

**Testimony of Chairman Jon Wellinghoff
Federal Energy Regulatory Commission
Before the Energy and Environment Subcommittee
Of the Committee on Energy and Commerce
United States House of Representatives
Oversight Hearing for the Federal Energy Regulatory Commission
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Mr. Chairman and members of the Subcommittee:

My name is Jon Wellinghoff, and I am the Chairman of the Federal Energy Regulatory Commission (Commission). Thank you for the opportunity to appear before you today to discuss the Commission's work on many of the important energy issues and challenges now facing our Nation.

Last fall, I provided Congress with the Commission's new Strategic Plan for the next five years. As stated in our Strategic Plan, the Commission's mission is to assist consumers in obtaining reliable, efficient, and sustainable energy services at a reasonable cost through appropriate regulatory and market means.

Fulfilling this mission involves pursuing two primary goals:

- (1) Promoting the development of safe, reliable, and efficient energy infrastructure that serves the public interest; and
- (2) Ensuring that rates, terms and conditions for wholesale sales and transmission of electric energy and natural gas in interstate commerce are just and reasonable and not unduly discriminatory or preferential.

These goals are fundamental. They arise from the Commission's longstanding authorizing statutes, particularly the Federal Power Act and the Natural Gas Act. However, the context in which the Commission is pursuing these goals is changing with our Nation's energy challenges. For example, our strategy to move toward energy independence and greater reliance on clean energy must include removing barriers so that a wider range of resources – including renewable energy resources and demand resources – can contribute to achieving our core goals.

Safe, Reliable, and Efficient Energy Infrastructure

The Commission plays an important role in the development of a strong energy infrastructure that operates safely, reliably, and efficiently.

Since 1920, the Commission has been charged with licensing and overseeing the operation of the Nation's non-federal hydropower projects. Under Part I of the Federal Power Act, the Commission has also sited thousands of miles of electric transmission lines that have delivered this hydropower to the Nation's consumers. Likewise, under the Natural Gas Act, the Commission has authorized the construction of natural gas pipelines for over 65 years. Under the Commission's oversight, the country has developed a robust, comprehensive pipeline system that moves natural gas supplies from distant producing areas to consuming regions. In implementing these and other authorities related to infrastructure development, the Commission has encouraged the development of appropriate energy projects, while also providing for public participation, protecting the interests of all stakeholders, and safeguarding the environment.

Commissioner Moeller will discuss in greater detail the Commission's role with respect to hydropower and natural gas infrastructure.

Electric Transmission Infrastructure

I would like to touch on another aspect of infrastructure development that is of great importance to the Commission and our Nation: the electric transmission grid. A robust electric transmission grid is essential to achieving the vision of an energy future that I believe most of us share. Before describing that vision and the related challenges we now face, it is useful to consider the current state of our transmission system. A few statistics are instructive.

Our transmission grid is currently divided among more than 300 transmission owners and more than 100 balancing authorities. The grid includes some 164,000 miles of transmission lines at 230 kV and above, but less than 3,000 miles of those lines are at 500 kV or above.

Recent years have seen the beginning of much needed investment in transmission infrastructure. Nonetheless, since 2001, only 3,000 miles of transmission lines at 230 kV or above have been put into service. Moreover, only 748 miles of those facilities at 345 kV or higher crossed state lines. By contrast, our Nation has added more than 13,000 miles of new interstate natural gas pipelines since 2000. Currently, there are approximately 220,000 miles of interstate natural gas pipeline in service.

The bottom line from such statistics is that our electric transmission system is balkanized and, in many respects, improving only slowly.

Why does the state of the grid matter? Because a robust transmission system is a key to realizing an energy future in which clean, affordable, and reliable energy is

the everyday norm. Indeed, a robust transmission system is essential to achieving many of our Nation's goals, such as revitalizing our economy, strengthening our national security, promoting fuel diversity, reducing greenhouse gas emissions, and ensuring reliability in the delivery of electricity.

As you know, our Nation's electric utilities historically transported fuels to generate electricity at plants located relatively near load centers. Delivering central station power to local distribution loads remains an important task for our transmission grid, but we are now asking that system to do much more.

