ACTING CHAIRMAN CHERYL LAFLEUR
HOUSE ENERGY & POWER SUBCOMMITTEE DEC. 5 TESTIMONY

Thank you very much Chairman Whitfield, Ranking Member McNerney and members of the subcommittee. My name is Cheryl LaFleur. For three-and-a-half years I've had the privilege of serving as a Commissioner on the Federal Energy Regulatory Commission, and I have appeared before this subcommittee previously in that capacity.

Today I appear before you as the Commission's acting chairman, an appointment I received just 10 days ago. Thank you for your good wishes, and I look forward to working with my colleagues and the wonderful employees at FERC in my new role.

Thank you for holding this hearing today. My colleagues and I appreciate the attention you give to your oversight duties and the opportunity to share our work with you.

I'm honored to lead the Commission at a time when our nation is making substantial changes in its powers supply, and its associated infrastructure, to meet environmental challenges and improved reliability and security. In particular, as you noted, we are seeing significant growth in the use of natural gas for electric generation due to the increased availability and affordability of domestic natural gas, and to the relative environmental advantages and flexible operating characteristics of gas generation.

That is a significant advantage we have over Europe, with the abundance of domestic natural gas to balance our renewable resources.

The second driver of change is the tremendous growth of renewable and demand side resources, which is being fostered by developments in technology and by policy initiatives in 39 states and at the federal level. Finally, new environmental regulations are also contributing to changes in power supply.

Although the drivers of power supply changes are largely outside the Commission's jurisdiction, we must be aware of and adapt to these developments to carry out our responsibilities to ensure just and reasonable rates, a reliable power grid, and fair and efficient electric and gas markets. My colleagues will discuss several of the ways we are responding.

We divided up these topics, and I want to focus the balance of my testimony on another critical aspect of our work – reliability and grid security. Ensuring reliability means that the Commission and NERC, our electric reliability organization, really take care of two things. One is the day-to-day, nuts-and-bolts activities like trimming trees and setting relays to keep the lights on – emergency response. And the second is emerging issues like cybersecurity.

I believe we are making progress on both fronts. In the past three years we have voted out numerous orders on the day-to-day-type standards of tree trimming, frequency response,

planning criteria and so forth. And we hear from NERC that they are seeing a reduction in transmission-related outages in the grid as opposed to previous years. Going forward we very much have to build on that progress.

The emerging issues are somewhat different because we have to try to set standards in an environment of incomplete information. We don't have the benefit of decades of experience and we know the challenges are evolving. But it is still incumbent on us to try to develop meaningful, cost-effective regulation that we can enforce in an environment of imperfect knowledge.

Two weeks ago, the Commission approved version 5 of the Critical Infrastructure Protection Standards that cover the bulk electric grid against cybersecurity incidents. They are not perfect. We did ask some questions as we approved them, things that we wanted modified. But they represent a substantial step forward from the protections that were in place before.

We have also started a rulemaking to require standards to protect against geomagnetic disturbances that can be caused by solar storms and human actions, a real example of high-impact, low-frequency threats to reliability that we need to get ready for before they happen.

Finally, I want to touch on the subject that Congressman Waxman raised, the physical security of the assets that make up the grid; protecting them from tampering, vandalism and sabotage. In general our approach in this area has been based on cooperative efforts with industry and with other government agencies – DHS, FBI, DOE, and so forth – to try to develop best practices. And communicating with industry to make sure they are implementing those best practices.

Thank you very much for the opportunity to be here today, and I look forward to your questions on any aspects of the Commission's work.