



Importance of Industrial End User/Cogeneration Representation Before FERC & NERC

- Large manufacturers with or without on-site cogeneration are directly connected to the high-voltage transmission system that is subject to the regulatory oversight of the Federal Energy Regulatory Commission (FERC) and the North American Electric Reliability Corporation (NERC). Both organizations can impose costly, mandatory regulatory requirements on manufacturers, and can impose financial penalties for non-compliance.
- ELCON's signature mission has been to fight for the elimination of burdensome regulatory policies and utility practices that discriminate against industrial end users and needlessly inflate the cost of electricity.
- ELCON was formed in 1976 in anticipation of the enactment of the Public Utility Regulatory Policies Act (PURPA), the federal law that mandated certain federal ratemaking policies that affected the cost of power purchased from utilities. That law also required utilities to provide essential services to industrial cogeneration and enabled the rapid adoption of cogeneration after 1978. ELCON advocates policies at FERC that preserve the intended benefits of PURPA. ELCON's activities at NERC are an extension of that long-standing policy.
- ELCON is the only national association that represents the entire manufacturing community in important proceedings at FERC. These proceedings ultimately influence the price of wholesale electricity, the cost of delivery over the transmission grid, and the cost of ancillary services that maintain grid reliability. ELCON staff is routinely invited to present positions of large industrial end users and cogenerators at FERC technical conferences on all facets of the electric power regulation including transmission rates, ISO/RTO market design, and demand response.
- ELCON staff was instrumental in FERC explicitly excluding the imposition of mandatory primary frequency response obligations on industrial CHP units and other similarly-situated forms of industrial behind-the-meter generation that are sized to the load.
- The risk of regulatory "scope creep" is an ongoing threat with NERC requirements. It is therefore absolutely essential that the interests of large industrial end users are adequately represented in the NERC stakeholder and standards development processes to contain this threat and prevent industrials from being unduly subjected to highly burdensome and costly regulatory requirements.
- ELCON is the only industrial trade organization that is actively engaged in all efforts to revise NERC's standards development process, the compliance monitoring and enforcement program, and *Rules of Procedure*. ELCON is also the only industrial trade organization that regularly submits comments at FERC on important NERC filings that must be approved by FERC.
- Many ELCON members are NERC "registered entities" – and therefore subject to standards and data reporting requirements because they buy/sell power at wholesale or operate behind-the-meter

generation or transmission-related facilities. Several ELCON members have been subject to severe monetary penalties for compliance violations. ELCON members that are registered or not currently registered by NERC must continue to oppose changes in NERC standards and policies that would increase their exposure to registration and subsequent regulation.

- For example, manufacturing facilities that are served with multiple feeds at 100-kV or higher are vulnerable to NERC registration. ELCON’s advocacy at NERC attempts to mitigate the tendency of NERC (with FERC approval) to develop “one-size-fits-all” standards that unfairly treat manufacturing loads and cogeneration facilities as if they were public utilities.
- ELCON staff works with members in preparing comments on NERC postings such as Standards Authorization Requests (SARs), draft standards, revisions to NERC Rules of Procedure, and other documents. ELCON also submits quarterly policy input to the NERC Board of Trustees that identify areas of concern in NERC standards and procedures.
- Across all the above issues, ELCON is actively working to prevent or minimize the imposition of inappropriate and highly burdensome and expensive compliance requirements upon its members.

ELCON Staff and Member Activities at NERC

- ELCON staff and member were a voting founding member of the Member Representatives Committee (MRC), the formal stakeholder group chartered to advise NERC staff and the NERC Board on stakeholder concerns. ELCON staff recently chaired the MRC.
- ELCON staff and members have also served as voting members of important NERC standing committees. This included the Standards Committee, Planning Committee, Operating Committee, and Compliance & Certification Committee. ELCON staff and members have also served on a variety of NERC standards drafting teams, task forces, working groups, and advisory groups where issues germane to operation of manufacturing facilities are being addressed. Most recently ELCON staff is a participant on the NERC Clean Power Plan Advisory Group that is analyzing the potential impacts of the EPA rulemaking on utilities and utility customers.
- ELCON staff participates with a group called the “Joint Trades,” which consists of senior executives of Washington-based industry trade groups representing the broad range of NERC registered entities. The Joint Trades complements the MRC by bringing federal regulatory and policy experts into the stakeholder process. Participation with the Joint Trades is the primary mechanism for industry interests to submit policy recommendations to the NERC Board.
- ELCON staff was instrumental in getting NERC (with subsequent approval by FERC) to establish the 75 MW or higher size threshold industrial cogeneration that exempts the vast majority of cogeneration from NERC registration.