**Northwest Public Power Association**

**Resolution 2023-19 (Proposed)**

**Supply Chain Challenges**

**for Distribution Transformers and Grid Components**

**Background**

Supply chain challenges have made it difficult for electric utilities to procure distribution transformers and other critical grid components needed to complete maintenance and infrastructure rehabilitation projects as well as expand electric service to meet growing customer demand and increasing electrification. These delays in acquiring critical components have had a detrimental impact on utilities’ operations, including reducing utilities’ ability to provide reliable electric service and restore power after an outage from severe storms, other natural disasters, or malicious damage.

In June 2022, the Biden administration announced that it would invoke the Defense Production Act (DPA) to help increase domestic production of certain clean energy technologies, including distribution transformers. Use of the DPA was intended to reduce the supply chain delays by addressing labor and materials shortages. However, deploying the authority of the DPA requires federal appropriations, and Congress failed to provide funding in the 117th Congress.

The Department of Energy (DOE) proposed a new rule in late 2022 that would require transformers manufactured or imported beginning in 2027 to have amorphous steel core components, shifting from grain-oriented electrical steel in an effort to increase efficiency and cut carbon dioxide emissions. In the short term the new DOE energy conservation standards could further exacerbate transformer production challenges and may have the effect of significantly increasing the long lead times faced by electric utilities in acquiring or replacing distribution transformers.

**NWPPA’s Position**

* NWPPA urges Congress to provide adequate appropriations to fully deploy the Defense Production Act in order to address labor and materials shortages and otherwise accelerate domestic production of critical grid components.
* NWPPA supports a temporary DOE waiver of energy conservation standards to address the current lack of supply and long lead times in acquiring or replacing distribution transformers.
* NWPPA supports providing long-term support for all efforts that can increase domestic manufacturing of critical grid components, including distribution transformers.
* NWPPA opposes federal regulatory hurdles that would further hinder, increase costs, or cause further delays for utilities seeking to acquire distribution transformers.

Origination Date: 2023.