



# Public Utilities Commission

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Lynn Slaby  
M. Beth Trombold

**Reliability Technical Conference**

**Docket No. AD14-9-000**

## Written Remarks of Asim Z. Haque

Vice-Chairman of the Public Utilities Commission of Ohio

June 10, 2014

Acting Chair LaFleur, Commissioners, and Staff, thank you for inviting me to participate in today's technical conference. My name is Asim Z. Haque, and I am the Vice-Chairman of the Public Utilities Commission of Ohio (Ohio Commission). I am also a member of the National Association of Regulatory Utility Commissioners or NARUC, where I serve as one of two State government sector representatives to NERC's Member Representative Committee or (MRC), which reports to the Board of Trustees of NERC. The MRC is a wonderfully collaborative group of government, industry, utilities, generators, regional entities, marketers and ISOs, under the leadership of John Anderson from ELCON.

I have been invited to discuss the 2014 State of Reliability Report (Report) and emerging challenges. Specifically, I will address how we can foster a culture of reliability excellence, and provide some input on indicators of an effective culture of reliability excellence. I want to applaud the diligent work of NERC, especially Gerry Cauley and his team, for developing

standards aimed at improving the performance and reliability of our bulk power system and addressing threats and vulnerabilities to its security.

Measuring and assessing reliability is complex. The Report demonstrates the importance of gathering and analyzing data to determine the sources of the events that may have compromised reliability. This data gathering and analysis will help guide the Commission's and NERC's efforts towards any necessary changes and improvements to reliability that will ultimately benefit the end-use ratepayers we are all here to serve.

In evaluating the Report and the questions posed by this Commission, two key policy considerations are noteworthy from my lens as a State Commissioner. First, it is important that in standards development, cost is considered all the way through to the consumer. Second, it is important that both the Commission and NERC continue to explore challenges related to the changing resource mix on the bulk power system, and look to State Commissions as resources that can provide value to those efforts.

### **Standard Development: Thinking Cost Through to the Consumer**

State Commissions are tasked with the difficult job of ensuring reliable electric service at just, reasonable, and affordable rates. This means that any investments and enhancements to the system must demonstrate a clear benefit to consumers, since consumers ultimately pay for these investments and enhancements.

NARUC has worked with NERC to ensure that new and revised NERC standards provide demonstrable benefits to consumers that justify their costs. This work must continue through more consistent application of a cost analysis throughout the standards development process.

Considering cost through to the consumer would require the Commission to be cognizant of cost when directing NERC to develop reliability standards. It would further necessitate that NERC focus standards implementation on the greatest risks to reliability of the bulk power system.

If we are to collectively achieve a balance between reliability and affordability, then the line whereby minimal reliability gains are being made at too high a cost to consumers must be identified. States will gladly assist the Commission and NERC in helping to identify that line. This consideration of cost through to the consumer, in the eyes of the States, will help to foster a culture of reliability excellence.

### **Resource Mix: Utilizing States to Advance Resource Planning and Integration**

It is imperative that the Commission and NERC continue to examine the challenges associated with a changing generation resource mix and its impact on the bulk power system. A bulk power system that is prepared for this change is, through the lens of the States, an indicator of reliability excellence.

In Ohio, our primary electricity concerns going forward relate to generation matters that are currently out of our hands. Not only do we strive to encourage the development of new

generation facilities, but we are also equally concerned about maintaining existing generation in order to preserve a diverse portfolio of generation resources. Taking into account the already-announced coal retirements that will occur in 2015, combined with the probability of further coal retirements as a result of environmental regulations, reliability objectives are being placed in a precarious position that the Commission, NERC, and State Commissions need to collectively address.

The changing resource mix poses a serious problem for many States across the nation. In Ohio, the use of coal as a fuel source to generate electricity has dropped from 87.2 percent in 2005 to 66.5 percent in 2012. Not only that, but by next year, 5,000 megawatts of coal, or approximately one sixth of Ohio's entire resource base, are slated to retire. These retiring coal units, if replaced, are being replaced by natural gas, wind, and solar generating units. The rapid change to our generation fuel mix may have a direct impact upon reliability in our State and the region if these new fuel sources cannot be seamlessly integrated into the bulk power system. As we learned this past winter, we cannot rely on just one fuel source going forward.

We acknowledge that NERC is analyzing reliability impacts of conventional generation retirements, increased reliance on gas and demand resources, as well as the integration of higher levels of variable resources. I encourage this continued analysis and ask that the Commission and NERC continue to reach out to State Commissions on this issue.

Like the Commission, State Commissions face the very difficult task of trying to balance the interests of diverse stakeholders while promoting good public policy and effective regulatory initiatives. Because the States are engaged in reliability considerations at the ground

level and are hearing concerns about the impact that these rules could have on States and local economies, we can be valuable resources to the Commission and to NERC. By giving State Commissions a seat at the table on reliability matters, we can utilize a powerful and collaborative process to navigate through the changing tides of our resource mix.

Again, a bulk power system that is prepared for this change in the generation resource mix is, to the States, an indicator of reliability excellence. States hope to be part of the solution in ensuring this excellence.

Thank you again for the opportunity to participate in today's conference. Thank you to my fellow panelists, and I look forward to a continued dialogue on these important matters.

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	Public Utilities Commission of Ohio	thomas.mcnamee@puc.state.oh.us	jonathan.tauber@puc.state.oh.us

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