

Electricity Advisory Committee

MEMORANDUM

**TO: Honorable Steven Chu, Secretary
Honorable Patricia Hoffman, Assistant Secretary for Electricity Delivery
and Energy Reliability**

FROM: Electricity Advisory Committee

DATE: March 10, 2011

**RE: Recommendations to Address Power Reliability Concerns Raised as a Result
of Pending Environmental Regulations for Electric Generation Stations**

Introduction

In response to longstanding Congressional requirements in the Clean Air Act and Clean Water Act, and in response to more recent court orders, the U.S Environmental Protection Agency (EPA) has been developing a series of proposed rules (herein, the “Regulations”) that are expected to have major effects on the nation’s electric generation facilities. The Regulations will include: 1.) A Clean Air Transport Rule (CATR) affecting fine particulates and ozone precursor emissions in 31 Eastern states and the District of Columbia; 2.) Regulation of hazardous air pollutants including mercury, under a “Utility MACT” rule for a Maximum Achievable Control Technology standard; 3.) Regulation of Coal Combustion Residuals (CCR Rule); and 4.) New regulations on Cooling Water Intake Structures under Section 316(b) of the Clean Water Act.

Several independent assessments have been conducted on the potential impact of these rules, separately and in combination, on the continued operation of the nation’s thermal general fleet, particularly coal-fired generators. These projections reach different conclusions as to the potential impact of the Regulations, if they were to be adopted as currently proposed or expected.

Electricity Advisory Committee Recommendations

The Electricity Advisory Committee has not attempted to evaluate these studies or reconcile their conclusions. We emphasize only that we believe that the U.S. Department of Energy (DOE) should act in concert with the Federal Energy Regulatory Commission (FERC), the North American Reliability Corporation (NERC), EPA and state regulatory



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authorities to ensure that the reliability of the nation's power system will be maintained as environmental regulations are implemented.

In this regard, the Electricity Advisory Committee provides two recommendations:

- 1.) The Secretary of Energy create a consultative process with EPA and FERC at the senior level in which the three agencies commit to communicate on these issues, while recognizing existing authorities of each agency.
- 2.) DOE advance a recommendation to FERC for an improvement to the processes for planning in anticipation of unit replacements. One of the problems facing power system Planning Coordinators is a limitation on planning in anticipation of possible plant retirements, since those plans can only be made once a unit owner has provided a formal notice of its intention to remove the plant from service. Under current practice, this does not provide enough time for the Planning Coordinator, utilities, and regulators to develop and implement the full range of actions to protect reliable service, with both cost and environmental goals in mind.

To assure that transmission and power systems can take into consideration the potential impacts of the EPA initiatives, the Electricity Advisory Committee recommends that DOE and FERC support actions by the Planning Coordinators across the country to undertake proactive planning studies to examine what transmission system additions, generation additions, or demand-side actions would be needed if generation resources retire. These studies could take the form of scenario analyses to determine what transmission solutions, or replacement resources, will be required to maintain grid reliability for differing levels of unit retirements. While these studies in and of themselves will not immediately address issues related to potential retirements, the studies will provide greater lead time to deal with likely retirements, and will enable informed decision-making about the options for preserving reliability as environmental regulations are implemented. By anticipating possible retirements in advance of formal notifications, a wider range of alternatives and greater lead time for implementation can be provided to Planning Coordinators, system operators, regulatory authorities, utilities and investors.

These two recommendations were unanimously approved by the Electricity Advisory Committee at its meeting on March 10, 2011.