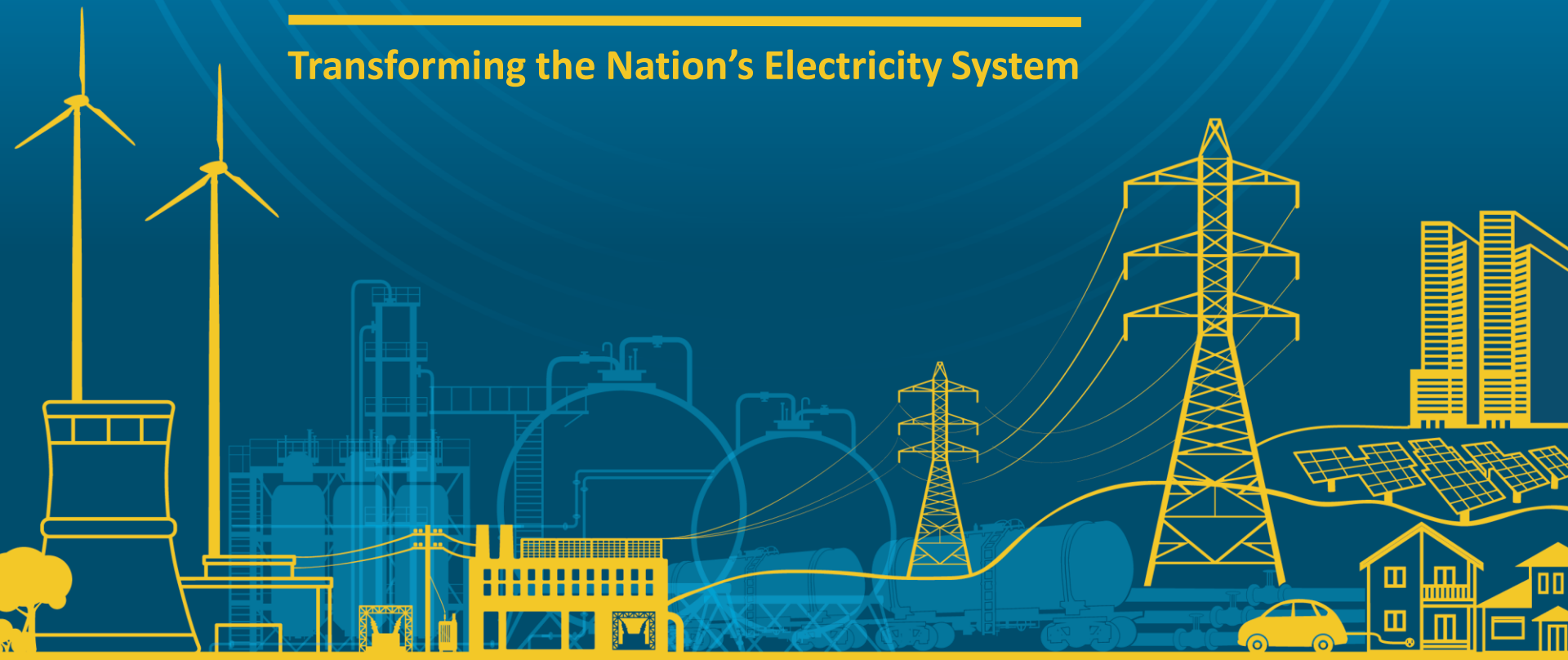
Quadrennial Energy Review
Second Installment

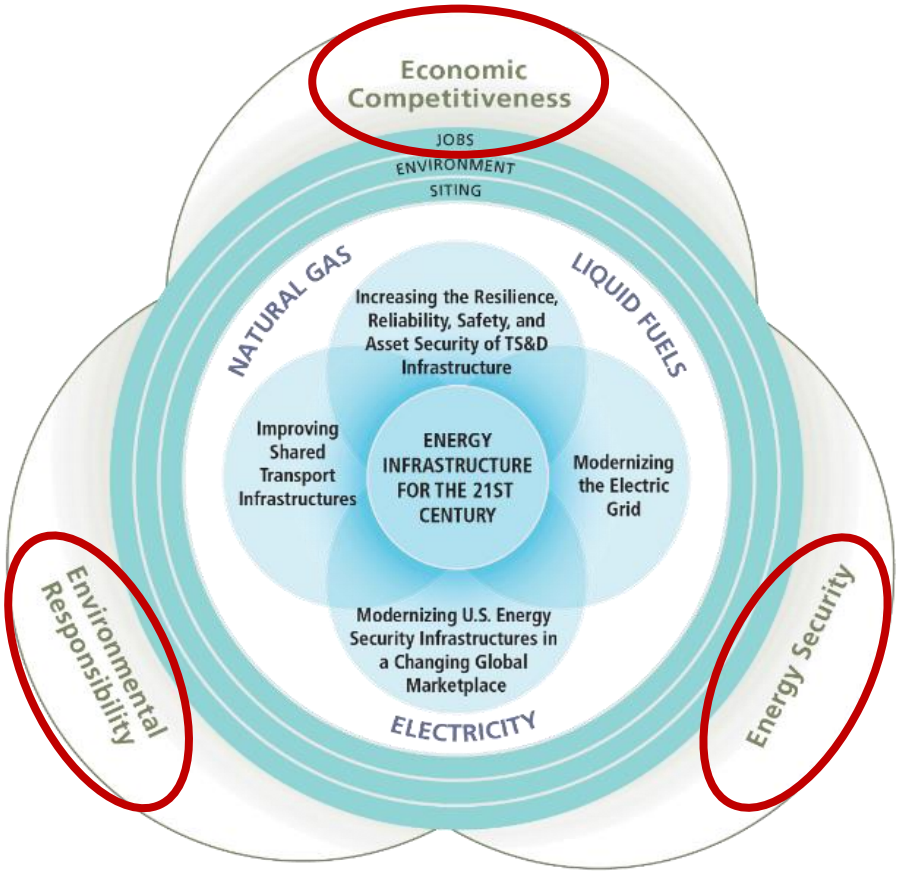
Transforming the Nation's Electricity System



