

ELCON PRESS RELEASE

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ANDERSON URGES REVAMP OF RELIABILITY FUNDING

“Funding is the key,” said John Anderson, executive director of the Electricity Consumers Resource Council (ELCON). “We may not see a reliability bill passed for quite a while. FERC does not have to wait for legislation to begin addressing the funding issue.”

Anderson was speaking at the Bilateral ERO Oversight Group of the North American Electric Reliability Council (NERC) in Toronto. His comments, he said, were “designed to kickstart the debate on how reliability gets funded.”

Anderson pointed out that NERC is currently funded by the ten Regional Reliability Councils (RRCs) which comprise NERC’s membership. But in the future, in most parts of the U.S., the reliability function will increasingly be exercised by Regional Transmission Organizations (RTOs) and Independent System Operators (ISOs). “The footprints of the RRCs are inconsistent with the footprints of the RTOs and ISOs,” he said. This results in “duplication of costs and efforts.”

Instead, Anderson said, ELCON proposes “that the ten Regional Reliability Councils be phased out and replaced with three Interconnection-wide Regional Councils (IRCs). The continued existence of RRCs, particularly with footprints that do not coincide with RTOs or ISOs, fosters inefficiency and higher costs,” he asserted.

ELCON proposed two alternative funding mechanisms, one to be used prior to the enactment of the “reliability” legislation and one for use after. The consensus legislative language on reliability, Anderson said, requires the new electric reliability organization (ERO) to “allocate equitably the costs to end users” which Anderson described as “giving a limited amount of retail ratemaking authority to the ERO.” ELCON suggests, said Anderson, that “the [legislative] language be changed before implementation” so that the ERO does not have direct or indirect retail ratemaking authority.

Regardless, said Anderson, collecting the funds should be done “as close to the end-use customer as practical.

“ELCON believes that since the RRCs both write the checks to cover the costs of NERC and have the sole designation of ‘member,’ the RRCs have had a disproportional influence over the structure, operations and policies” of the organization,” he maintained, noting that there “is a potential conflict of interest between NERC and the RRCs.

“The reliability of the electricity grid is probably more important to consumers than it is to generators, and consumers’ views on grid reliability must be part of the decision-making process,” said Anderson. “Changing the funding, so there are no longer any conflicts of interest or so-called membership privileges, would be a first step toward a more equitable process. Let the debate begin.”

ELCON, established in 1976, is the national association of large industrial users of electricity from virtually every manufacturing sector. ELCON members seek a reliable supply of electricity at competitive prices and have long supported federal and state efforts to achieve that objective.