

**Written Testimony of Richard Glick
Chairman
Federal Energy Regulatory Commission**

**Before the
Committee on Energy and Natural Resources
United States House Senate**

**Hearing to
Review Administration of Laws Within FERC's Jurisdiction**

September 28, 2021

Chairman Manchin, Ranking Member Barrasso and Members of the Committee:

Thank you for inviting my colleagues and I to appear before you today to discuss the important work we are doing at the Federal Energy Regulatory Commission (FERC or Commission).¹ I am honored to appear before you for the first time since being designated by President Biden as Chair of the Commission in January.

¹FERC is an independent regulatory agency with responsibilities that include ensuring just and reasonable and not unduly discriminatory or preferential rates associated with the sale of electricity, the transmission of electricity in interstate commerce, and the interstate transportation by pipeline of natural gas and oil. The Commission also sites interstate natural gas pipelines and liquified natural gas terminals, as well as licenses hydropower projects. In addition, the Commission has authority over mandatory reliability standards for the bulk electric system. FERC on May 28, 2021 submitted to Congress its 2022 fiscal year budget request. As authorized by the Federal Power Act and the Omnibus Budget Reconciliation Act of 1986, the Commission recovers its full cost of operations through annual charges and filing fees assessed on the industries it regulates. The revenue is deposited into the U.S. Treasury acting as an offset to FERC's budget appropriation. This results in a net appropriation of zero or "net zero budget impact".

ONGOING CHANGE IN THE ENERGY SECTOR

The nation's energy landscape is in the midst of a dramatic transformation, driven by rapid changes in economics, technological innovation, changing consumer preferences, and the exigency of climate change.

Residential, commercial, and industrial consumers are increasingly demanding that their energy comes from zero-emissions resources. Dozens of the biggest utilities in the country have established their own decarbonization goals, and a growing number of state and federal policies are aimed at dramatically reducing greenhouse gas emissions.

The Commission's job is not to pick winners and losers. But we do have a role in eliminating barriers to a technology's participation in wholesale markets. For instance, over the last several years FERC issued landmark orders facilitating energy storage and aggregated distributed energy resources' participation in organized wholesale electric markets.

FERC'S ROLE IN NAVIGATING SECTOR CHANGE

Today I will focus my remarks on five priority areas of our work: (1) building the transmission grid of the future; (2) modernizing electricity market design; (3) updating FERC's natural gas certificate Policy Statement; (4) safeguarding the reliability of the electric grid; and (5) facilitating a more inclusive decision-making process.

BUILDING TRANSMISSION FOR THE FUTURE

The rapid shift in the resource mix and the growing threat to grid resilience due to the changing climate require significant investments in new and existing transmission.

In July, the Commission unanimously approved an Advance Notice of Proposed Rulemaking (ANOPR) inviting the public to comment on potential reforms to improve current transmission planning and cost allocation and generator interconnection processes. The aim of this initiative is to meet the transmission needs of the future at the lowest cost to consumers. Through the ANOPR, FERC is taking a critical step toward our first major effort at transmission reform in a decade, and I hope to move forward as expeditiously as possible with this priority work.

MODERNIZING ELECTRICITY MARKET DESIGN

While organized wholesale electric markets continue to provide for lower prices, greater efficiencies, and increased innovation, these markets are now some 20 years old and in certain regards may fail to reflect the modern electricity sector.

One key focus is to address the increasing tension between state public policies and administrative pricing rules. As states were adopting clean energy policies that shift the resource mix toward renewable and zero-emissions generation, the Commission expanded its minimum offer price rules (MOPR) in the eastern RTO capacity markets in a manner that put state-supported generation resources at a competitive disadvantage. In response to strong concerns from the states, the clean energy industry and consumer groups, the regional grid operators have initiated stakeholder discussions to reform their capacity market rules to better accommodate state policies.

In addition, the Commission generally relies on competition to establish just and reasonable rates in wholesale markets. But this only works if there is true competition. The Commission's vigilant use of its authority to prevent manipulation of electric and natural gas markets is an essential tool to ensure rates are just and reasonable.

UPDATING FERC’S NATURAL GAS CERTIFICATE POLICY STATEMENT

Under the Natural Gas Act, FERC essentially must determine whether a proposed interstate natural gas pipeline is both needed and in the public interest before issuing the project a “Certificate of Public Convenience and Necessity.”

In 2018 then- Chairman McIntyre initiated a Notice of Inquiry seeking input into potential reforms to modernize the Commission’s 1999 Certificate Policy Statement. While the Commission received numerous comments at the time, no action was taken.

Earlier this year, we issued another Notice of Inquiry seeking additional input including: (1) options for determining whether a proposed pipeline project is needed, (2) approaches for evaluating a proposed project’s impact on climate change, and (3) what considerations are required when a proposed project would be sited in an environmental justice community. The need to see this proceeding to a conclusion is even more urgent in the aftermath of several appellate court decisions highly critical of aspects of the Commission’s approach to pipeline certification.

SAFEGUARDING INFRASTRUCTURE FROM EMERGING RELIABILITY THREATS, INCLUDING CYBERSECURITY

As we have witnessed in Texas this past winter, the prolonged loss of electric service is more than just an inconvenience. It can and did produce tragic consequences.

FERC and the North American Electric Reliability Corporation are conducting a joint inquiry into the operations of the bulk electric system during Winter Storm Uri and recently released an interim report suggesting a lack of weatherized generation and problems associated with natural gas production and processing were the main causes of the Texas blackouts. I am determined that the recommendations arising from this joint inquiry be implemented to avoid a reoccurrence of these events.

Whether it is prolonged record cold, heatwaves, drought and wildfires in the West, or increasingly ferocious hurricanes in the Gulf, climate change poses a distinct threat to grid reliability. The Commission recently initiated a docket to examine the impact of extreme weather on grid reliability. We will continue to focus on actions that utilities and others can take to address the growing threat of extreme weather.

We need to be equally vigilant when it comes to potential cyber-attacks against the grid. At FERC, we use a two-pronged approach to safeguard grid security, employing mandatory standards to set requirements for foundational practices, while we work collaboratively with industry, states, and other federal agencies to identify and promote best practices. Given the high stakes, we devote constant attention to and continue to explore improvements in cybersecurity.

INCLUSIVE ENGAGEMENT AND ENVIRONMENTAL JUSTICE

FERC's regulatory actions have a significant impact on the lives of millions of people. As a result, it is important that our decision-making processes include robust input from diverse perspectives.

That is why I am pleased the new Office of Public Participation is up and running. I want to commend my colleague -- Commissioner Clements -- for her leadership and hard work in helping to establish the Office.

Toward the goal of inclusivity, I want to highlight FERC's efforts to better incorporate environmental justice and equity concerns into our decision-making. It is unlikely that FERC is hearing from members of historically marginalized communities with the same force and frequency as other stakeholders and thus it is essential that environmental justice and equity get the attention in our decision-making processes that they deserve.

CONCLUSION

Thank you again for the opportunity to share some of the Commission's priorities. I look forward to responding to your questions.