For example, many of our renewable energy resources are located far from both consumers and existing transmission facilities. The potential of such location-constrained, renewable energy resources is tremendous. Various studies have estimated the potential of such resources as including:

- 350 gigawatts of wind power in the Midwest;
- 200 gigawatts of offshore wind power on the Atlantic shelf;
- 200 gigawatts of wind power in the West;
- 1,000 gigawatts of solar power in the Southwest;
- 50 gigawatts of conventional geothermal power in the West;
- 100 gigawatts of geopressure geothermal power in Texas and the Southeast;
- and
- 100 gigawatts of hydrokinetic power in rivers and streams.

As I stated earlier, removing barriers that keep renewable energy resources from competing in wholesale markets must be part of our strategy to move toward energy independence and greater reliance on clean energy. Toward that end, we cannot rely solely on either renewable energy resources that are located far from our Nation's load centers or those that are closer to loads. We need both of these categories of resources to meet our Nation's energy challenges.

However, as former Senate Energy Committee Chairman Bennett Johnston stated last year, transmission is the Achilles heel of renewable energy development. The tremendous potential of our renewable energy resources means little by itself. We must ensure that these resources can be reliably integrated into the transmission grid in order to be deliverable to consumers. To that end, I believe that we need a national policy commitment to developing a more reliable and robust transmission grid.

The Commission is taking action to support reliable and robust grid development. For example, in early 2007, the Commission issued rules to improve transmission planning processes, such as by requiring open, transparent, and coordinated regional transmission planning. Last fall, Commission Staff completed a series of

conferences held around the country to review how well those rules are meeting the needs of our Nation, and to collect input as to how the Commission can improve upon the regional planning processes. We are now in the process of reviewing comments that were submitted in response to questions that Commission Staff posed as a follow-up to those conferences.

In addition, section 1241 of the Energy Policy Act of 2005 (EPAAct 2005) directed the Commission to issue rules on incentive-based rate treatments. Under the rules developed pursuant to that directive, the Commission has granted rate incentives in a number of cases, including for proposed transmission facilities that are designed to connect location-constrained renewable energy resources to load centers. Rate incentives also facilitate the Commission's implementation of section 1223 of EPAAct 2005, as the Commission has used this authority to incentivize advanced transmission technologies to increase efficiency, enhance grid operations, and allow greater grid flexibility. Of course, the Commission does not grant incentives unless they are appropriate, and the Commission has denied requests for rate incentives where the applicant did not satisfy the standards established in our rules.

Notwithstanding the Commission's efforts, more action will be needed if we are to achieve a substantial expansion of renewable energy resources in our electricity supply portfolio. Regardless of where they are located, these resources will not be able to reach consumer markets without additional transmission facilities, network upgrades, and feeder lines. As I have previously testified before this Subcommittee, I believe that additional federal authority with respect to transmission planning, siting, and cost allocation would significantly increase the likelihood that those needed facilities will be constructed in a timely manner.

Electric Reliability

I also would like to return briefly to my earlier statements that there currently are over 100 balancing authorities responsible for operating the grid, and that we must ensure that our Nation's renewable energy resources can be reliably integrated into the transmission grid. With that need in mind, I have directed Commission Staff to conduct a study to determine the appropriate metrics for use in assessing the reliability impact of integrating large amounts of variable renewable generation into the transmission grid. That study, which is being undertaken by Lawrence Berkeley National Laboratory and overseen by Commission Staff, is due to be completed this summer. When the study is complete, it will help to inform policy makers about the current limitations of the grid, and to identify what investments will be necessary to reliably accommodate continued growth of renewable energy resources.

More generally, the Commission is using its authority with respect to reliability effectively. In EPCA 2005, Congress added a new section 215 to the Federal Power Act. That provision entrusted the Commission with a major new responsibility to oversee mandatory, enforceable reliability standards for the Nation's bulk power system. Congress required the Commission to select an Electric Reliability Organization (ERO) that is responsible for proposing, for Commission review and approval, reliability standards or modifications to reliability standards. The ERO also is authorized to impose, after notice and opportunity for a hearing, penalties for violations of the reliability standards, subject to Commission review and approval. The ERO may delegate certain responsibilities to "Regional Entities," again subject to Commission approval. The Commission has certified the North American Electric Reliability Corporation (NERC) as the ERO.

The reliability standards apply to the users, owners, and operators of the bulk power system and become mandatory only after Commission approval. The Commission itself does not have authority to modify proposed standards. Rather, if the Commission disapproves a proposed standard or modification, section 215 requires the Commission to remand it to the ERO for further consideration. The Commission, upon its own motion or upon complaint, may direct the ERO to submit a proposed standard or modification on a specific matter, but the Commission does not have the authority to modify or author a standard and must depend upon the ERO to do so.

