



Reliability Technical Conference

Docket No. AD17-8-000

Written Remarks of Asim Z. Haque

Chairman of the Public Utilities Commission of Ohio

June 22, 2017

Acting Chair LaFleur, Commissioner Honorable, and staff, thank you for inviting me to participate in today's technical conference. My name is Asim Z. Haque and I am the chairman of the Public Utilities Commission of Ohio (PUCO). I have the privilege of serving on the Board of Directors of the National Association of Regulatory Utility Commissioners (NARUC), and I am also one of two state government sector representatives elected to the Member Representatives Committee (MRC) of the North American Electric Reliability Corporation (NERC). The NERC MRC, which makes recommendations to the NERC Board of Directors, is a wonderfully collaborative group consisting of facility owners, end-use customers, trade associations, independent system operators/regional transmission organizations (ISOs/RTOs), regional entities, marketers, and governmental segments. It is in this total capacity, chairman of a state commission, representative of NARUC and of the NERC MRC, that I present these remarks today.

These remarks are meant to simply inform the Commission of topics related to NERC's reliability endeavors that are foremost on the minds of the states. These topics include:

- distributed energy resources and their collective impact on the Bulk Power System (BPS);

- reliability impacts associated with the retirement of baseload resources; and
- efforts to incorporate cost into the NERC standards process.

Before I elaborate on these topics, I would like to first recognize the diligent work of NERC. NERC has the difficult and highly technical task of ensuring reliability of the bulk power system, and it performs very admirably in that task. State commissions also appreciate the strong relationship we have developed with NERC. The organization's leadership has undertaken serious efforts to engage with states through the MRC, and through their attendance at national/regional state commission conferences. This relationship will continue to be of the utmost importance as we continue to address these and other important issues to system reliability.

Distributed Energy Resources and the Bulk Power System

The rapid advancement of technological innovation on the electric grid is causing many states to launch grid modernization endeavors. Ohio, in fact, recently launched a most comprehensive grid modernization endeavor entitled PowerForward. PowerForward is built upon two pillars: (i) innovation, both technological and regulatory; and (ii) the concept that this innovation should serve to enhance the consumer electricity experience. As the Ohio Commission has learned in PowerForward, innovation associated with distributed energy resources is quickly growing, and we expect for this marketplace to continue to expand in the years to come.

States have been exploring how to best integrate and compensate these distribution system level resources, but there is not tremendous uniformity in evaluation or even outcomes

among the states. Regardless of the path that States take for integrating and compensating these resources, the states understand that they are traversing through uncharted waters.

This sense of the unknown also applies to the intersection of distributed energy resources and their impact to BPS reliability. NERC understands this, and has proactively created the Distributed Energy Resources Task Force (DERTF). The DERTF has begun an important conversation between the states and the broader BPS community. NARUC is pleased to be actively participating in dialogue with members of the DERTF. We believe that the recommendations in the DERTF's final report associated with data sharing, modeling, and industry collaboration are very sensible.

FERC also took an important step in illuminating a path forward for distributed energy resources and battery storage participation in wholesale markets last November when it issued its Notice of Proposed Rulemaking (NOPR) in Docket RM16-23. NARUC commented that NERC should be given time to determine whether and how reliability standards should be expanded or changed as a result of the proposals in the NOPR.

Many states are presently navigating the unknowns associated with distributed energy resources. Although states will always be cautious of jurisdictional creep, the states simultaneously understand that the increased proliferation of distributed energy resources cannot compromise BPS reliability. It appears that the states and NERC are learning together at this juncture, and we stand ready to assist. This could take the form of information sharing so that appropriate modeling can be conducted. This could also take the form of an effort that produces uniform guidance socialized through NARUC. NARUC has taken a special interest in distributed energy resources, publishing a manual dealing primarily in compensation principles

last year. There will be much work to be done, and we look forward to collaborating with NERC throughout.

Retirement of Baseload Resources

There continues to be much dialogue surrounding the changing resource mix and the retirement of coal and nuclear generating plants (typically thought of as “baseload” resources). Some states are taking measures to subsidize these baseload plants through various state initiatives. These state initiatives have prompted very robust policy debates and now a well-documented technical conference at the FERC.

Missing from this discussion, however, has been a true scientific analysis to explain reliability risks to the BPS as these baseload units face potential retirement. NERC is uniquely situated to conduct this analysis. As the Electric Reliability Organization for North America, NERC is capable of examining this issue through actual science/engineering. NERC, in addition to long-term and seasonal reliability assessments, conducts special assessments on emerging issues and trends that will influence bulk power system planning, development, and system analysis.

NERC is presently contemplating conducting a special assessment surrounding the concept of accelerated baseload unit retirements.

As noted in NERC’s *2017 State of Reliability Report*, NERC is continually monitoring the BPS to assess the impact of the age and status of the current generation fleet along with the rapidly changing generation mix.

Grid reliability should be viewed as a scientific problem, and NERC's special assessment could provide concrete data that may serve to inform public policy determinations. Thus, NARUC would support and encourage NERC's efforts to further develop and perform a special assessment regarding reliability impacts of increasing baseload retirements, and to engage in further collaborative discussions based on the scientific outcomes of the study.

Cost Considerations

I testified in 2014 and 2015 at this same technical conference that cost should be considered in NERC standard development and implementation, and that this would help to foster a culture of reliability excellence. The cost of facility compliance with NERC reliability standards will always be a concern for state commissions, as we are tasked with not only ensuring the delivery of reliable electric service, but also implementing fair rates that are just and reasonable.

I am pleased to report that NERC, based on input from its stakeholders, including NARUC, has developed a plan to promote cost analyses in its standards process, including a proposed Cost Effectiveness Method and Pilot Proposal. The states are very cognizant that it may take some trial and error to find the right balance on this issue, but NERC appears committed to the task.

As state regulators are neither owners or operators of facilities on the BPS, they are not best situated to advise on the methodology utilized to incorporate cost into the standards process. NARUC has, however, requested that NERC provide meaningful reporting related to the outcomes of these endeavors at least bi-annually. After NERC's latest proposed endeavors are

initiated, we would like to know how these endeavors are tangibly impacting the standards process, if at all.

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

This foregoing document was electronically filed with the Public Utilities

Commission of Ohio Docketing Information System on

6/12/2017 8:18:53 AM

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Case No(s). 93-7000-EL-FAD

Summary: Comments Written Remarks of PUCO Chairman Haque submitted to Federal Energy Regulatory Commission, FERC Docket No. AD7-8-000, on June 9, 2017 by Assistant Attorney General Tom McNamee. electronically filed by Kimberly L Keeton on behalf of Public Utilities Commission of Ohio