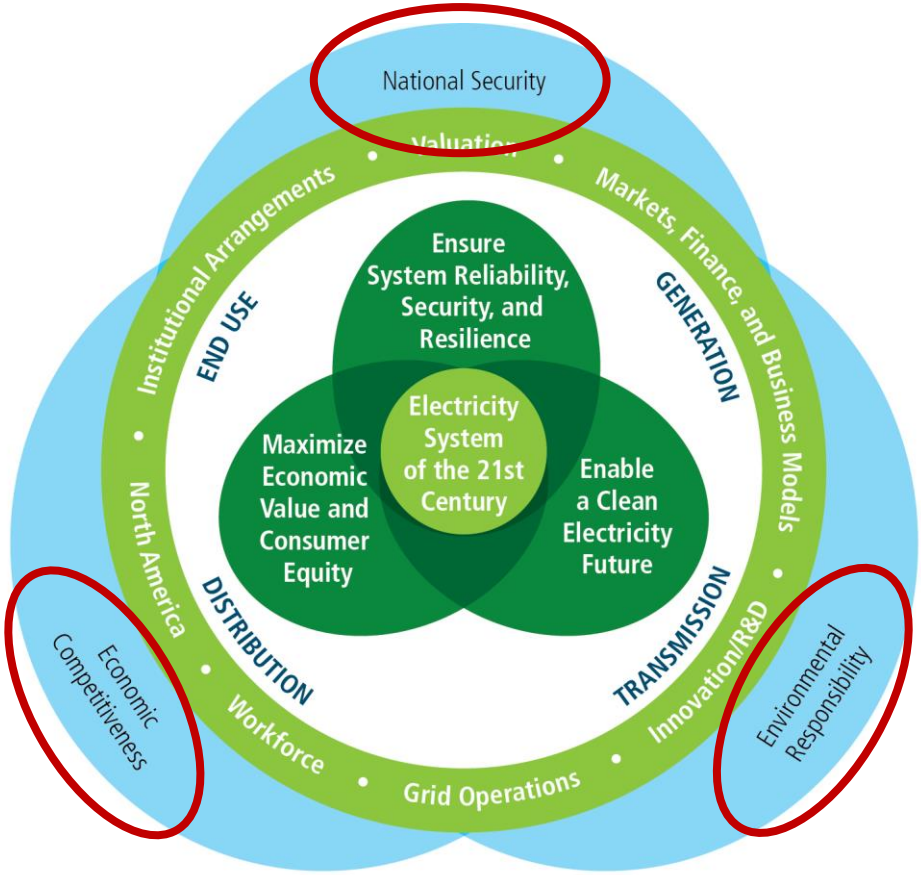
February 15, Washington DC

QER Scope and Context

QER 1.1

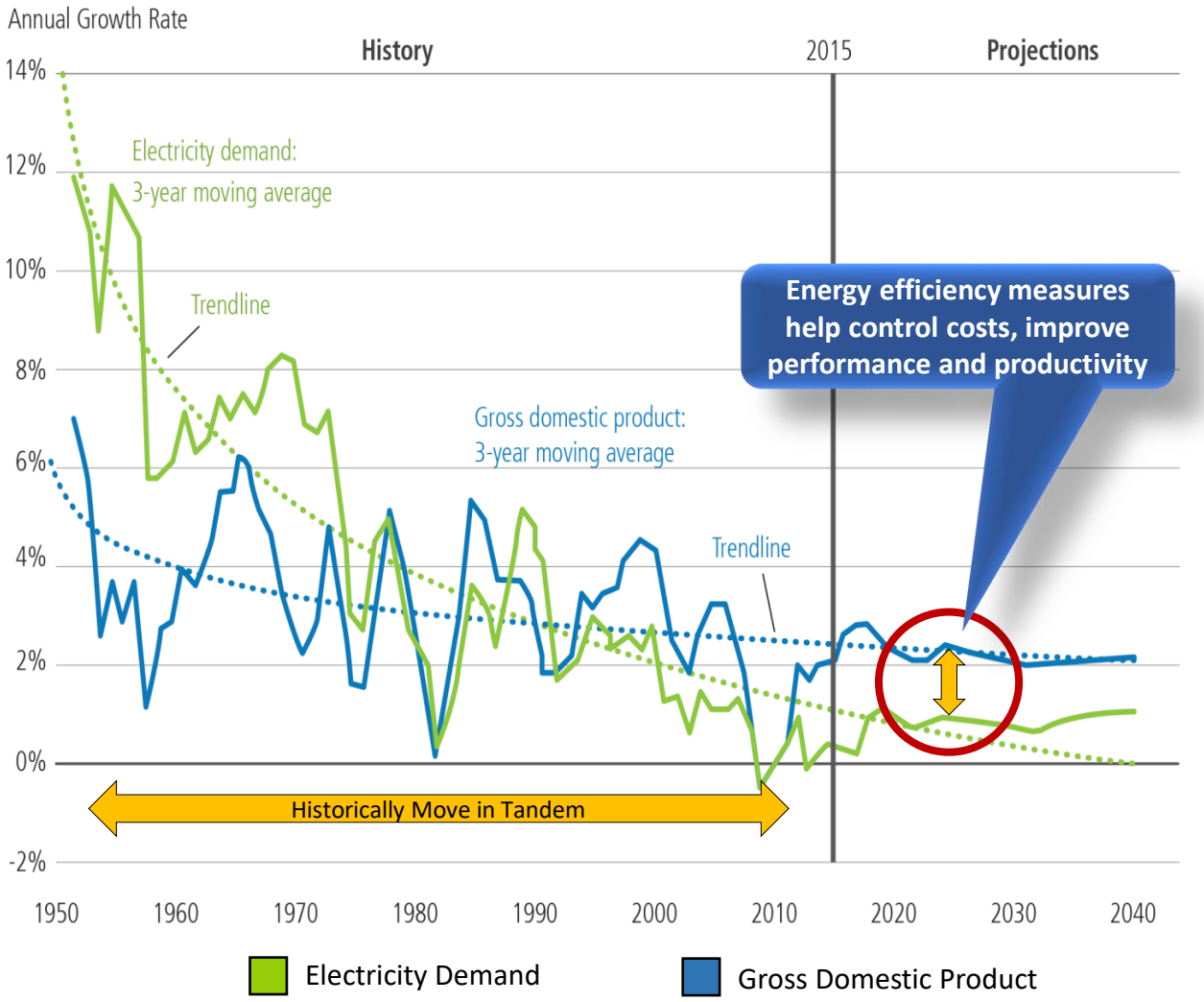


QER 1.2



National Goal: Economic Competitiveness

U.S. GDP and Electricity Demand Growth Rates, 1950–2040

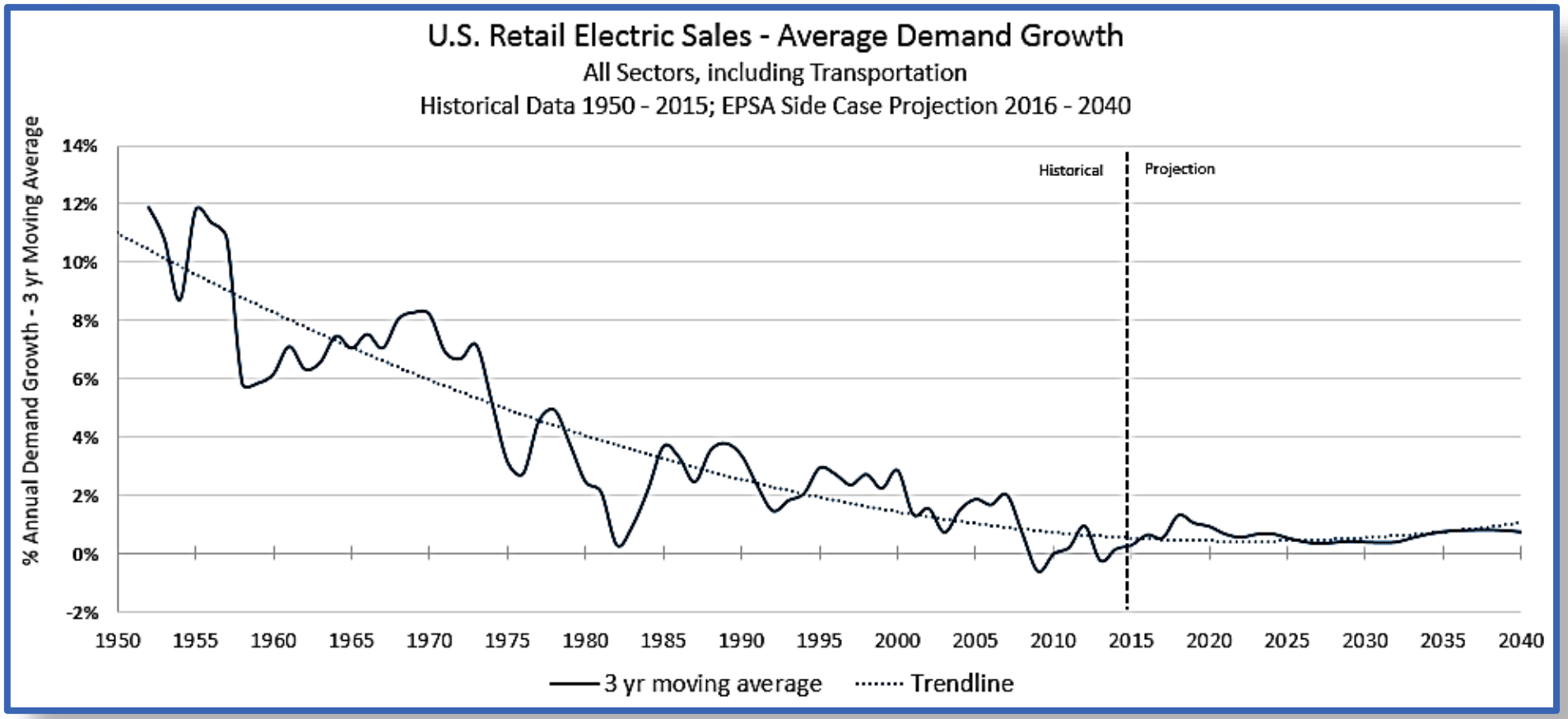


Source: Energy Information Administration, 2016

- With some of the lowest electricity prices in the developed world, the U.S. electricity sector supports the economic competitiveness of U.S. goods and services in both domestic and global markets.
- Almost all economic sectors now rely, in varying degrees, on highly interconnected, data-driven, and electricity-dependent systems to manage operations and provide services.
- Three electricity-reliant areas of the economy—online talent platforms, big-data analytics, and the Internet of Things—could increase GDP by as much as $2.2 trillion in 2025.

U.S. Electricity Demand: Slow Demand Growth

Slowing electricity demand growth is driven by energy efficiency, economic structure, demographics, and market saturation of major electric appliances.

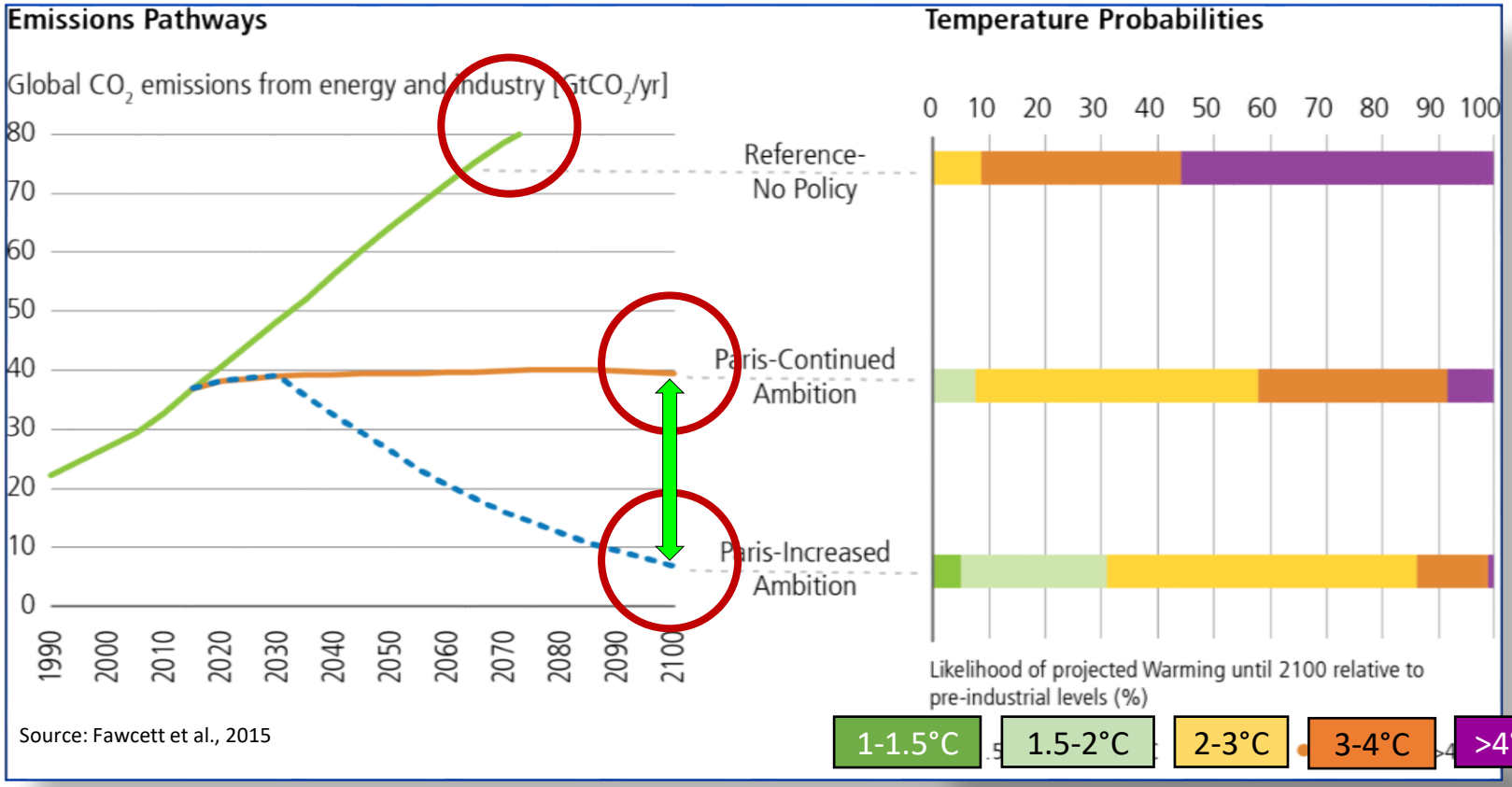


Source: Projected Data from EPSA Side Case; Historical Data from EIA Monthly Energy Review, July 26, 2016. Tables 2.1 thru 2.6

National Goal: Environmental Responsibility

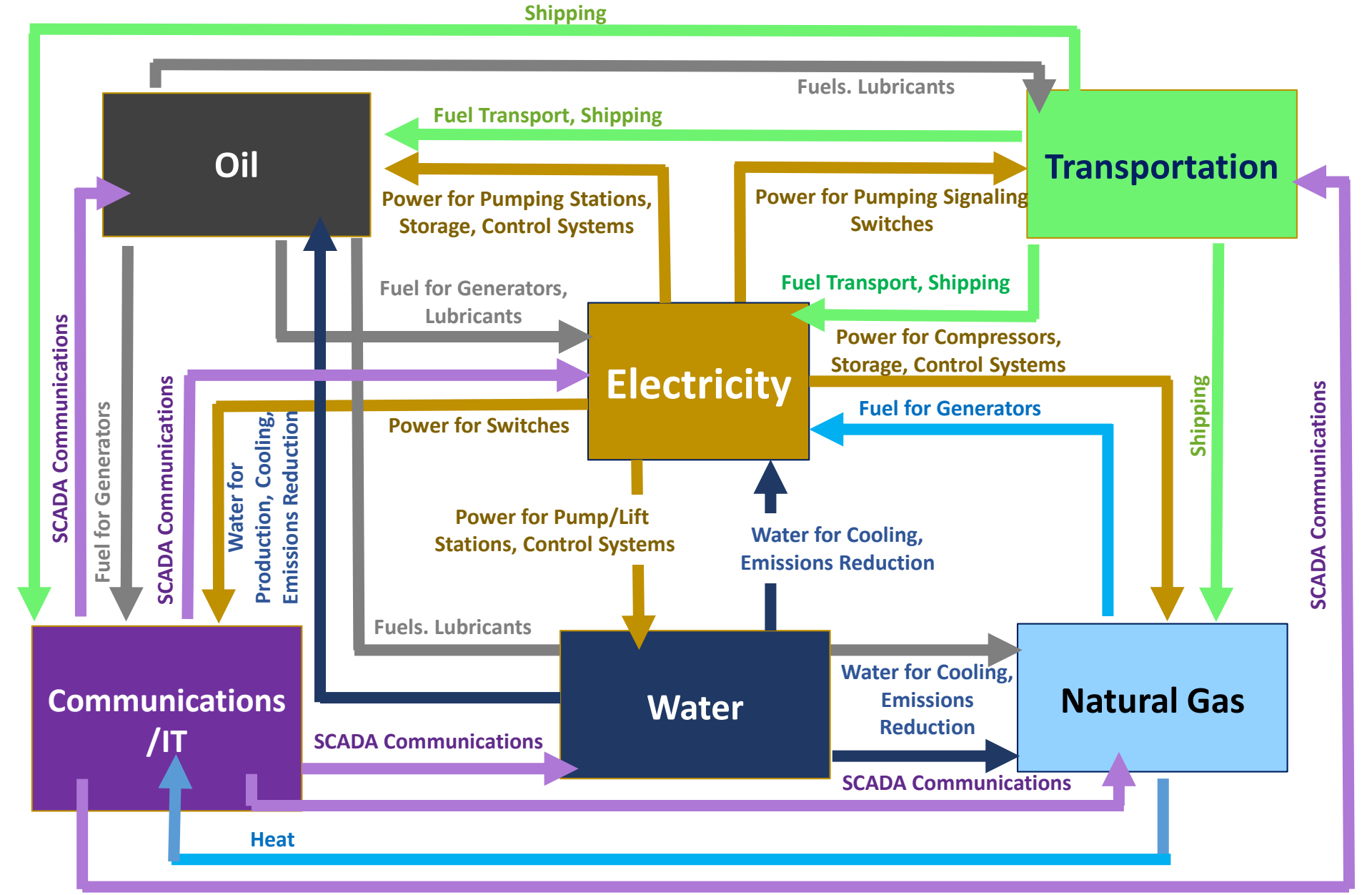
- **The electricity system is the largest source of air emissions impacting public health; it is also one of the largest users of fresh water and the principal source of radioactive waste.**
- **The electricity system will likely play a significant role in the decarbonization of other sectors of the U.S. economy as electrification of transportation, heating, cooling, and industrial applications continues.**

