Bob Sussman/DC/USEPA/US
07/09/2010 09:47 AM

To Richard Windsor, Bob Perciasepe, David McIntosh, Lisa Heinzerling, Gina McCarthy
cc
bcc
Subject Fw: InsideEPA: EPA Utility Rules Prompt Industry, FERC Forum On Grid Reliability Impacts

Wanted to make sure you saw this . . . .Gina, weren't you reaching out to FERC?

Robert M. Sussman
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Office of the Administrator
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----- Forwarded by Bob Sussman/DC/USEPA/US on 07/09/2010 09:45 AM -----

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Date: 07/09/2010 08:26 AM
Subject: InsideEPA: EPA Utility Rules Prompt Industry, FERC Forum On Grid Reliability Impacts

I trust that EPA will plan to participate in this. We are reaching out to FERC to ensure that NGOs will participate too.

EPA Utility Rules Prompt Industry, FERC Forum On Grid Reliability Impacts
Posted: July 8, 2010

A slew of new and pending EPA rulemakings to curb power plant air, water and waste pollution is spurring the electric power industry and the Federal Energy Regulatory Commission (FERC) to launch a "leadership forum" to assess growing concerns about the rules' potential adverse impacts on the electric grid's reliability.

Strict EPA rules on utilities' emissions, cooling water intakes, coal waste and other regulations could pressure coal-fired power plant operators to choose between upgrading by installing expensive pollution controls or shut facilities down because of the increased costs in complying with the rules, industry and FERC officials say.

FERC Chairman Jon Wellinghoff told a July 6 industry technical conference in Washington, DC, on reliability that the possible closure of several dozen coal plants as a result of strict EPA rules, and the subsequent impact that could have on the electric grid's reliability, needs to be fully assessed by industry and FERC.

Wellinghoff's comments echo remarks by officials from the American Coalition for Clean Coal Electricity, who argued earlier this year that strict new EPA rules to cut nitrogen oxide (NOx), sulfur dioxide (SO2) and mercury emissions from power plants could be so expensive for older, less efficient coal-fired plants to meet that they might shutter those facilities on a quicker schedule than if they had to meet greenhouse gas controls.

Among the various EPA rules of concern to industry is the recently proposed Clean Air Transport Rule (CATR) that would establish a cap-and-trade system for reducing NOx and SO2 emissions in 31 states and the District of Columbia; tighter national ambient air quality standards for ozone and particulate matter; a rule to force mercury emission cuts; EPA's proposed coal waste disposal rules; and revisions to rules for cooling water intakes.

During the July 6 conference, which also included participation from the North American Electric Reliability Corporation (NERC), officials proposed a leadership forum to assess concerns about the likely shuttering of coal-fired power plants due to the rules' impacts and the potential adverse impacts that could have on the electric grid.

The leadership forum was proposed in remarks delivered by the Energy Department's Bonneville Power Administration and almost immediately gained wide support. The forum would offer a venue to discuss the impacts of new EPA air regulations on reliability, according to Wellinghoff and industry sources.

Greater Communication

Supporters see it as a way to achieve greater communication between the commission, industry and NERC on designing reliability standards, and as a vehicle for discussing problems with reliability caused by EPA rulemakings before they are addressed by FERC orders that require certain actions to address reliability concerns, according to industry sources. The technical conference was held in response to criticism from industry and NERC of FERC's March 18 orders that were seen as undermining the NERC standards-making process.

One official representing investor-owned utilities says that companies are ramping up their focus on EPA's slew of power plant rulemakings and that reliability is becoming a major concern.

The official says the investor-owned utility industry will be pressing NERC and FERC to formally create the proposed stakeholder forum -- which will be used to tackle a variety of reliability issues -- to address the effects EPA's rules will have on the power supply mix and overall system reliability.

Among the top issues industry wants to address with FERC is the proposed CATR, the official says. The proposal must be weighed against how power generators can respond to growing regulatory constraints on coal-fired generation, and whether changes to NERC reliability standards might be needed, the source says.

Other issues are also high on the electric power industry's list of pending EPA regulations that, taken together, will place increasing strain on the power supply into 2016, says the official.

Electric power stakeholders are circulating a timeline -- nicknamed the "train wreck" -- that charts the implementation dates of various EPA power plant regulations and the ripple effects the rules will have on utilities. The rules will require the installation of expensive pollution control technology that may be too costly for some facilities to meet, sources say. While some power plants may be able to absorb the costs of the upgrades, others will have to consider shutting down, the investor-owned utility official adds.

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