



COMMITTEE ON
ENERGY & COMMERCE
DEMOCRATS
RANKING MEMBER FRANK PALLONE, JR.

FOR IMMEDIATE RELEASE
July 26, 2017

CONTACT
[CJ Young](#) — (202) 225-5735

Pallone's Remarks at Energy Hearing on Electricity Markets

Washington, D.C. – *Energy and Commerce Ranking Member Frank Pallone, Jr. (D-NJ) delivered the following opening remarks today at a Subcommittee on Energy hearing on "Powering America: A Review of the Operation and Effectiveness of the Nation's Wholesale Electricity Markets:"*

Thank you for holding this hearing on the operation of our nation's electricity markets. This is the second hearing on this subject in this subcommittee this month. And just like last week's hearing Ranking Member Rush and I worked in partnership with Chairmen Upton and Walden to set up today's hearing in order to provide us important and unbiased background for future decisions.

I am pleased we have an opportunity to hear from those who are entrusted to run the grid: the regional transmission organizations, or RTOs. While versions of these "independent system operators" have existed for decades, it was the Energy Policy Act of 2005 that enshrined these organizations as central to the wholesale markets. These markets have yielded us many benefits, including some of the lowest prices we have ever seen for electricity.

However, that doesn't mean that we should just turn a blind eye to the question of whether these organizations are properly positioned to address the many changes that are underway in the electricity sector. RTOs make decisions every day that greatly affect the market, its participants, and consumers. In some ways, they are more powerful on a day-to-day basis than the Federal Energy Regulatory Commission (FERC), which is why we need to ensure that RTOs are providing unbiased management of their systems and not veering into the kind of policymaking that is responsibility of Congress and the states.

Today, RTOs have their work cut out for them. New technologies, evolving policies, fuel market changes, and aging infrastructure all influence the operation, reliability and resiliency of the grid. So too do changes in patterns and distribution of electricity demand. All of these factors have called into question the most basic tenets of ratemaking, and challenged the long-standing financial model for utilities. They are also having an impact in wholesale

markets with implications for the competitive position of more traditional grid assets. I am sure we will hear more about these issues from our witnesses today.

The growth of distributed generation and these new technologies are also creating opportunities for consumers and their advocates to have a more active role in the electricity sector. Consumers are driving policies at the state level through the public utility commissions and seeking input on decisions that impact generation, distribution, and transmission of electricity. Although consumers have not played a role in RTO decision-making, it may be time to put in place formal mechanisms to facilitate direct communication between consumer advocates and the RTOs.

Each of the organizations we will hear from today operates differently. While they are all administering wholesale markets, their governance structures, market rules, state and regional policies, and relationships to market participants and consumers are different. This hearing gives us the opportunity to compare and contrast the different approaches and to evaluate whether some approaches offer advantages in managing the grid.

Keeping the electric grid operating is essential to our economy and our society. So, the RTOs' focus on grid reliability and resiliency is understandable. But, these concepts are evolving along with the new technologies and tools that have emerged over the past decade.

Reliability and resiliency are no longer defined solely by transmission and baseload generation assets. In some cases, I've seen transmission projects needlessly rubberstamped in the name of reliability. There are certainly other ways to address reliability than just gold plating the transmission system. Newer and bigger transmission lines are no longer always the best or most cost-effective answer to the question of how we improve reliability. It's time for the RTOs to begin to adapt to this new reality. Distributed energy resources –renewable and otherwise—along with efficiency and demand response, are equally important.

Of course, we certainly do need more interstate and interregional transmission, particularly from the Great Plains to the rest of the Eastern Interconnection. The lack of progress in this area leads me to ask whether the approval process between regions is working as efficiently and effectively as it should and whether regions have become too balkanized and unable to work together for the greater good.

Mr. Chairman, I'm pleased we have been able to work together on this hearing series evaluating our nation's electricity markets. Last week, we learned about the perspectives of market participants, and today have an experienced panel representing our nation's RTOs. But, what we have been missing so far is an analysis of consumer perspectives. There are a number of important issues impacting consumers that we must consider, including governance structures, cost recovery models and appropriate transparency. I hope that you will commit to holding such a hearing in the near future.

That said, I look forward to hearing from our distinguished panel.

###

democrats-energycommerce.house.gov | [Twitter](#) | [Facebook](#) | [Instagram](#) | [YouTube](#) | [Flickr](#)