

## **“In 40 years, the Clean Air Act has never caused a reliability problem”**

### **Looking beyond utility ‘reliability’ scare tactics that would delay health protections for children and the elderly**

To avoid or delay their responsibility to reduce pollution, some in industry have resorted to scare tactics claiming that new EPA air rules will lead to blackouts and grid reliability issues across the country. For example, consider recent statements by Mike Morris, CEO of utility giant AEP:

*“[T]he potential impacts on the reliability of the transmission system, particularly in the Midwest, are significant. The proposed timelines for compliance aren’t adequate for construction of significant retrofits or replacement generation, so many coal-fueled plants would be prematurely retired or idled in just a few years.”<sup>i</sup>*

*“The United States economy will come to a screeching halt on the day that it no longer has base load generation to satisfy the market demands.”<sup>ii</sup>*

The goal of these misguided statements is to scare the public and policymakers into delaying critical public health protections. As noted by the American Lung Association and other prominent health groups, delaying just two of the targeted EPA air pollution rules would result in up to 51,000 premature deaths and 520,000 more asthma attacks each year, many in our most vulnerable populations – children and the elderly.<sup>iii</sup>

### **The record, leading experts, and the facts – all tell a different story:**

#### *The record:*

- **“In 40 years, the Clean Air Act has never caused a reliability problem.** I am confident that this rule can be implemented in a way that lets businesses make the decisions that they need but doesn’t sacrifice public health.”<sup>iv</sup>  
- **Lisa Jackson, EPA Administrator**

