UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

Frequency Regulation Compensation in the Organized Wholesale Power Markets	Docket Nos. RM11-7-000 AD10-11-000

COMMENTS OF THE ALLIANCE FOR INDUSTRIAL EFFICIENCY

The Alliance for Industrial Efficiency welcomes the opportunity to comment on the Federal Energy Regulatory Commission's efforts to have organized wholesale power markets provide proper compensation for resources providing the frequency regulation that stabilizes the power grid and maintains reliable electricity transmission. The Alliance – a diverse coalition that includes representatives from the business, environmental, labor and contractor communities – is committed to enhancing manufacturing competitiveness, reducing emissions, and creating jobs through industrial energy efficiency, especially through the use of Combined Heat and Power (CHP) and Waste Heat Recovery (WHR).

The Alliance believes FERC can simultaneously foster grid reliability and industrial efficiency. At the moment, such reliability is generally supplied by inefficient single-cycle gas turbines. WHR and CHP provide superior alternatives. Grid operators could encourage these investments by offering long-term contracts that compensate CHP and WHR project owners for the frequency regulation benefits supplied by their installations at industrial sites. Such long-term contracts are needed because CHP and WHR units require major capital investments. By compensating these distributed projects for their local power-factor support, grid operators could both balance reactive power throughout the transmission and distribution system as well as reduce line losses. At the same time, such distributed power projects would improve energy efficiency and manufacturing productivity.

The potential for WHR and CHP to enhance frequency regulation is vast. The Oak Ridge National Laboratory found that efficient CHP and clean WHR can produce 156 gigawatts of new power by 2030 – equal to the capacity of more than 300 conventional power plants (assuming a conventional power plant generates 500 MW). FERC can encourage this investment by having its frequency rulemaking send appropriate price signals to WHR and CHP developers.

The Alliance for Industrial Efficiency thanks FERC for considering alternative ways to provide frequency control. We believe CHP and WHR projects, which can provide active power-factor support controlled by grid operators, could increase frequency control and grid

reliability. We encourage the Commission and grid operators to offer long-term contracts for the grid benefits supplied by distributed CHP and WHR installations.

Sincerely,

David Gardiner, Executive Director
Alliance for Industrial Efficiency

On behalf of:
Mechanical Contractors Association of America (MCAA)
Ohio Business Council for a Clean Economy
Ormat Technologies
Pharmaceutical Industry Labor-Management Association (PIL-MA)
Recycled Energy Development (RED)
Sheet Metal Workers' International Association (SMWIA)
The Association of Union Constructors (TAUC)
Veolia Energy North America
U.S. Clean Heat and Power Association
Alliance for Industrial Efficiency