Global CO_2 Emissions and Probabilistic Temperature Outcomes



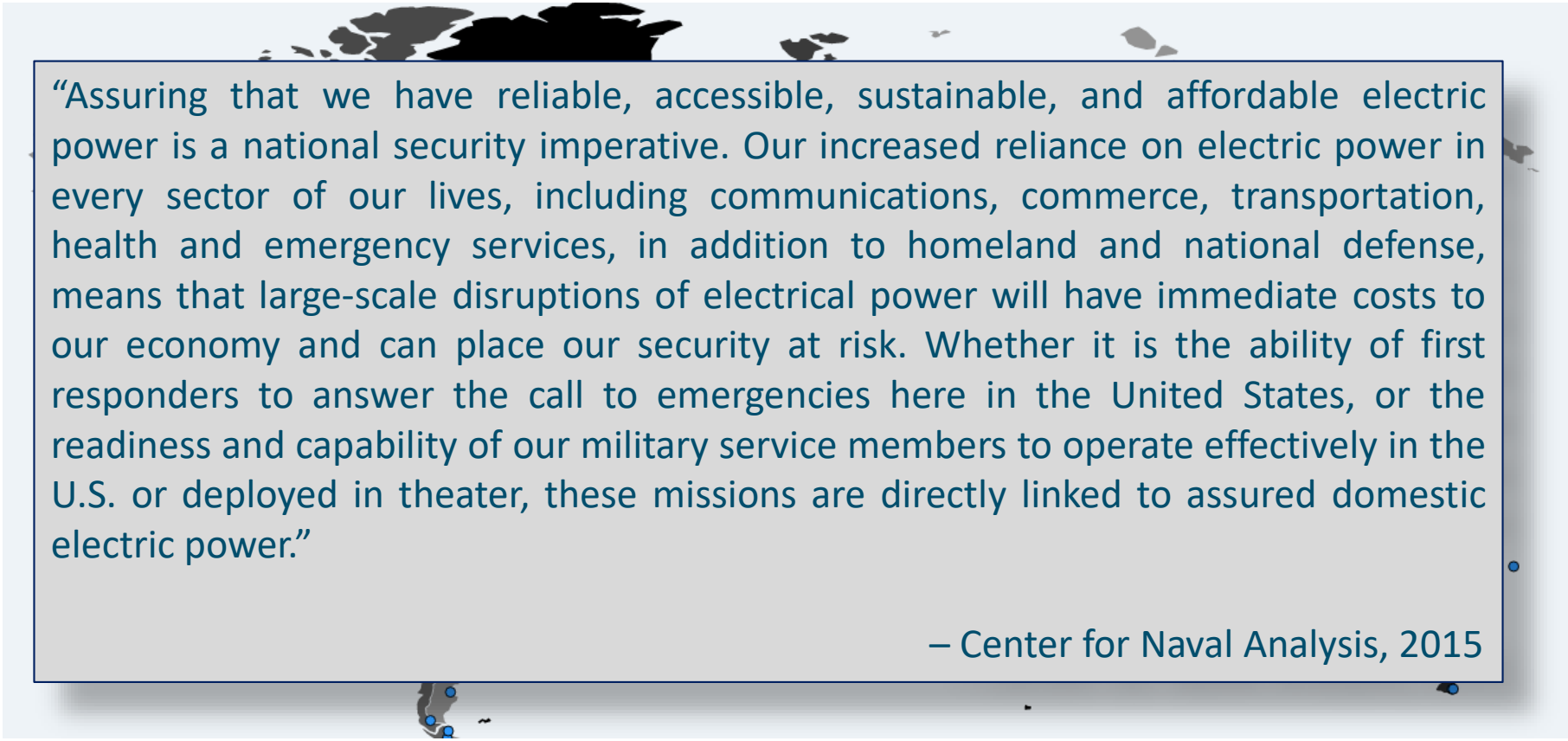
Source: Fawcett et al., 2015

National Security and Lifeline Network Interdependencies



Electricity Is a Critical and Essential Asset

Mirai Botnet Attack – October 21, 2016

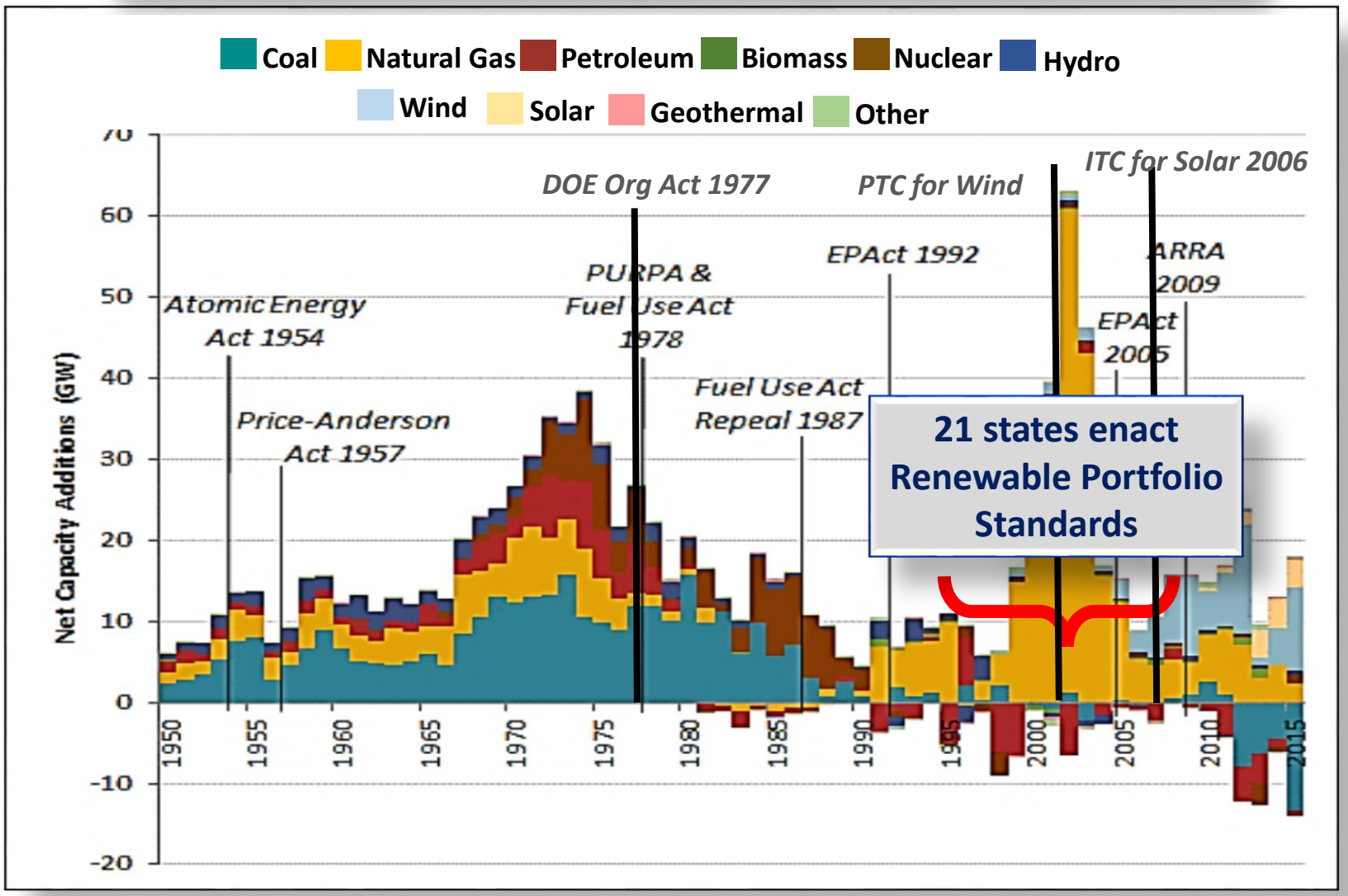


"Assuring that we have reliable, accessible, sustainable, and affordable electric power is a national security imperative. Our increased reliance on electric power in every sector of our lives, including communications, commerce, transportation, health and emergency services, in addition to homeland and national defense, means that large-scale disruptions of electrical power will have immediate costs to our economy and can place our security at risk. Whether it is the ability of first responders to answer the call to emergencies here in the United States, or the readiness and capability of our military service members to operate effectively in the U.S. or deployed in theater, these missions are directly linked to assured domestic electric power."

– Center for Naval Analysis, 2015

Policy Drives Generation Capacity Additions

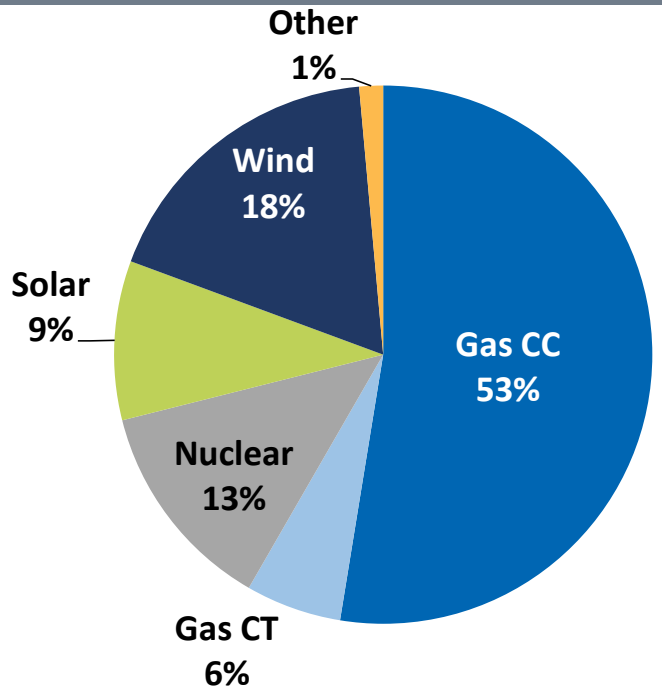
Additions (GW) by Fuel Type, 1950-2015



Generation Capacity Under Construction

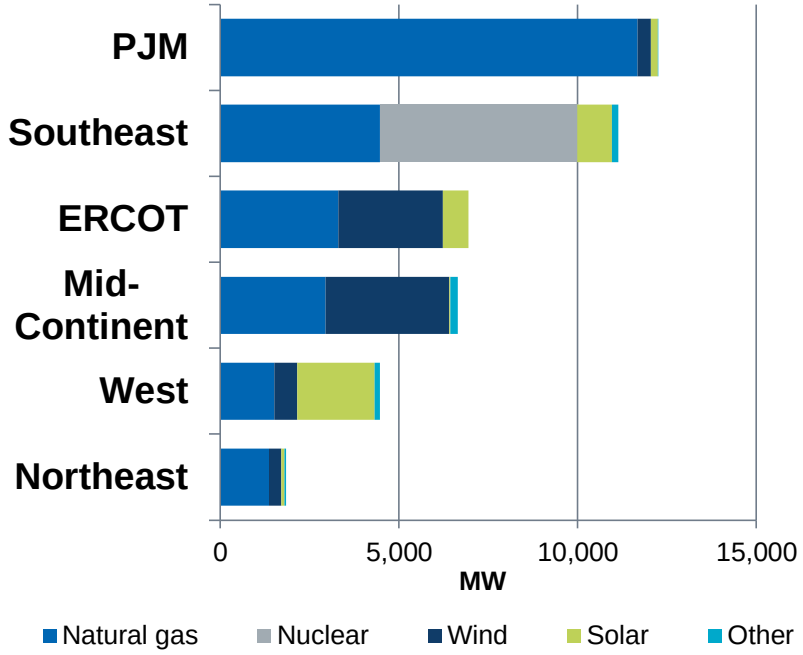
About 43 GW of capacity currently under construction in the United States (as of May 2016)

