

Despite the Department of Energy’s goal to achieve 40 gigawatts of new CHP by 2020, there has been a decline in new industrial CHP installations since the enactment of 2005 amendments to PURPA limiting CHP. The proposed rule would further that decline.

To preserve what opportunities remain to achieve the efficiencies and other benefits of new industrial CHP, ELCON proposes this language -- “industrial behind the meter generation that is sized to load (i.e. the industrial load and the generation are near-balanced in real-time operation and the generation is primarily controlled to maintain the unique thermal, chemical, or mechanical output necessary for the operating requirements of its host industrial facility)” -- be added to the exemptions listed under Section 9.6.4.3 of the LGIA and Section 1.8.4.3 of the SGIA. In addition to this exemption language, ELCON urges FERC to pursue a market-based solution to PFR over the longer term. This would involve defining a PFR product that would be traded in ISO and RTO markets for energy, capacity and ancillary services. An important benefit of this market solution is that it creates incentives for existing synchronous generation to provide PFR by providing compensation.

ELCON has worked closely with FERC staff, particularly the Office of General Counsel and the Office of Electric Reliability, to understand the concerns of the Commission and respond to them in these supplemental comments. I would in particular like to thank

Mark Bennett in the General Counsel's Office and Jomo Richardson in the Office of Electric Reliability for working with us on this very important issue to manufacturers with CHP units.

Please feel free to contact me if you have any questions.

Sincerely yours,

A handwritten signature in blue ink, appearing to read "John", is positioned below the closing text.

Enclosure

CC: Steven Wellner
Michael Bardee
Jamie L. Simler
J. Arnold Quinn
Mark Bennett
Jomo Richardson