UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

Managing Reliability Risks and Challenges	Docket No. AD24-10-000

PREPARED WRITTEN STATEMENT OF RANDY S. HOWARD, GENERAL MANAGER OF THE NORTHERN CALIFORNIA POWER AGENCY

Thank you for the invitation to participate in this technical conference on policy issues related to the reliability and security of the bulk power system. For this panel on "Managing Reliability Risks and Challenges," the Commission has asked how it, the North American Electric Reliability Corporation (NERC), and industry should prioritize and address the rapidly evolving risks facing the grid. The five risk profiles that NERC, in consultation with the industry, developed in the ERO Reliability Risk Priorities Report[1] are an appropriate framework for assessing and prioritizing risk to the bulk power system. I will organize my comments around those five risk profiles.

My name is Randy S. Howard, and I am the General Manager of the Northern California Power Agency. NCPA is a nonprofit California joint powers agency established in 1968 to construct and operate renewable and low-emitting generating facilities and assist in meeting the wholesale energy needs of its 16 members: the Cities of Alameda, Biggs, Gridley, Healdsburg, Lodi, Lompoc, Palo Alto, Redding, Roseville, Santa Clara, Shasta Lake, and Ukiah, Plumas-Sierra Rural Electric Cooperative, Port of Oakland, San

[1] NERC, ERO Risk Reliability Risk Priorities Report (Aug. 17, 2023), https://www.nerc.com/comm/RISC/Related%20Files%20DL/RISC_ERO_Priorities_Report_2023_Board_Approved_Aug_17_2023.pdf.

Francisco Bay Area Rapid Transit (BART), and Truckee Donner Public Utility District—collectively serving nearly 700,000 electric consumers in Central and Northern California.

I am also representing today the American Public Power Association (APPA), the voice of not-for-profit, community-owned utilities that power 2,000 towns and cities nationwide. They collectively serve over 54 million people in 49 states and five U.S. territories, and account for 15 percent of all sales of electric energy (kilowatt-hours) to end-use consumers. Public power utilities are load-serving entities, with the primary goal of providing the communities they serve with safe, reliable electric service at the lowest reasonable cost, consistent with good environmental stewardship.

Throughout my tenure as General Manager of NCPA and former head of the Power System for the Los Angeles Department of Water and Power, I have been extensively involved in Western-based transmission planning processes, heavily engaged in technical and policy-related transmission planning debates both inside and outside the CAISO footprint. That knowledge base is supported through active participation in FERC transmission policy development as a member of APPA, the Transmission Access Policy Study (TAPS) Group, Board Member of the Transmission Association of Northern California (TANC), and Launch Committee Member of the West-wide Pathways Initiative.

As public power utilities, our focus is on the customers in our communities who rely on us to keep their lights on and their bills affordable, even as the risks to the grid grow.

We recognize the system is getting more complicated and the risks of non-performance are increasing. Still, when the Commission and NERC develop policies or

create new reliability standards, the goal should be to reduce risks for customers in the most cost-effective way possible. Key to attaining this goal is optimizing the relationship between risk and affordability. Simply stated, while it is important to reduce reliability risk, it is not practical to eliminate risk without considering the cost impact on consumers of doing so.

I. ENERGY POLICY

Evolving federal and state policies can make it more challenging for load-serving entities and grid operators to maintain reliability. For instance, some state/local renewable portfolio standards (RPS) require utilities, without concurrence of their resource planners, to procure/develop specific types or quantities of resources. And some federal environmental policies make it more difficult to build or retain dispatchable resources. Such policies increase reliability risk on the grid.

We should ensure that policymakers have quality information and access to technical staff that can provide understandable assessments about electric reliability risks that their policies will create. We need the Commission and NERC to assist industry in explaining reliability risks to local and state officials and other agencies.

II. GRID TRANSFORMATION

Load is growing rapidly while we are retiring dispatchable generation and sufficient new generation that can provide essential reliability services cannot be added due to delays in interconnection queues and permitting. Capital dollars required for these new resources are also competing with the need to replace aging infrastructure that is failing prematurely due to stress from extreme weather events.

Load-serving entities are ultimately responsible for supplying reliable electricity to customers. We have to ensure that, as the grid continues to transform, we procure sufficient resources to meet our customers' needs at the lowest cost. The Commission should adopt policies that make it easier and more cost-effective for load-serving entities to fulfill their obligations.

III. EXTREME EVENTS

Natural events that disrupt electricity supply—wildfires, hurricanes, heat domes, polar vortexes—are becoming more frequent and more severe. In fact, in California some wind events that could potentially cause a wildfire result in public safety power shutoffs (PSPS), which reduce reliability to mitigate potential wildfire damage cost risks.

We need to focus on regional solutions rather than one-size-fits-all solutions. Extreme heat, extreme cold, and natural disasters have different characteristics and impacts in different parts of the country. Many regional areas have specific resource and load efficiency benefits that are unique. Continent-wide NERC standards are less effective at addressing extreme weather events than leveraging existing regional processes to adopt solutions that are tailored to mitigate the specific risks in each region.

IV. SECURITY RISKS

Cyber and physical threats to the grid are growing. As utilities continue to transform and integrate new technologies, the security risks increase. Hostile actors are increasingly targeting the electric system and appear to be doing so more during extreme weather events when utilities are challenged with outage responses. Utilities, who are responsible for

protecting their assets, take those threats seriously and work hard every day to keep their systems secure.

The Commission and NERC should support industry in this important work. Securing the grid and making it more resilient requires the industry and the Commission to work together to identify risk-calibrated, cost-effective mitigation measures. Recognizing that security threats can never be completely eliminated, it is most prudent to allocate resources to securing the most critical assets from high-risk threats.

While NERC reliability standards are one important tool for addressing cyber and physical threats, the Commission, NERC, and industry have many other tools at their disposal to address the threats—e.g., alerts, guidelines, and information sharing—that are often quicker to develop and more effective at reducing risk.

One example is threats to the supply chain. Rather than imposing complex procurement obligations that require each utility to individually assess the risks of all potential vendors, the Commission and NERC can play an important role in conducting risk assessments of the supply chain and sharing that information with industry.

V. GAS-ELECTRIC INTERDEPENDENCE

Growing reliance on natural gas generation resources creates the risk that disruptions on the natural gas system can cause widespread electric reliability impacts. The Commission has been aware of this issue for nearly two decades and commenced a formal proceeding in 2012 in response to a request from Commissioner Phillip Moeller.

Since that time, the issue of gas-electric coordination has been repeatedly studied and debated with many recommendations being made, and some improvements. But more

work remains to be done on identifying critical natural gas infrastructure, facilitating timely communication of operational issues, and enhancing gas-electric situational awareness to support electric reliability.

As the nation looks to electrify, gas-electric coordination must consider other elements of the energy consumption chain, including usage patterns of buildings and electric transportation with the ability of local systems to provide backstop service in the event that the grid is compromised for any extended period of time.