US capacity under construction: 43 GW



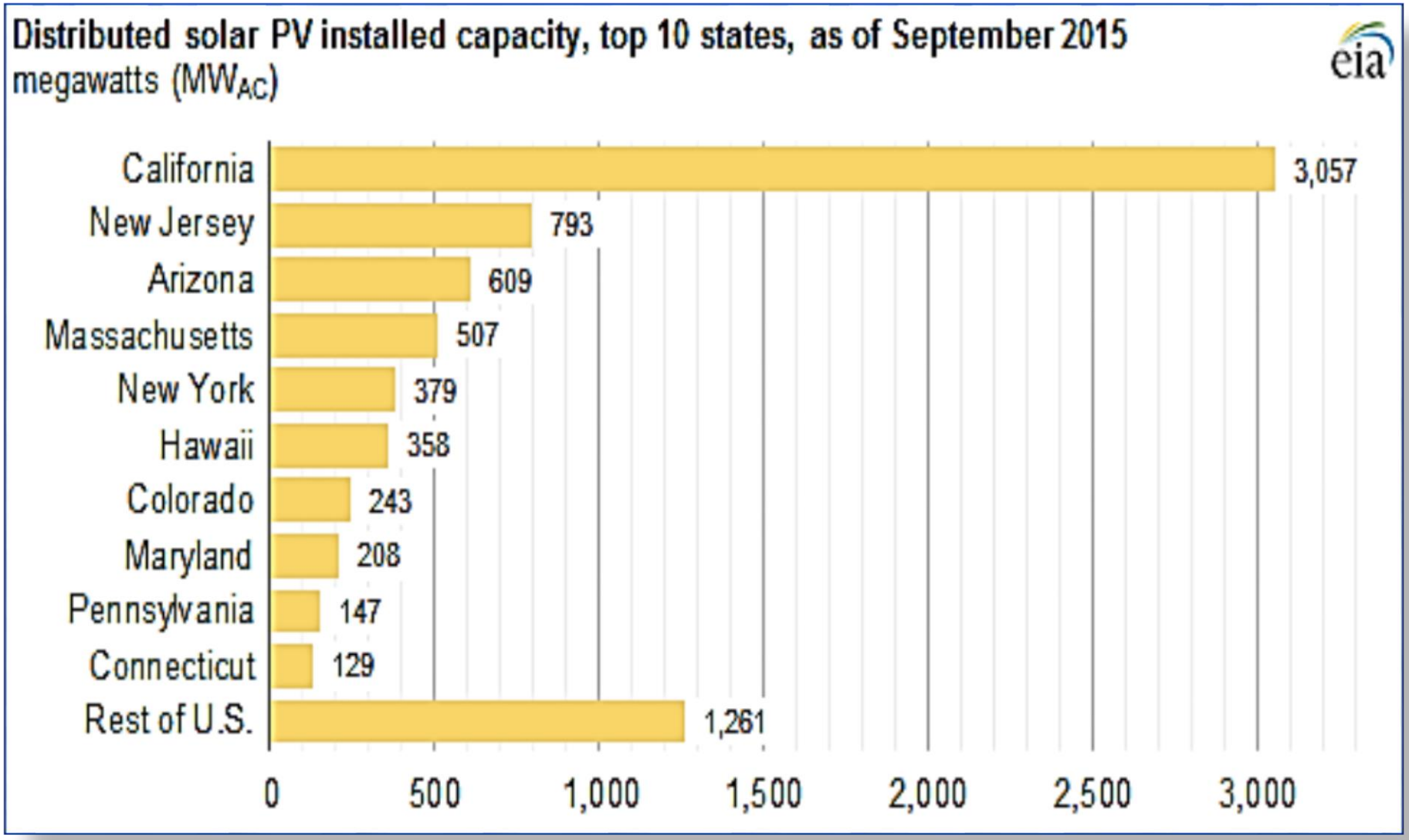
Source: IHS and ABB Velocity Suite

US capacity under construction by region



Source: IHS and ABB Velocity Suite

Top 10 Distributed Solar States

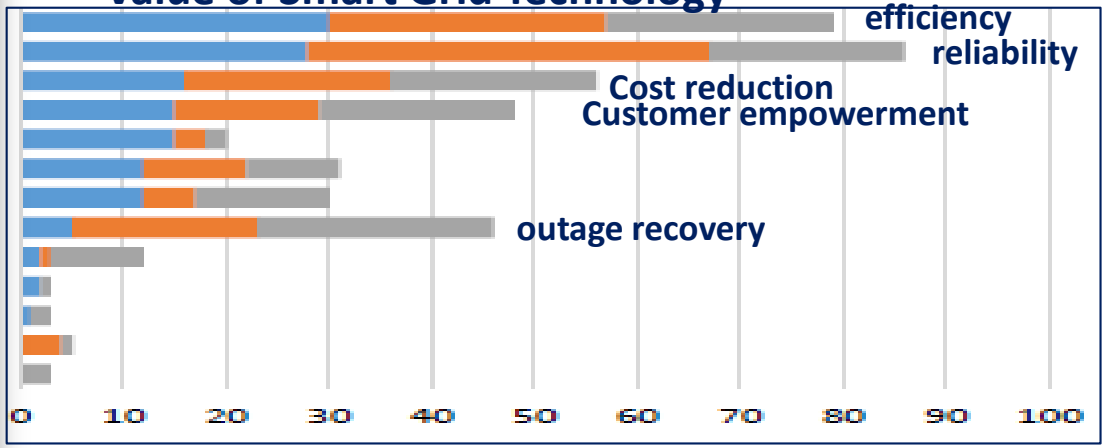


Source: Energy Information Administration, September 2015

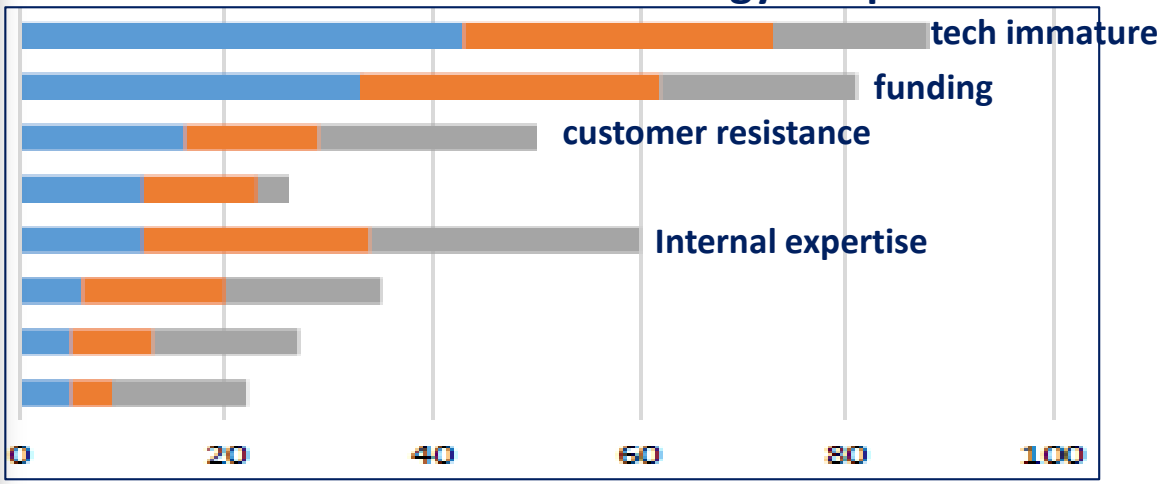
70 Million Installed Smart Meters

- Utilities' motives for implementing enabling technologies prioritize immediate benefits to operations; reliability, efficiency, and cost reduction. Customer empowerment, outage recovery, demand management, and safety trail behind.
- Technological immaturity and lack of funds are the two leading causes for resistance to adopting advanced technology.

Value of Smart Grid Technology



Obstacles to Smart Grid Technology Adoption

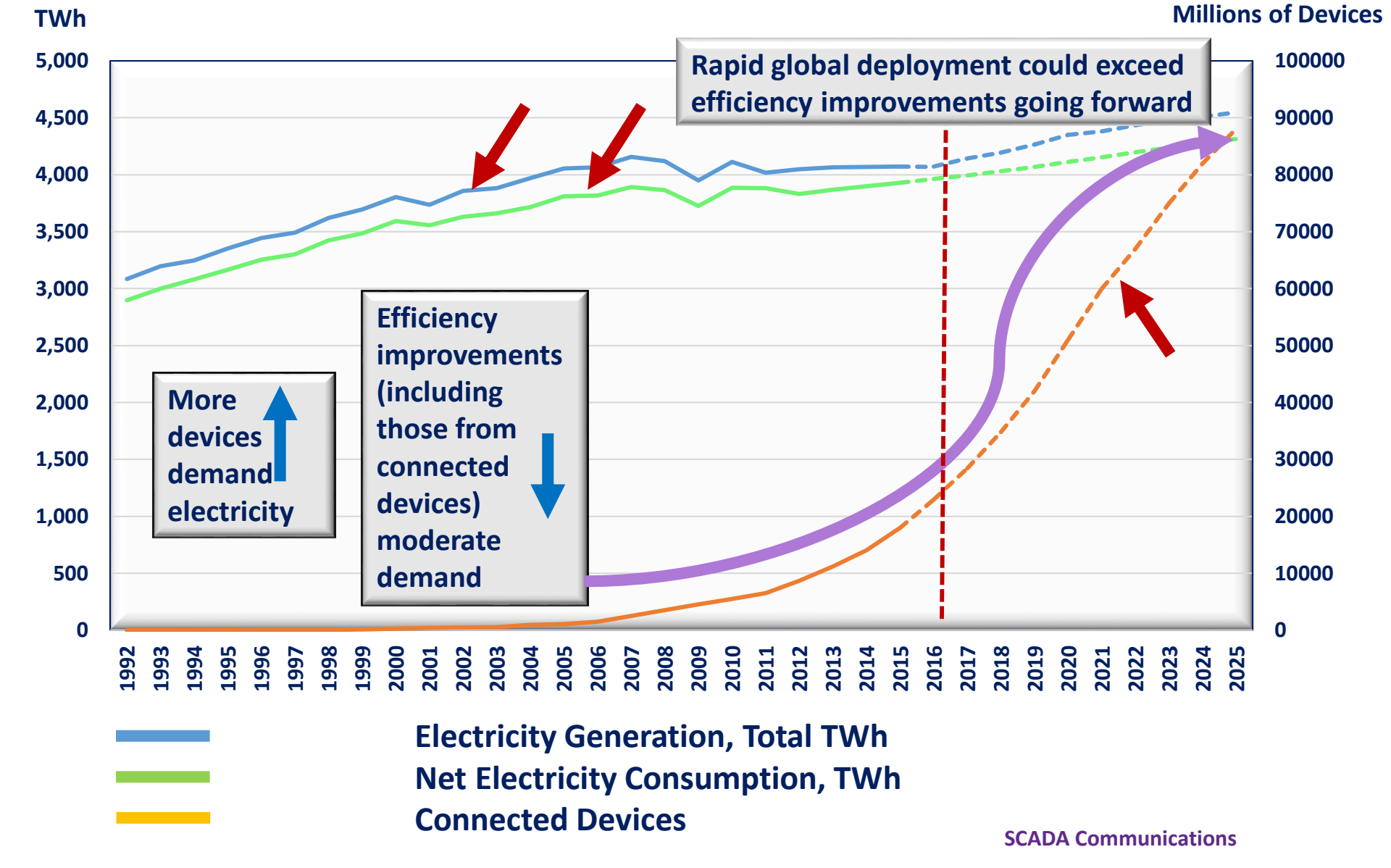


Demand Response Capacity by Region/Sector

NERC Region	Total DR Capacity (MW)	Residential	Commercial	Industrial	Transportation
AK	27	19.0%	48.0%	33.0%	0.0%
FRCC	1,924	42.0%	39.0%	19.0%	0.0%
HI	35	57.0%	43.0%	0.0%	0.0%
MRO	4,264	44.0%	19.0%	37.0%	0.0%
NPCC	467	8.0%	55.0%	34.0%	3.0%
RFC	5,362	29.0%	13.0%	58.0%	0.0%
SERC	8,254	16.0%	10.0%	74.0%	0.0%
SPP	1,594	13.0%	20.0%	66.0%	0.0%
TRE	459	19.0%	74.0%	7.0%	0.0%
WECC	4,681	22.0%	24.0%	50.0%	3.0%
Unspecified	28	100.0%	0.0%	0.0%	0.0%
Totals	27,095	25.8%	18.9%	54.6%	0.6%

"Electric Power Sales, Revenue, and Energy Efficiency Form EIA-861 Detailed Data Files," EIA-861 Demand_Response_2013 and Utility_Data_2013 data files, EIA, accessed October 20, 2015; FERC (Federal Energy Regulatory Commission). *Assessment of Demand Response & Advanced Metering Staff Report*. Washington, D.C., 2015. https://www.ferc.gov/legal/staff-reports/2015/demand-response.pdf.