In my view, section 215 of the Federal Power Act provides an adequate statutory foundation for the ERO to develop most reliability standards for the bulk power system. The Commission has approved many of the reliability standards proposed by NERC, making them mandatory and enforceable, while in some instances further directing NERC to submit improvements to standards.

However, there are certain critical reliability measures that should not, in the first instance, utilize the section 215 process. The nature of a national security threat by entities intent on attacking our country through vulnerabilities in the electric grid stands in stark contrast to other major reliability vulnerabilities that have caused regional blackouts and reliability failures in the past, such as inadequate tree trimming. Widespread disruption of electric service could quickly undermine our Nation's government, military, and economy, as well as endanger the health and safety of millions of citizens. Given the national security dimension to this threat, there may be a need to act quickly to protect the grid, to act in a manner where action is mandatory rather than voluntary, and to protect certain information from public disclosure.

The Commission's current legal authority is inadequate for such action. I believe that legislation to address this problem should address several concerns.

First, upon notification by a designated entity, such as the President or a national security agency that determines a national security threat exists, legislation should allow the Commission, in consultation with other agencies and industry as appropriate, to order actions necessary to protect the grid before a cyber or physical national security incident has occurred. Legislation should also allow the Commission to maintain appropriate confidentiality of sensitive information submitted, developed, or issued under this authority.

Second, it is important that Congress be aware that if additional reliability authority is limited to the bulk power system, as that term is currently defined in the Federal Power Act, then it would exclude protection against attacks involving facilities in Alaska or Hawaii, including any federal installations located in those states. The current interpretation of the term bulk power system also excludes some transmission and all local distribution facilities, including virtually all of the facilities in certain large cities such as New York, thus restricting possible Commission action to mitigate cyber or other national security threats to reliability that involve such facilities and major population areas.

Third, legislation should address not only cyber security threats, but also intentional physical malicious acts (targeting, for example, critical substations and generating stations) including threats from an electromagnetic pulse. The Commission should be granted authority to address both cyber and physical threats and vulnerabilities, primarily because the Commission is the one Federal agency with statutory responsibility to oversee the reliability of the grid. This additional authority would not displace other means of protecting the grid, such as action by law enforcement and the National Guard.

Smart Grid

The need for vigilance will increase as new technologies are added to the bulk power system. For example, smart grid technology will permit two-way communication between the electric system and a large number of devices located outside of controlled utility environments, which will introduce many potential access points. For this reason, security features must be an integral consideration when developing smart grid technology and related standards.

These considerations are particularly important because smart grid technology has tremendous promise. The increased efficiency, reliability, and flexibility of a "smart" electric system will result in long-term savings for consumers.

Among other benefits, smart grid technology will give consumers more tools to control their overall electric bills. Consumers will have greater ability to monitor and adjust their electricity use, which could enhance participation in demand response programs that benefit both individual consumers and the electric system.

In addition, advanced monitoring technology will enhance reliability by improving fault detection and restoration, routing power around problems, and minimizing the area affected by outages. Other smart grid technologies will improve distribution system automation, allowing remote meter reading, outage diagnoses, and outage scope and location analysis. Such changes can benefit consumers by reducing the frequency and duration of outages.

The Energy Independence and Security Act of 2007 (EISA) directed several actions related to development of a smart grid. For example, EISA directs the National Institute of Standards and Technology (Institute) to coordinate the development of a framework to achieve interoperability of smart grid devices and systems. A wide range of standards development organizations and other interested entities are participating in the Institute's process to develop those smart grid standards. The EISA also directs the Commission, once it is satisfied that the Institute's work has led to "sufficient consensus" on interoperability standards, to institute a rulemaking proceeding to adopt such standards and protocols as may be necessary to ensure smart grid functionality and interoperability in interstate transmission of electric power and regional and wholesale electric markets.

Last summer, the Commission issued a Smart Grid Policy Statement that discussed this responsibility pursuant to EISA. Among other steps, the Smart Grid Policy Statement identified what the Commission sees as priorities in the development of smart grid standards, including cyber security, communication and coordination across inter-system interfaces, wide-area situational awareness, demand response, electric storage, and electric vehicles. The Smart Grid Policy Statement also noted that EISA does not make any standards mandatory and does not give the Commission any new authority to enforce any such standards.