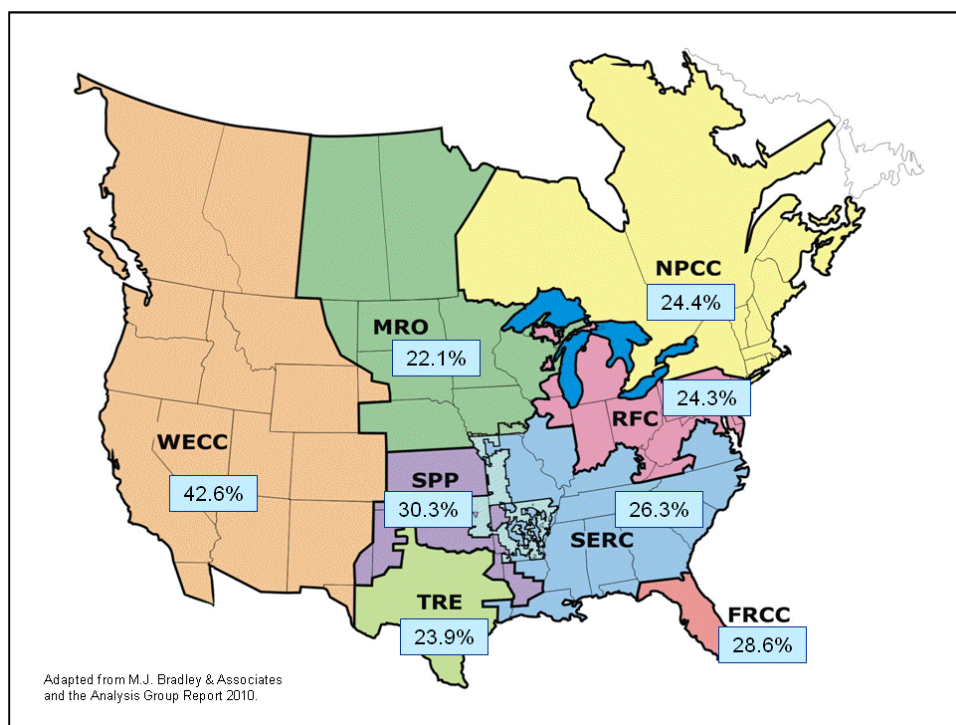
*Leading experts:*

- **Jon Wellinghoff, Chairman of FERC** said, “**We do not need to stop these rules going forward. I think these rules are appropriate. These rules, in fact, do what needs to be done in this country...**there is at least 100 GW of excess capacity above the existing capacity...as Commissioner Norris indicated in his full testimony, between 2000-2003, we put in over 200 GW of new capacity in this country. So it’s not unprecedented. It is something that, in fact, has happened before and is something that we certainly can take care of with respect to proper planning, proper analysis and review by the planning authorities.”<sup>v</sup>
- **John Norris, Commissioner of FERC** said, “**I believe that the EPA has adequately addressed reliability concerns** and its statutory obligations with the rules established to date and I have no reason to believe that it cannot continue to do so as it finalizes proposed rules...To the extent changes to some market rules are needed as EPA’s regulations are implemented, the Commission can quickly respond to such needs... **There is not likely to be a resource adequacy problem nationwide. We have supplies or we can build supplies in time to address the overall generation needs of this country.**”<sup>vi</sup>
- “**A Department of Energy (DOE) senior policy advisor** says **grid reliability impacts from EPA rules will be local in nature and manageable through the use of existing authorities by the Federal Energy Regulatory Commission (FERC)**...analysis done by the Energy Information Administration indicates that with significant fuel switching from coal to natural gas, **‘you don’t see a lot of closures.’** There is an ‘under appreciation’ of the measures that can be taken to avoid any risks to reliability.”<sup>vii</sup>
- **Jack Fusco, President and CEO of Calpine Corp.** said, “**The electric industry has a proven track record of adding generating capacity and transmission solutions when and where needed and coordinating effectively to address reliability concerns.** In addition, **existing natural gas-fired power plants have significant unutilized power production capacity** to help meet demand as owners elect to retire plants or schedule outages to install pollution control systems, **thereby easing reliability concerns.**”<sup>viii</sup>
- **Avista Corp., Calpine Corp., Constellation Energy, Exelon Corp., National Grid, New York Power Authority, NextEra Energy, PG&E Corp., Public Service Enterprise Group, Inc. and Seattle City Light, and Austin Energy** said: “**The electric industry can comply with the proposed toxics rule with existing, cost effective pollution control technologies and compliance will not compromise the reliability of the electric system...**we expect compliance with the rule will promote economic growth, innovation, competitiveness, and job creation, all without compromising the reliability of our electric system.”<sup>ix</sup>

### *The Facts:*

To promote grid reliability, most areas of the country require a 10-15% “reserve margin” to ensure that supplies of power exceed expected demand. In recent years, new plant construction, reduced demand and robust load management programs have resulted in reserve margins well in excess of the 10-15% minimum reserve requirement (see figure 1). When combined with a suite of additional flexibility measures that state and federal authorities have at their disposal and new natural gas units that are expected to come online, this extra supply “buffer,” ensures that utilities can retire their oldest, dirtiest and least economic plants without reliability impacts:

**Figure 1. U.S. Grid Reserve Margins in 2013**



For more on reliability, see <http://www.analysisgroup.com/article.aspx?id=10786>.

<sup>i</sup> AEP Press Release, June 9, 2011, “AEP shares plan for compliance with proposed EPA regulations.” Accessible at: <http://www.aep.com/environmental/news/?id=1697> (viewed 8/18/2011).

<sup>ii</sup> Power Engineering Magazine, Aug 18, 2011, “Coal-Gen 2011 kicks off in Columbus.” Accessible at: <http://www.power-eng.com/articles/2011/08/coal-gen-2011-kicks-off-in-columbus.html> (viewed 10/27/2011).

<sup>iii</sup> American Lung Association, American Public Health Association, Asthma and Allergy Foundation of America, Physicians for Social Responsibility, Trust for America’s Health. Letter to Chuck Gray, Executive Director, NARUC (July 14, 2011).

<sup>iv</sup> Lisa Jackson, EPA Administrator, verbal testimony, referencing the Cross State Air Pollution Rule. U.S. House of Representatives, Committee on Energy and Commerce Hearing, “Regulatory reform series #7 – The EPA’s regulatory planning, analysis, and major actions” (Sept. 22, 2011).

---

<sup>v</sup> Jon Wellinghoff, FERC Chairman, verbal testimony. U.S. House of Representatives, Committee on Energy and Commerce Hearing, “The American energy initiative: impacts of the Environmental Protection Agency’s new and proposed power sector regulations on electric reliability” (Sept. 14, 2011).

<sup>vi</sup> John Norris, FERC Commissioner, written and verbal testimony. U.S. House of Representatives, Committee on Energy and Commerce Hearing, “The American energy initiative: impacts of the Environmental Protection Agency’s new and proposed power sector regulations on electric reliability” (Sept. 14, 2011).

<sup>vii</sup> Inside EPA, Oct 14, 2011, “DOE downplays utility rules’ grid impacts as localized, manageable.”

<sup>viii</sup> The Clean Energy Group Press Release, March 25, 2011, “The electric industry can comply with the proposed toxics rule with existing, cost-effective pollution control technologies and compliance will not compromise the reliability of the electric system.” Accessible at:

<http://www.thecleanenergygroup.com/documents/Toxic-Rule-Statement-Final.pdf> (viewed 10/14/2011).

<sup>ix</sup> The Clean Energy Group, March 25, 2011 Press Release, “The electric industry can comply with the proposed toxics rule with existing, cost-effective pollution control technologies and compliance will not compromise the reliability of the electric system.” Accessible at:

<http://www.thecleanenergygroup.com/documents/Toxic-Rule-Statement-Final.pdf> (viewed 10/14/2011).