IoT: By 2020 50 Billion Devices, All Rely on Electricity



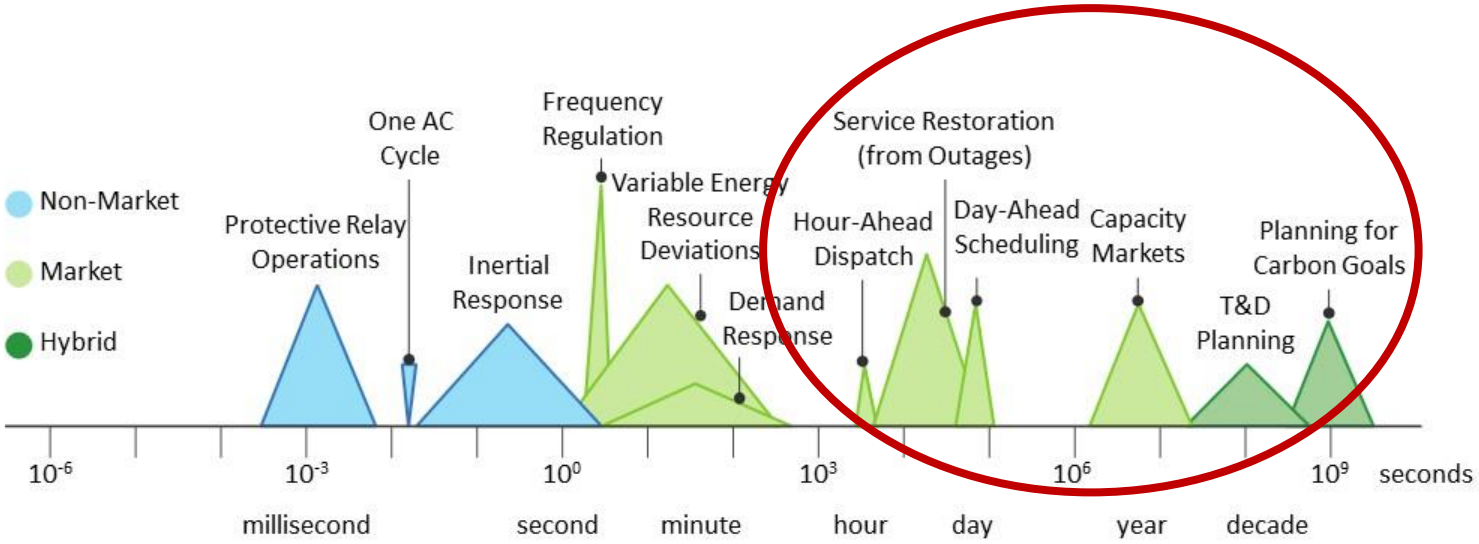
SCADA Communications

Evolving Requirements for System Operations

Findings

- The widespread integration of VERs at both utility scale and distributed across all consumer segments significantly expands the time dimensions in which grid operators must function and complicates operations.
- Dispatch effectiveness will require the integration of automated grid management with continuing human oversight as well as an increase in the granularity, speed, and sophistication of operator analytics.

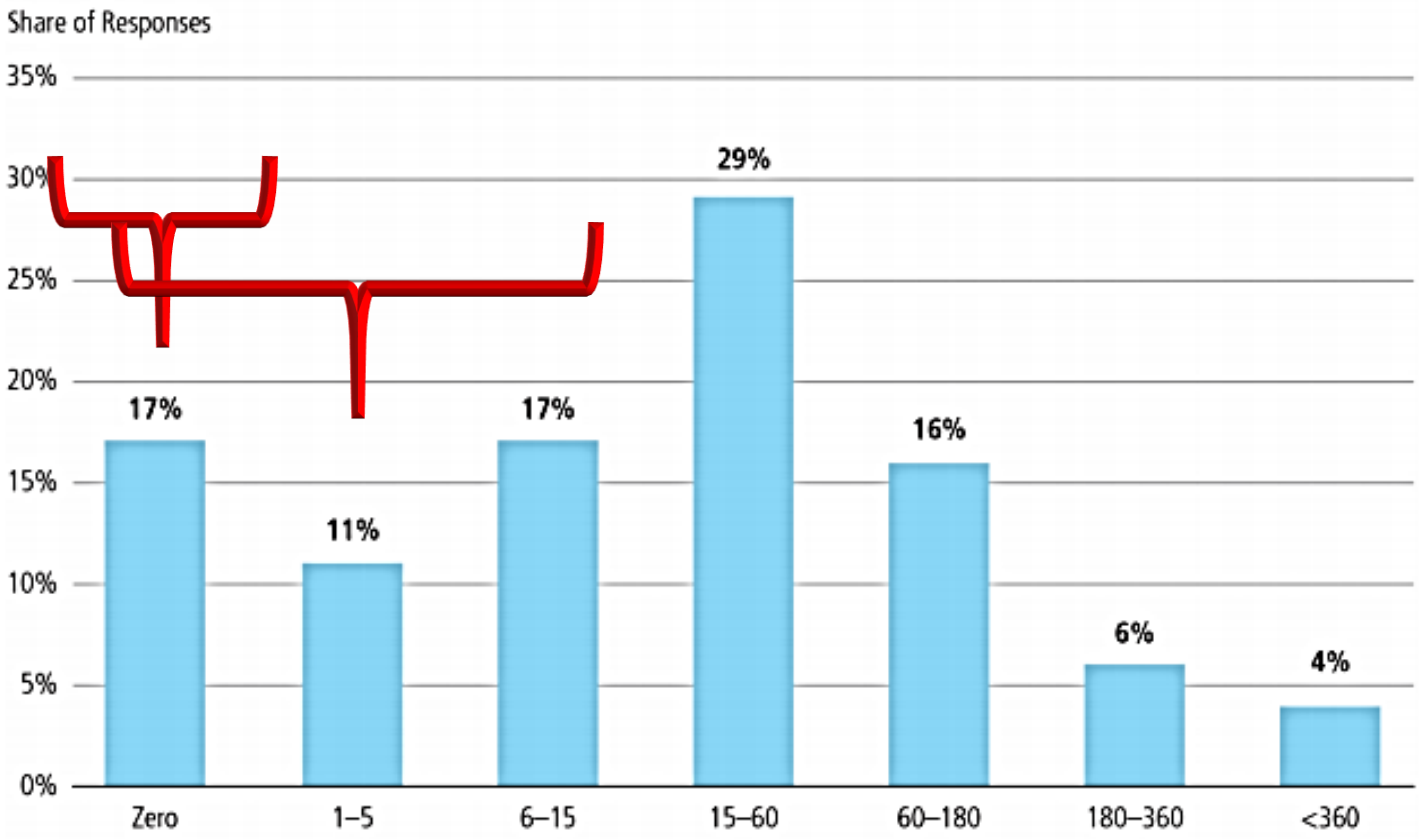
System Reliability Depends on Managing Multiple Event Speeds



Source: von Meier, 2014

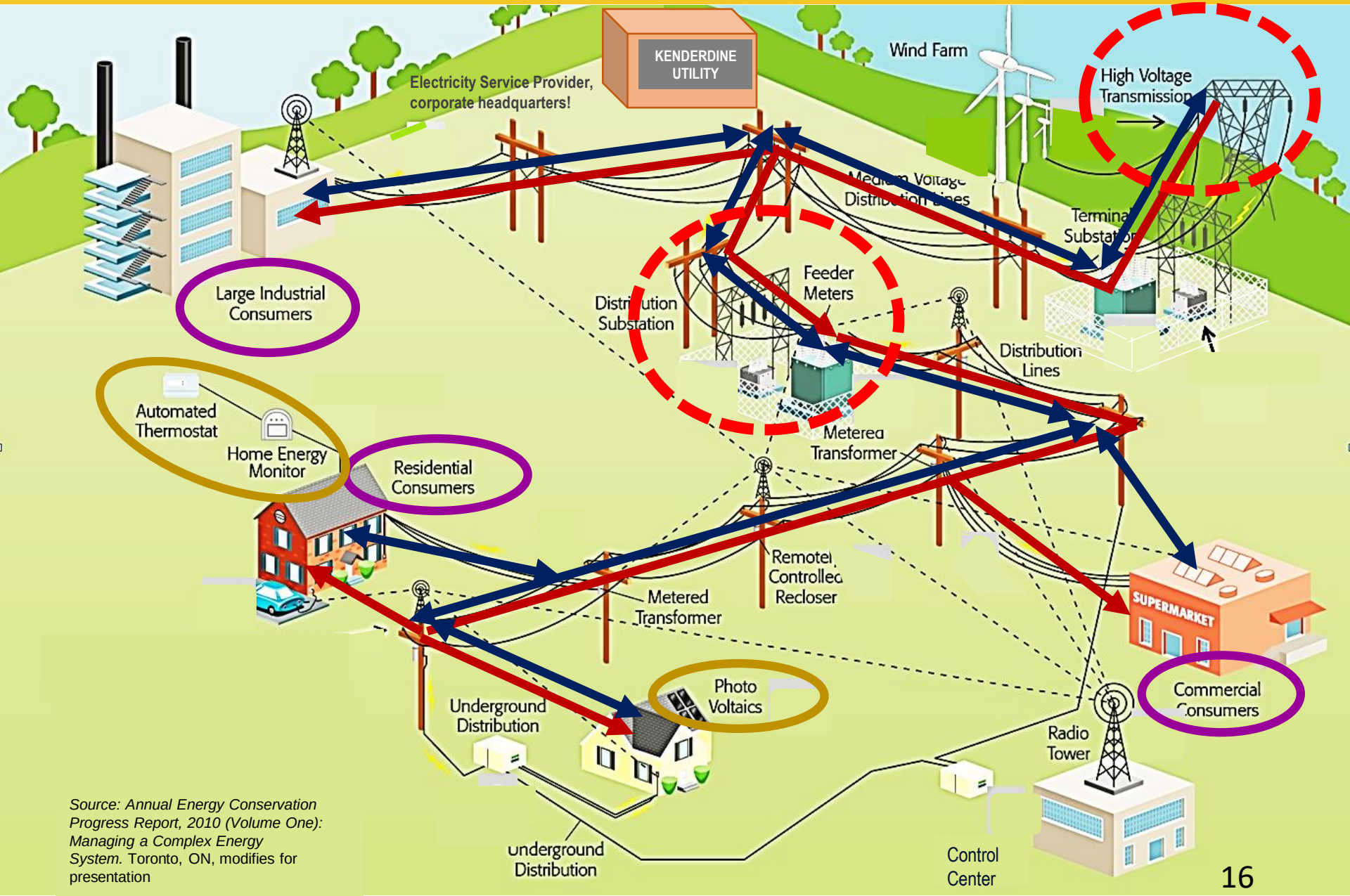
Changing Needs for Electricity Reliability

Figure 1-3. Company Survey: Approximately How Many Minutes of IT Downtime Can Occur before Business Is Negatively Impacted?[44]



When the grid goes down, data centers face significant risks as backup power does not always work. The key is to try to minimize the likelihood of grid power outages. Local power grid reliability should be a factor considered when choosing data center locations.

