Electricity Consumers Resource Council
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John P. Hughes
President & Chief Executive Officer

December 1, 2017

The Honorable Greg Walden
Chair
House Energy and Commerce Committee
2185 Rayburn House Office Building
Washington, DC 20515-3702

Re: Need for Oversight Hearing on DOE NOPR on Grid Resiliency Pricing

Dear Chairman Walden:

America's industrial energy consumers believe that the September 28, 2017 rulemaking proposal on grid resiliency pricing directed by the Department of Energy to the Federal Energy Regulatory Commission (FERC) is unwarranted, anti-competitive and if implemented would distort if not destroy the competitive wholesale electricity markets, increase the price of electricity to untold numbers of businesses and consumers, and result in a substantial loss of U.S. manufacturing capacity and jobs.

The Secretary of Energy has requested FERC action by December 11, 2017. If the proposal is adopted in any form that mandates subsidies for uneconomic coal-fired and nuclear power plants, we encourage you to immediately hold oversight hearings in your committee to review not only the impact it would have on competitive wholesale electricity markets and the damage done to U.S. manufacturers and other consumers, but also the almost unprecedented use of Section 403 of the Department of Energy Organization Act to promote this proposal.

ELCON is the national association representing large industrial consumers of electricity. Member companies produce a wide range of industrial commodities and finished consumer products from virtually every segment of the manufacturing community. ELCON members operate hundreds of manufacturing facilities and are major consumers of electricity in every region of the United States.

Our specific concerns with DOE's proposal are as follows:

- The proposal would undo the competitive wholesale electric markets that benefit all American consumers, replacing them for the sole benefit of a large number of obsolete generators with an unworkable, intrusive centralized pricing system. Although the competitive markets are not perfect, the current, historically low electricity prices that have resulted from their operation have substantially benefited the competitiveness of the U.S. manufacturing sector that depends upon affordable and reliable energy supplies. Those markets cannot be sustained if coal, nuclear, wind, and solar resources are all compensated with out-of-market payments in addition to targeted tax benefits favoring specific technologies and discriminating against others; and

- The proposal would force U.S. manufacturers to pay billions of dollars in groundless subsidies to the owners of uneconomic, obsolete coal-fired and nuclear power plants. One independent estimate pegs the cost to consumers as high as $288 billion over ten years. The retirement of certain uneconomic power plants represents a normal, efficient functioning of competitive markets and has been ongoing for decades. The owners of these plants have already been fully compensated for their investment costs.

The federal government should not pick winners and losers in the energy markets and must certainly not treat U.S. manufacturing jobs as inferior to the jobs at uneconomic power plants. Allocation of resources should be left to the operation of competitive markets.

The DOE proposal is also a classic example of a solution in search of a problem. In fact, there is not a demonstrated need for the proposal that would warrant destroying the competitive wholesale electricity markets or imposing these costs on consumers—large or small. Mechanisms – e.g., Reliability Must Run (RMR) Agreements – already exist that effectively address on a case-by-case basis those rare instances where an uneconomic generator is needed for reliability. Recent findings by both DOE and the North American Electric Reliability Corporation (NERC) conclude that there is no such emergency related to reliability or the yet-to-be defined term "resiliency." DOE's 2017 Staff Report to the Secretary on Electricity Markets and Reliability concluded that "while markets have evolved since their introduction, they are currently functioning as designed -- to ensure reliability and minimize the short-term costs of wholesale electricity." NERC's CEO recently said at a FERC Reliability Conference that "the state of reliability in North America remains strong, and the trend line shows continuing improvement year over year."

Over the past several years, FERC has taken a number of steps to address pricing issues in the competitive markets and to promote reliability. Now that there is a quorum of Commissioners, FERC should have the opportunity to pursue its numerous initiatives that remain pending to preserve and not undermine the competitiveness and efficient functioning of the electricity markets. A return to federally-imposed command and control regulation is not the answer.

Sincerely,

John P. Hughes

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cc: U.S. House of Representatives