In January, the Institute published a Framework and Roadmap for Smart Grid Interoperability Standards, which is the output of the first phase of its above-noted process. The Institute states that it intends to coordinate the development of additional technical information on individual smart grid standards and specifications to support their evaluation and potential use for regulatory purposes. After that information becomes available, the Commission plans to initiate a rulemaking on the corresponding smart grid standards, as required by EISA.

Continued cooperation among the Institute, other federal agencies, state regulators, industry representatives, consumer representatives, and other interested entities is

essential to the successful deployment of innovative, secure smart grid technologies. The Commission is committed to that goal.

Rates for Jurisdictional Services that are Just and Reasonable and Not Unduly Discriminatory or Preferential

The Commission's commitment to the development of safe, reliable, and efficient energy infrastructure goes hand in hand with another of the Commission's fundamental responsibilities and the other primary goal in our new Strategic Plan: ensuring that rates, terms and conditions for Commission-jurisdictional services are just and reasonable and not unduly discriminatory or preferential.

Regulatory and Market Means

The Commission uses a combination of regulatory and market means to achieve this goal, consistent with national policy and priorities. For example, the Commission has acted over the last few decades to implement Congressional policy to facilitate entry of new participants and to encourage competition in wholesale electric power markets. The Commission's actions include sustained efforts to foster regional power markets. In these efforts, the Commission acknowledges that significant differences exist among regions, including differences in industry structure, mix of ownership, sources for electric generation, population densities, and weather patterns. Also, some regions have organized markets administered by a regional transmission organization (RTO) or independent system operator (ISO), while other regions rely solely on bilateral contracting between wholesale sellers and buyers. The Commission recognizes and respects such differences in implementing the above-noted Congressional policy that wholesale competition can serve consumers well in all regions.

Disputes continue about the operation of the organized wholesale electric markets. Recent years have seen many studies that alternately attack and defend those markets. As a general matter, I am disappointed that much of the effort devoted to development of those "dueling studies" was not instead focused on developing concrete recommendations for solutions to problems in the markets we regulate.

Commissioner Spitzer will discuss in greater detail the operation of the organized wholesale electric markets and corresponding benefits for consumers, as well as other competitive markets subject to the Commission's jurisdiction.

I would also like to make a few comments on the operation of the organized wholesale electric markets. First, as I testified before this Subcommittee in December, Commission-regulated energy markets may be affected by current or future laws focused on financial derivatives. Whatever decisions Congress makes

with respect to financial derivatives, those decisions should preserve the Commission's exclusive oversight of rates, terms and conditions for wholesale energy sales and prevent dual regulation of energy markets by the Commission and the Commodity Futures Trading Commission (CFTC).

Second, I believe that the organized wholesale electric markets create opportunities and encourage innovations that benefit consumers. For example, these markets create opportunities for a wider range of resources to compete on a level playing field with traditional generation resources. These less traditional resources include not only renewable energy resources, but also demand response, energy efficiency, distributed generation, and other distributed energy resources. Where such resources are lower cost than traditional generation resources, as is often the case, their use in our electric system can lower total costs to consumers.

To illustrate this point, it is useful to consider both our Nation's potential for demand response and the progress being made in some organized wholesale electric markets to harness that potential. Commissioner Norris will discuss these issues in greater detail.

I do not mean to suggest that the organized wholesale electric markets are working perfectly. Indeed, the Commission is committed to examining and implementing improvements to these markets that will improve their efficiency and lower total costs to consumers, consistent with reliable service.

To that end, the Commission in October 2008 issued rules to improve the operation of the organized wholesale electric markets. Those rules focus on reforms in the areas of demand response, long-term power contracting, market monitoring policies, and RTO and ISO responsiveness. Commission Staff held a technical conference on RTO and ISO responsiveness last month.

The Commission also made clear that the reforms we adopted in that proceeding are not our final effort to improve the functioning of the organized wholesale electric markets for the benefit of consumers. Rather, the Commission stated that we would continue to evaluate specific proposals that may strengthen those markets.

