

MADRI MEETING – JUNE 8, 2012

IMPACT OF ENVIRONMENTAL REGULATIONS ON DEMAND RESPONSE

**Federal Energy Regulatory Commission
Conference Room 3M2A/2B
888 First St., NE
Washington, DC**

**NOTE: Attendees will need to sign in at the security desk.
Please allow extra time to arrive no later than 10am.**

Topic 3 - Impact of Environmental Regulations on Demand Response – This session will examine the impacts and implications for demand response programs of new and upcoming environmental regulations. Particular attention will be paid to the federal Mercury and Air Toxics Standards (MATS) and Reciprocating Internal Combustion Engines (RICE) rules recently promulgated by USEPA. State-specific environmental regulations will also be considered.

The RICE rule imposes environmental requirements that could have significant effects on the ability of some back-up generators to respond to (or prevent) emergency situations and, indirectly, could affect choices of technologies and fuels used for back-up generation. The MATS rule adds to substantial existing drivers that are already leading to fossil unit retirements. In addition, the MATS rule will require temporary outages for repowering or pollution control installations. Demand response resources may be increasingly important for maintaining reliability as these rules and future environmental rules are implemented.

The goal of this meeting will be to promote discussion and provide insights on how to ensure that demand response policies and programs are in place to maintain reliability and minimize the costs of compliance with new environmental regulations.

AGENDA

9:30 – 10:00am

Networking

10:00 – 10:15am

Introductions

The Honorable Lawrence Brenner, Maryland Public Service Commission
Janine Migden-Ostrander, Regulatory Assistance Project

10:15 – 11:15am

New USEPA Regulations and their Implications for Back-Up Generation

Joe Goffman, U.S. Environmental Protection Agency
Kevin Culligan, U.S. Environmental Protection Agency
Melanie King, U.S. Environmental Protection Agency
Stacy Angel, U.S. Environmental Protection Agency

This topic will explore the implications of new USEPA regulations, in particular the Mercury and Air Toxics Standards (MATS) and Reciprocating Internal Combustion Engines (RICE) rules, for back-up generation. The panel will address a variety of questions, including:

- In general terms, what do these rules require? What are the benefits from these rules?
- Will the RICE rule restrict the ability of diesel-fueled back-up generators to operate in emergency or non-emergency situations, and if so, what constitutes an “emergency”?
- How will EPA consider the availability of back-up generators when considering a request from a power plant owner for additional time (a “fifth year”) to comply with the MATS rule?
- What other power sector rules will have an impact on backup generation?
- What is EPA doing during rule development and implementation to support (or at least not disadvantage) the deployment of distributed resources?

11:15 – 12:30pm

Potential Changes in Grid Operation Resulting from New USEPA Regulations

Gary Helm, PJM
John Shelk, Electric Power Supply Association
Joe Bowring, PJM Market Monitor

This topic will build on the discussion of new environmental regulations and consider the broader implications for grid operations and demand response, with a focus on the PJM footprint. Panelists will address these questions:

- What are the expected or projected impacts of USEPA regulations on fossil unit retirements, temporary outages for repowering and pollution control installations, and reserve margins?
- Are there ramifications for capacity expansion planning?
- What effect might the new rules have on dispatch decisions in PJM?
- What role can demand response programs play in maintaining reliability?
- What is the future viability of legacy contracts which limit demand response in PJM to just summer peaks?
- Is it necessary for PJM or states to modify demand response policies and programs, or electric rates, to meet this challenge?

12:30 – 1:45pm

Lunch (on your own) and Networking

1:45 – 2:45pm

State Agency Perspectives on the Impact of Environmental Regulations

Randy Mosier, MD Department of the Environment

Ali Mirzakhali, DE Department of Natural Resources and Environmental Control

Vince Brisini, PA Department of Environmental Protection

Under federal environmental laws, State regulations must be at least as stringent as USEPA regulations; however, states are free to exceed the federal regulations. This panel will focus on examples from a few states of state regulations that affect the ability of back-up generators to participate in PJM demand response on an emergency or economic basis. The panel will also explore any recent changes the state EPA's have made to respond to changes on the Federal level.

2:45 – 3:00pm

Wrap-Up, Adjournment

The Honorable Lawrence Brenner, Maryland Public Service Commission

Janine Migden-Ostrander, Regulatory Assistance Project