Two Way Flows of Electricity: Value Creation, Consumer Choice, Complex Grid Operations, Visibility Needs, Cyber Security

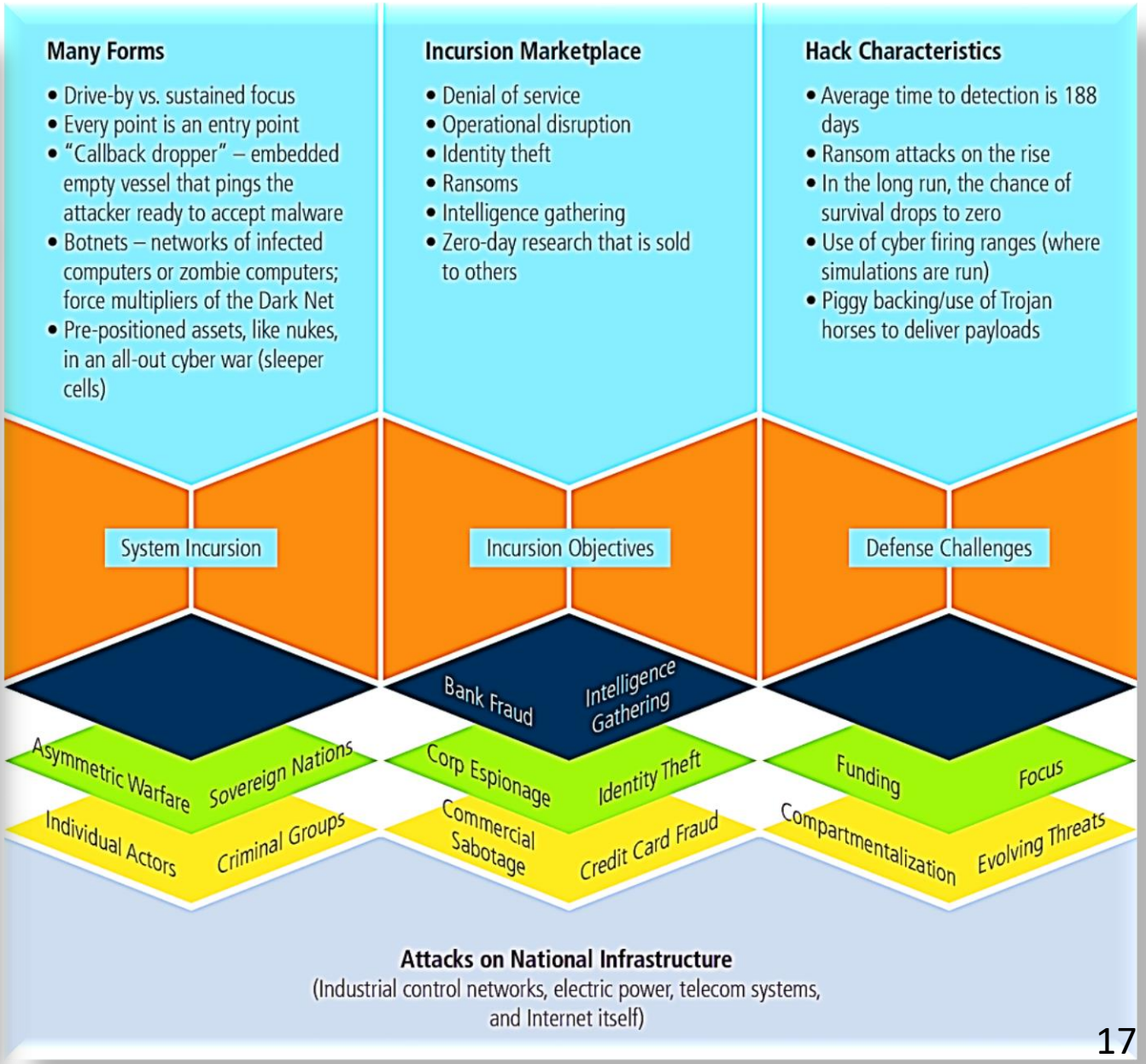


Source: Annual Energy Conservation Progress Report, 2010 (Volume One): Managing a Complex Energy System. Toronto, ON, modifies for presentation

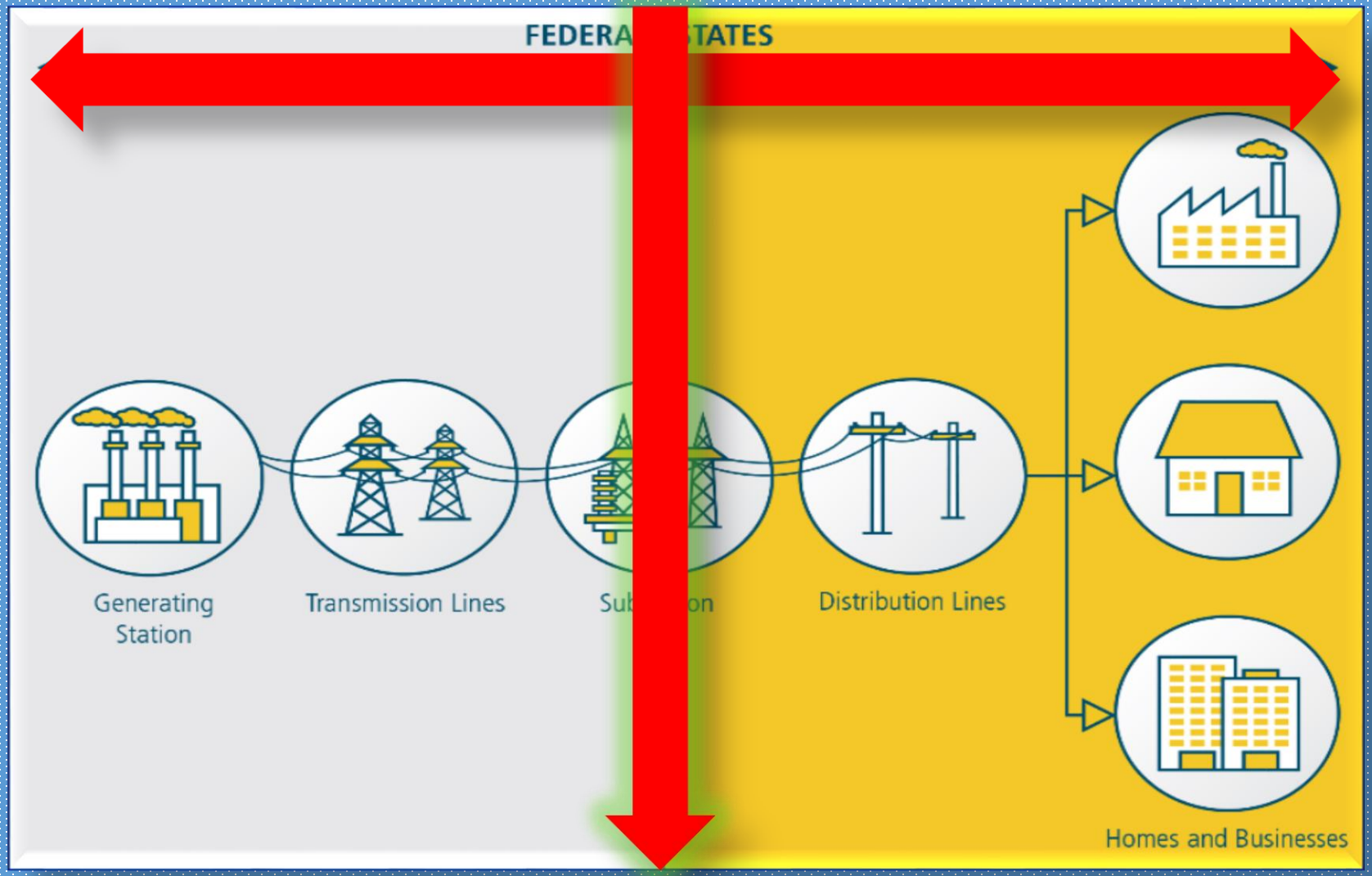
Evolving Cyber Threats

Findings

- Mitigation and response to cyber threats are hampered by fragmented information-sharing among utilities and with government, the lack of security-specific technological and workforce resources, and challenges associated with the need for multi-jurisdictional responses to threats and consequences.
- Key vulnerabilities include unpatched networks, un-vetted vendor access, access to the public Internet, and insider threats.