Indeed, the Commission's new Strategic Plan recognizes that improving the competitiveness of the organized wholesale electric markets is important to our core goals because it encourages new entry among supply-side and demand-side resources, spurs innovation and development of new technologies, improves operating performance, and exerts downward pressure on costs. The Strategic Plan also describes additional steps that the Commission will consider to ensure that the organized wholesale electric markets offer a level playing field for all

types of resources. For example, the Strategic Plan calls for further efforts to identify and eliminate barriers to participation by demand resources in the organized wholesale electric markets. The Strategic Plan also calls for exploring and, as appropriate, implementing market reforms that will allow renewable energy resources to compete fairly in Commission-jurisdictional markets. Toward that end, in January the Commission issued a Notice of Inquiry that seeks public comment on whether existing rules, regulations, tariffs, or practices within our jurisdiction hinder the goal of effectively integrating variable energy resources into the grid, while maintaining reliability and operational stability.

In addition, the Strategic Plan supports development of a common set of performance metrics for markets within and outside of the RTOs and ISOs. Such metrics will assist in making comparisons of various market structures.

Oversight and Enforcement

Finally, I would like to discuss the Commission's oversight and enforcement efforts, which have evolved considerably in light of Congressional enactment of EPCRA 2005.

The Commission uses a balanced approach to oversight and enforcement. Among other actions, our efforts in these areas include educating affected entities about market rules and other regulations; promoting internal compliance programs; employing robust audit and investigation programs; and, where appropriate, exercising the Commission's civil penalty authority.

The Commission also actively encourages companies to self-report violations of the Commission's rules. Self-reports provide a vehicle for companies to address shortcomings, and, in most cases, matters that are self-reported, caused no harm, and which the company has corrected are closed without investigation or sanctions. If the matters reported are sufficiently serious, however, a self-report may lead to an investigation and sanctions for the misconduct. Any sanctions take into account that the company self-reported its lapses.

Taken together, these efforts are designed to increase compliance with the Commission's rules and to deter market manipulation. In this way, oversight and enforcement are essential complements to the regulatory and market means I described earlier by which the Commission ensures that rates, terms and conditions of service are just and reasonable and not unduly discriminatory or preferential.

I would like to highlight some of the Commission's recent oversight and enforcement actions with respect to three areas in which Congress demonstrated

particular interest in EPOA 2005: market transparency, market manipulation, and mandatory, enforceable reliability standards for the Nation's bulk power system.

First, to facilitate price transparency, EPOA 2005 enhanced the Commission's authority to collect information about the availability and prices of natural gas and electricity sold at wholesale in interstate commerce. Among other steps, EPOA 2005 permits the Commission to require any market participant, except for entities with a *de minimis* market presence, to provide information with due regard for the public interest, the integrity of the markets, fair competition, and the protection of consumers. In January, the Commission issued a Notice of Inquiry that seeks public comment on whether these goals warrant application of the Commission's existing Electric Quarterly Report (EQR) filing requirements to market participants that are typically beyond the Commission's jurisdiction for other purposes, such as municipalities and certain cooperatives with Rural Electrification Act financing. The Notice of Inquiry stated that this change would aid the Commission's oversight and surveillance of wholesale electric markets and would increase price transparency for market participants.

Second, in EPOA 2005, Congress granted the Commission important new anti-manipulation authority. The Commission has placed significant emphasis and resources on monitoring electricity and natural gas markets and investigating possible instances of market manipulation. One such investigation identified and examined the trading activity of several entities and individual traders affiliated with the Amaranth hedge funds who appeared to have entered into trades that manipulated the NYMEX natural gas futures settlement prices for three months in early 2006, thereby affecting natural gas physical prices throughout the United States. The Commission set the matter for hearing. In August 2009, all of the subjects except an individual trader settled the allegations jointly with the Commission and the CFTC and agreed to pay a \$7.5 million civil penalty, an amount that reflected the adverse financial circumstances of the settling entities. The case against the individual trader also went to hearing in August. In January 2010, the Commission Administrative Law Judge who presided at that hearing issued her Initial Decision, finding that the individual trader's conduct was fraudulent and violated the Commission's Anti-Manipulation Rule. The Initial Decision is subject to review by the Commission.

Another investigation identified and examined a company alleged to have manipulated wholesale natural gas prices over a multi-month period at the Houston Ship Channel trading point, in violation of the market behavior rules the Commission had implemented prior to receiving anti-manipulation authority in 2005. That investigation also resulted in a settlement. In September 2009, the Commission approved a settlement under which Energy Transfer Partners, L.P. must pay \$30 million, consisting of a \$5 million civil penalty and \$25 million

placed in a disgorgement fund to be distributed, under supervision of a Commission Administrative Law Judge, to those harmed by the company's conduct. The settlement also requires Energy Transfer Partners to adhere to a compliance program, with outside auditing of that program, for two years.

