



# Sector 8 Policy Input for the NERC Board of Trustees & Member Representatives Committee

## August 17-18, 2022 Meetings

ELCON, on behalf of Large End-Use Consumers, submits the following policy input for the consideration of NERC's Board of Trustees (BOT) and the Member Representatives Committee (MRC). It responds to BOT Chair Ken Defontes, Jr.'s July 13, 2022 letter to Roy Jones, Chair of the MRC.

### SUMMARY

Large Consumers (Sector 8) support NERC's continued inquiry into issues impacting the reliability of the bulk power system. The BOT requested MRC input on the following questions:

- 1. Are there other actions NERC and the ERO Enterprise should take to assure reliable performance through the 2022/2023 winter season and other significant systemic winter reliability issues related to the grid transformation?** No. Large Consumers believe NERC's core function of establishing reliability standards – in addition to the informational functions of investigating, assessing, and reporting – lends itself to a long-term focus rather than the short-term focus of the question. Large Consumers believe short-term or emergency action should be taken sparingly and left to operators of bulk power system components or perhaps the Department of Energy. In the event NERC or the ERO Enterprise are
- 2. What actions should NERC and the ERO Enterprise take to assure reliability for the 2023 summer season?** None. Large Consumers believe NERC's core function of establishing reliability standards – in addition to the informational functions of investigating, assessing, and reporting – lends itself to a long-term focus rather than the short-term focus of the question. Large Consumers believe short-term or emergency action should be taken sparingly and left to operators of bulk power system components or perhaps the Department of Energy.
- 3. For the long-term, what actions should NERC consider taking, including, but not limited to, investigating, assessing, and reporting on the potential impacts of new and evolving electricity market practices related to the adequacy and operating reliability of the bulk power system, robustness of resource**

**adequacy assurance and availability mechanisms across state authorities, industry resource and bulk transmission system readiness, and required industry/governmental partnerships?** Large Consumers see a large and increasing role for NERC in ensuring bulk power system reliability through the means identified in the question, among others. There may be a need for NERC to weigh in on topology optimization, capacity accreditation practices, and pending Congressional action.

### **Assuring Reliable Performance through the 2022/2023 Winter Season and 2023 Summer Season**

Large Consumers implore NERC to maintain its focus on developing reliability standards – which is a long-term process by its nature – and assessing long term issues. We support, for example, NERC’s efforts to ensure future winter preparedness by implementing new cold weather standards.

To the extent short-term or emergency action needs to be taken this winter or next summer, Large Consumers want operators of bulk power system equipment to have every tool at their disposal. However, to protect consumers from rent-seeking or other opportunistic abuse of reliability authorities by utilities, relevant agencies (such as the Department of Energy) should use existing authorities (such as Section 202(c) of the Federal Power Act) only when necessary.

Further, if NERC or the ERO Enterprise feel the need to be more active in the short term, Large Consumers request that NERC issue its seasonal reliability assessments earlier to highlight any supply issues (as with natural gas or other resources) in time for industry to react. For instance, the 2021-2022 Winter Reliability Assessment was issued in November 2021; the 2022 Summer Reliability Assessment was issued in May 2022. More lead time would enable industry stakeholders to take NERC’s seasonal assessments into account.

### **Actions for NERC’s Consideration**

Large Consumers urge NERC to continue investigating, assessing, and reporting on (1) the potential impacts of new and evolving electricity market practices related to the adequacy and operating reliability of the bulk power system, (2) the robustness of resource adequacy assurance and availability mechanisms across state authorities, (3) industry resource and bulk transmission system readiness, and (4) required industry/ governmental partnerships. Large Consumers address each below.

(1) Potential impacts of new and evolving electricity market practices related to the adequacy and operating reliability of the bulk power system

Large Consumers expect that NERC is keenly focused on any potential negative impact of new and evolving electricity market practices. However, there is good news among the growing problems associated with the increased complexity of today’s bulk power system. Namely, transmission system topology optimization is a promising grid-

enhancing technology that Large Consumers would like to see implemented more broadly – not just to alleviate real-time reliability concerns but also to reduce congestion costs and perhaps even offer solutions in the planning/resource adequacy time horizon.

(2) Robustness of resource adequacy assurance and availability mechanisms across state authorities

Large Consumers took very seriously the 2022 summer reliability risks highlighted in the recent Summer Reliability Assessment. We would support NERC’s engagement with state or federal policymakers in a constructive dialogue about ways to ensure resource adequacy in the regions that were shown to be deficient in the Summer Reliability Assessment.

For example, Large Consumers face risks on both sides of the question of capacity accreditation. Too much credit for resources and we face reliability problems stemming from resource shortfalls. Too little credit for resources and we face economic problems stemming from over-procurement of resources. Given the differences between states and regions in their various approaches to capacity accreditation, there may be a need for NERC to weigh in on this issue.

(3) Industry resource and bulk transmission system readiness

Large Consumers feel we are in front of these key issues, and we are already taking action. Regarding changes to the fuel delivery system to energy-constrained resources, Large Consumers are actively confronting known weatherization challenges and are supportive of reliability standards designed to mitigate these challenges industry-wide in the long term.

(4) Required industry/governmental partnerships

The policy input letter notes the need to facilitate “inter-agency dialogue on reliability implications of agency actions” and to “manage the pace of change in the transformation of the grid to ensure the reliable operation of the bulk power system.” Large Consumers second these observations but also note that Congress – rather than an agency such as the Environmental Protection Agency – may be the relevant new source of acceleration of the pace of the transition.

Specifically, the budget reconciliation bill presently moving through Congress calls for [\\$369 billion](#) in federal funding to accelerate the energy transition. Large Consumers encourage NERC to increase its engagement on Capitol Hill to educate lawmakers on the reliability implications of this Congressional action.

Thank you for your consideration.