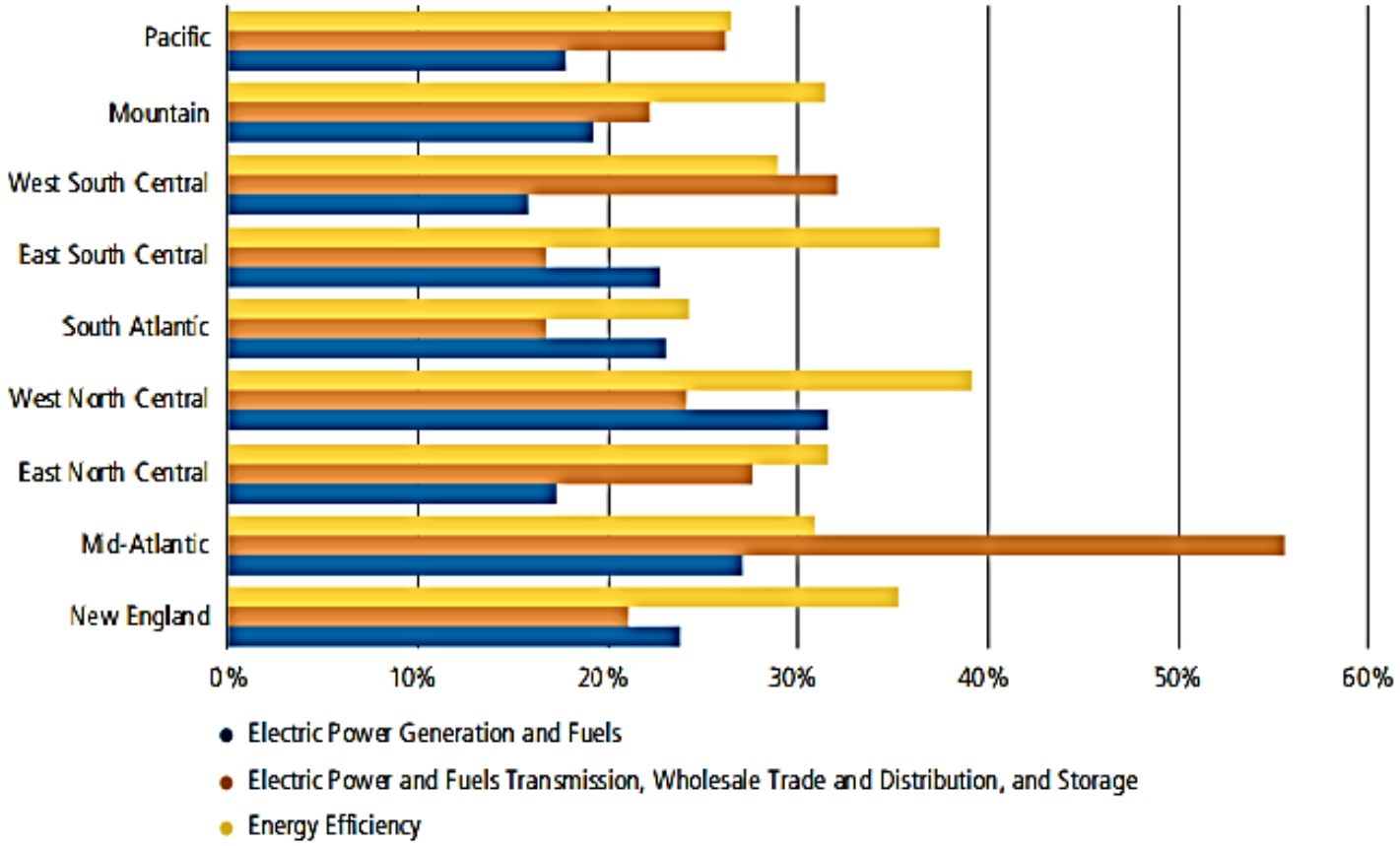


Current Jurisdictional Boundaries and Electricity as a National Security Concern



Electricity Workforce Hiring Needs

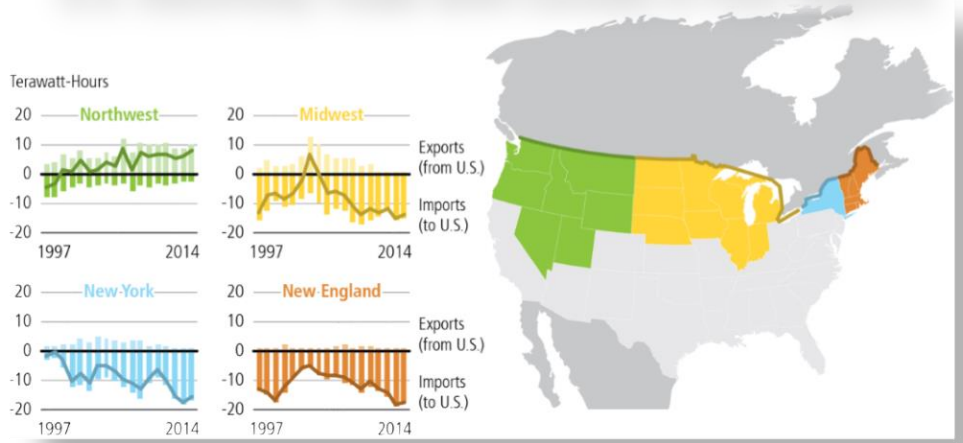
Figure S-6. Percentage of Employers Reporting Very High Hiring Difficulty by Census Region and Subsector, Q4 2015



Over half of employers in the Mid-Atlantic region report very high difficulty hiring in the electric power and fuels transmission, wholesale trade and distribution, and storage subsector, while no more than 32 percent of employers in other regions reported hiring difficulty in this field. The Mid-Atlantic also reports among the highest rates of difficulty hiring in the energy efficiency and electric power generation and fuels industries.

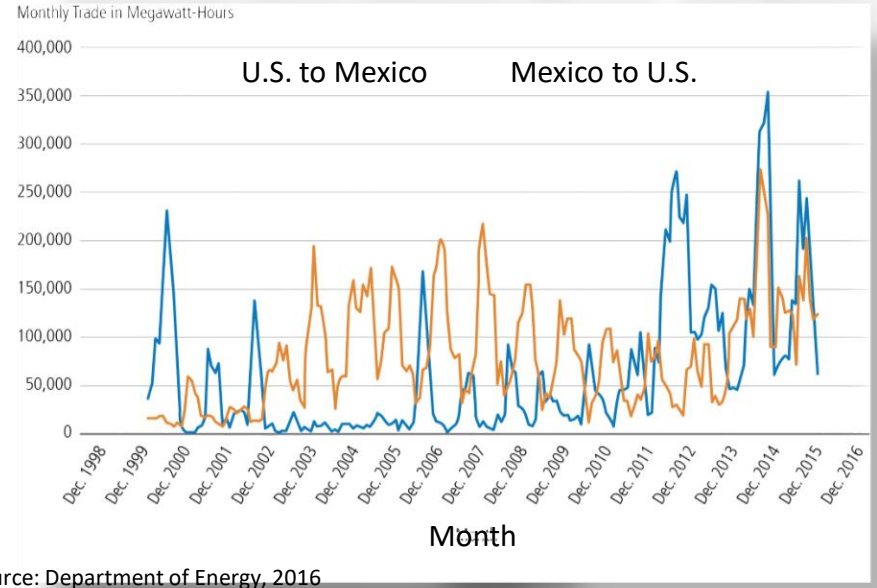
North American Electricity Integration

U.S. Electricity Trade with Canada in Four Regions



Source: Energy Information Administration, 2015

Electricity Flows between the U.S. and Mexico

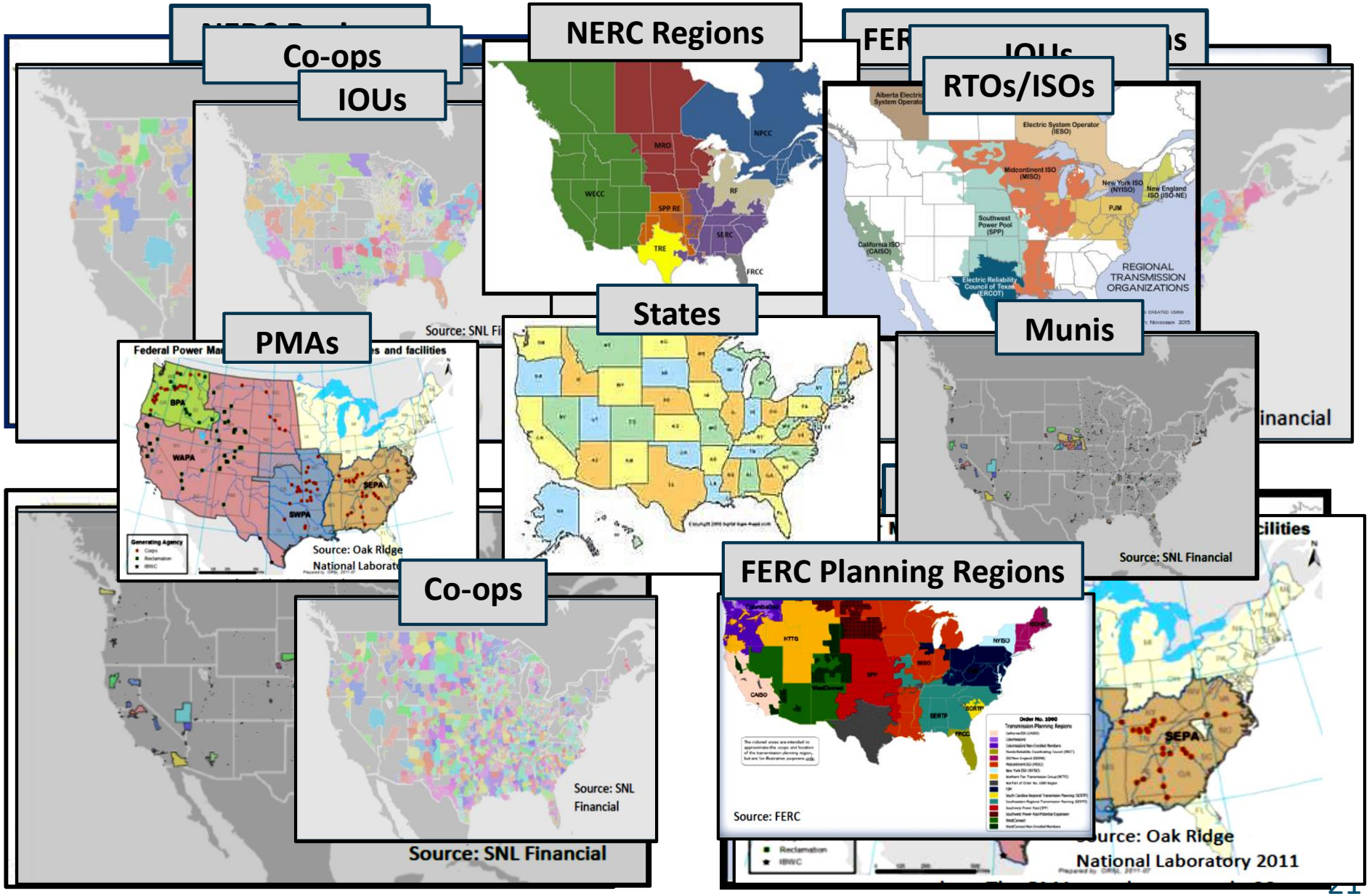


Source: Department of Energy, 2016

Findings

- Trade has been increasing across the North American bulk power system, but cross-border flows, especially between Canada and the United States, are now using the full capacity of existing transmission infrastructure.
- U.S.-Canada cross-border electricity trade and coordination of operations, policy, and regulatory planning are extensive, mature, and efficient, as evidenced by the December 2016 *Joint U.S.-Canada Electric Grid Security and Resilience Strategy*.
- One model for power-sector collaboration across national borders is demonstrated by the reliability planning under NERC, but this engagement has been limited to Canada, the U.S., and the Baja California region of Mexico. Notably, Mexico's ongoing electricity reform could have significant impacts on the future of cross-border integration.

Electricity System Governance Issues



Recommendation Overview

- The analysis conducted for QER 1.2 identified *integrated objectives* that address the needs and challenges to enable the electricity sector of the 21st century.

- Recommendations will provide the incremental building blocks for longer-term, planned changes and activities, undertaken in conjunction with state and local governments, policy-makers, industry and other stakeholders.

QER 1.2 Proposes 76 Recommendations in Six Focus Areas

- Key Crosscutting National Security and Reliability Priorities
- Increasing Economic Value & Consumer Equity
- Enabling Clean Electricity Future
- Electricity System Reliability, Security, and Resilience
- Electricity Workforce
- Enhancing Electricity Integration in North America

QER 1.2 Recommendations

Protect the Electricity System as a National Security Asset.

- Amend the *Federal Power Act* to:
  - Clarify and affirm DOE's authority under the FAST Act to develop preparation and response capabilities that will ensure it is able to issue a grid-security emergency order to protect critical electric infrastructure from cyber attacks, physical incidents, EMPs, or geomagnetic storms. In this regard, DOE's authority should include the ability to address two-way flows that create vulnerabilities across the entire system; and
  - Authorize FERC to propose new reliability standards and to modify NERC-proposed reliability standards if FERC finds that expeditious action is needed to protect national security in the face of fast-developing new threats to the grid.
- Collect information on security events to inform the President about emergency actions and imminent dangers.
- Adopt integrated electricity security planning and standards on a regional basis.
- Assess natural gas/electricity system infrastructure interdependencies for cybersecurity protections.

QER 1.2 Recommendations

Increase Financing Options for Grid Modernization

- Expand DOE's loan guarantee program and make it more flexible to assist in deployment of innovative grid technologies and systems.

Increase technology demonstrations and utility/investor confidence.

- Significantly expand existing programs to demonstrate the integration and optimization of distribution system technologies.

Build Capacity at the Federal, State, and Local Levels.