Third, as I noted earlier, EPCRA 2005 also entrusted the Commission with a major new responsibility to oversee mandatory, enforceable reliability standards for the Nation's bulk power system. Since then, electric reliability has been an expanding area of the Commission's enforcement efforts. Commission Staff coordinates its activities in this area with those of NERC, the Commission-certified Electric Reliability Organization, and the Regional Entities to which NERC has delegated certain responsibilities. This coordination means that Commission Staff sometimes observes or participates in NERC or Regional Entity efforts such as compliance audits or compliance violation investigations.

One example of the Commission's enforcement efforts with respect to reliability involves the blackout that occurred in Florida in February 2008. Commission Staff promptly coordinated with NERC to investigate the causes of the blackout. In October 2009, the Commission approved a settlement of alleged violations of several reliability standards. Under the settlement, Florida Power and Light Company is subject to a \$25 million penalty. Of this amount, \$10 million went to the United States Treasury, and \$10 million went to NERC. Florida Power and Light will use the remaining \$5 million on improvements in the reliability of its electric grid, subject to approval by Commission Staff and NERC Staff. Florida Power and Light also has committed to undertake other specific reliability enhancement measures.

In contrast to the Florida investigation, where Commission Staff was actively engaged in the investigation, in most reliability actions the Commission reviews penalty assessments made by Regional Entities and approved in the first instance by NERC. These actions are taken pursuant to guidance and enforcement protocols that the Commission has given to NERC and the Regional Entities. NERC then files Notices of Penalty with the Commission, which become effective unless appealed by the entity found to be in violation or unless the Commission determines that further investigation or consideration is needed.

As of March 1, 2010, NERC has filed with the Commission 153 Notices of Penalty that cover penalties that Regional Entities have assessed for a total of 961 alleged or confirmed violations of reliability standards by 262 entities that NERC has registered as performing reliability functions subject to section 215 of the Federal Power Act. Although most of these penalties are for "zero dollars," as the Commission permitted for violations that occurred shortly after the June 18, 2007 effective date on which reliability standards became mandatory, the Notices of

Penalty include civil penalties totaling some \$3.5 million that Regional Entities imposed against 78 registered entities. The Commission has declined further review of nearly all of these penalty determinations, including 564 penalties that NERC filed in a single Omnibus Notice of Penalty. Currently, to obtain additional information about one penalty of \$100,000 against a registered entity, the Commission has extended the period for its consideration of that penalty.

Conclusion

In summary, the Commission is actively pursuing its mission to assist consumers in obtaining reliable, efficient, and sustainable energy services at a reasonable cost through appropriate regulatory and market means.

To promote the development of safe, reliable, and efficient energy infrastructure that serves the public interest, the Commission is, among other actions:

- Implementing our authority with respect to siting of natural gas infrastructure and non-federal hydropower projects;
- Examining whether transmission planning processes for the electric grid can be improved to better meet our Nation's energy needs;
- Using incentive-based rate treatments in appropriate circumstances to encourage investment in transmission infrastructure, including advanced transmission technologies and facilities designed to connect location-constrained renewable energy resources to load centers;
- Implementing our authority with respect to reliability of the bulk power system; and
- Facilitating development of Smart Grid technology and standards that will increase the efficiency, reliability, and flexibility of the electric system.

To ensure that rates, terms and conditions for Commission-jurisdictional services are just and reasonable and not unduly discriminatory or preferential, the Commission is, among other actions:

- Implementing Congressional policy that wholesale competition can serve consumers well in all regions, while respecting regional differences;
- Exploring further improvements to the organized wholesale electric markets, including steps to advance those markets' potential to allow a wider range of resources to compete on a level playing field;
- Developing a National Action Plan on Demand Response that builds on the National Assessment of Demand Response Potential, as Congress directed in EISA; and

- Pursuing a balanced approach to oversight and enforcement, including attention to deterring market manipulation and promoting compliance with mandatory reliability standards for the bulk power system.

The Commission's work in these areas is important to meeting today's energy challenges, including the need to move toward energy independence and greater reliance on clean energy. I am committed to ensuring that the Commission does its part on these critical issues.

Thank you again for the opportunity to appear before you today. I would be happy to answer any questions you may have.