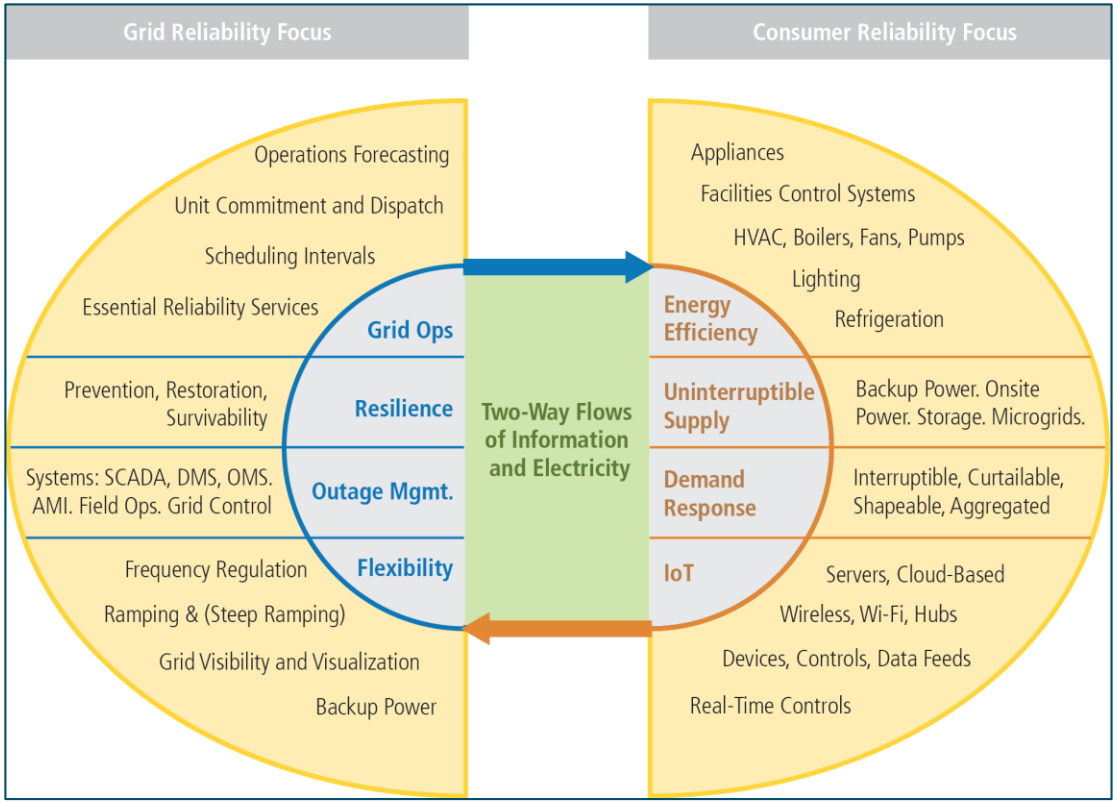
- Provide funding assistance to enhance capabilities in state public utility commissions and improve access to training and expertise for small and municipal utilities.
- Create a center for Advanced Electric Power System Economics to provide social science advice and economic analysis on an increasingly transactive and dynamic 21st century electricity system.

Inform Electricity System Governance in a Rapidly Changing Environment.

- Establish a Federal Advisory Committee on alignment of responsibilities for rates and resource adequacy.

QER 1.2 Recommendations

Electric Service Reliability Increasingly Interactive between Grid and Consumer



Source: Department of Energy, 2016

Select Recommendations

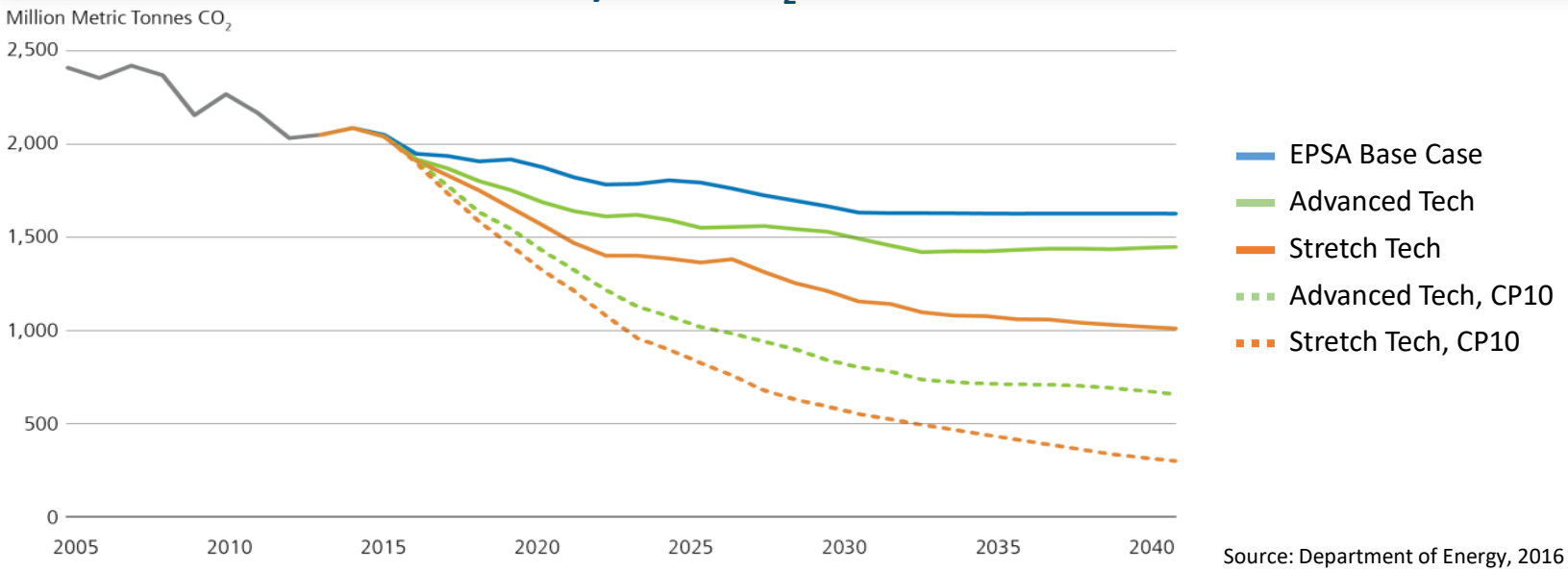
- Tailor and increase tools and resources for states and utilities to effectively address transitions underway in the electricity system.
- Expand Federal and state financial assistance to ensure electricity access for low-income and under-served Americans.
- Increase electricity access and improve electricity-related economic development for tribal lands.
- Strengthen rural electricity and broadband infrastructure.

QER 1.2 Recommendations

Select Recommendations

- **Transform the electricity system through leadership in national clean electricity technology innovation by significantly increasing Federal investment in innovative energy technology RD&D.**
- **Address challenges to large-scale, centralized clean generation including nuclear, hydropower, and non-hydropower renewables.**
- **Address significant energy-water nexus issues affecting—and affected by—the electricity sector.**
- **Provide federal tax incentives for a range of electricity-related technologies and systems including renewable energy, electric vehicles, energy efficiency, nuclear generation, and CCUS.**

U.S. Electricity-sector CO_2 Emissions, 2005–2040



Source: Department of Energy, 2016

QER 1.2 Recommendations

- Key Crosscutting Priorities
- Reliability, Security, Resilience
- Economic Value & Consumer Equity
- Electricity Workforce
- Clean Electricity Future
- North American Integration

Select Recommendations

- Support industry, state, local, and Federal efforts to enhance grid security and resilience.
- Improve data on all-hazard events and losses as well as EIA's data, modeling, and analysis capabilities.
- Encourage cost-effective use of advanced technologies that improve transmission operations.

Levels of Risk
- Low
- Moderate
- High
- Unknown

Current Status of Risk Management Practice
- Nascent: Critical Vulnerabilities Exist
- Established, but opportunities for improvement remain
- Well-established and robust

Source: Preston et al., 2016

Assessment of Risk & Resilience

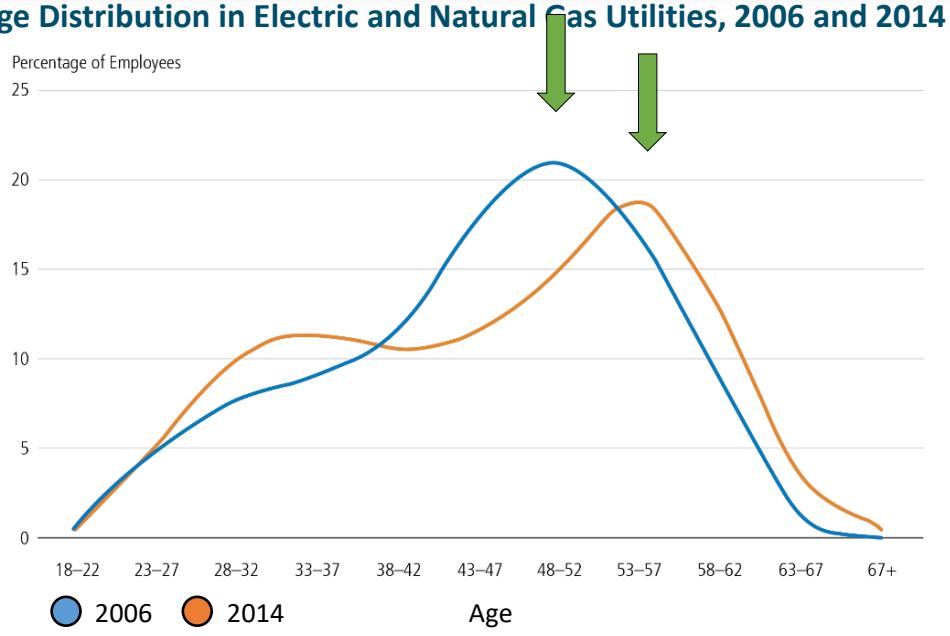
Threat	Intensity	System Components: Electricity Transmission	Electricity Generation	Electricity Substations	Electricity Distribution (above)	Electricity Distribution (below)	Storage
Natural/Environmental Threats							
Hurricane	"Low (<Category 3)"	●	●	●	●	●	◑
	"High (>Category 3)"	◑	●	●	◑	●	◑
Drought	"Low (PDSI>-3)"	●	●	●	●	●	●
	"High (PDSI<-3)"	●	◑	●	●	●	◑
Winter Storms/Ice/Snow	"High (PDSI<-3)"	●	●	●	●	●	●
	"Low (Minor icing/snow)"	●	●	●	●	●	●
Extreme Heat/Heat Wave		●	◑	●	●	●	●
Flood	"Low (<1:10 year ARI)"	●	●	●	●	●	●
	"High (>1:100 year ARI)"	●	◑	◑	◑	●	●
Wildfire	"Low (>Type III IMT)"	●	●	●	●	●	●
	High (Type I IMT)	●	●	●	●	●	●
Sea-level rise		●	●	●	●	●	●
Earthquake	Low (<5.0)	●	●	●	●	●	●
	High (>7.0)	●	●	●	●	●	●
Geomag-netic	"Low (G1-G2)"	●	●	●	●	●	●
	"High (G5)"	○	◑	○	◑	○	◑
Wildlife/Vegetation		●	●	●	●	●	●
Human Threats							
Physical	Low	●	●	●	●	●	●
	High	◑	◑	◑	●	●	◑
Cyber	Low	◑	◑	◑	○	○	
	High	○	○	○	○	○	○
Electromag-netic	"Low (Ambient EMI)"	●	●	●	●	●	●
	"High (NEMP & HEMP)"	●	○	○	●	●	○
Equipment Failure		●	●	●	●	●	●
Combined Threats		○	○	○	○	○	○

QER 1.2 Recommendations

Select Recommendations

- Support development of the electricity sector workforce through curriculum, training, and education using Federal and regional approaches.
- Meet Federal commitments to communities impacted by the rapid pace of change in electricity markets.

Age Distribution in Electric and Natural Gas Utilities, 2006 and 2014



Source: Center for Energy Workforce Development, 2016

Electric Power Generation and Fuels Extraction and Mining Employment Estimates by Technology, First Quarter 2016

Technology	Electric Power Generation (Employment Estimates)	Fuels Extraction and Mining (Employment Estimates)
Hydroelectric	65,554	-
Coal	86,035	74,084
Natural Gas	88,242	309,993
Nuclear	68,176	8,592
Solar	373,807	-
Wind	101,738	-
Geothermal	5,768	-
Bioenergy	7,980	104,663
Oil	12,840	502,678
Combined Heat and Power	18,034	-
Other	32,695	82,736
Total	860,869	1,082,746

Source: USEER, 2017

QER 1.2 Recommendations

Select Recommendations

- Increase North American cooperation on electric grid security and resilience, including U.S. and Mexican cooperation on reliability and the U.S.-Canadian Grid Security Strategy and domestic Action Plans.
- Promote permitting of cross-border transmission facilities and modernize international cross-border transmission permitting processes.
- Increase North American clean energy and technical coordination to more deeply coordinate on clean energy and climate goals.

Border Crossings of Electric Transmission Lines

Source: Energy Information Administration, 2016