

January 18, 2023

Kimberly D. Bose
Secretary
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, DC 20426

RE: Modernizing Wholesale Electricity Market Design, Docket No. AD21-10-000

Dear Secretary Bose:

America's Power, the only national trade organization whose sole mission is to advocate on behalf of coal-fired electricity and its supply chain, urges the Commission to act promptly to ensure the reliability and resilience of the grid operated by the nation's Regional Transmission Organizations and Independent System Operators (collectively "RTOs"). In October 2022, the RTOs filed reports with the Commission highlighting the "uncertainty and volatility"¹ being caused by the transition from dispatchable resources to intermittent resources. Commission action is urgently needed to stop the increasing volatility and risks of resource insufficiency. The untenable level of these risks and the need for immediate action is demonstrated by PJM's need to obtain an order from the Department of Energy pursuant to FPA section 202(c)(2) just last month to ensure sufficient generation supply to meet system demand and reserve requirements.

The Commission should act immediately to ensure that needed reliability attributes are valued appropriately and to ensure that compensation is sufficient to maintain resources that provide those attributes. Dispatchable generation retirements have accelerated and exceed the already sobering projections that existed when the RTOs made their filings in October of last year. The Commission has a responsibility to ensure that reliability needs are met and that the rates, terms and conditions of service are just, reasonable and not unduly discriminatory. This obligation extends to ensuring appropriate compensation and providing incentives to encourage continued participation in the markets of resources that have attributes the RTOs need.

In its October 2022 filing, MISO explained, "As renewable resources supply most of the energy, the system becomes more dependent on the stability attributes of the remaining conventional generators, increasing the system risk associated with unexpected outages of these generators. As the direction and magnitude of power flows change rapidly due to the output of renewable resources that vary with weather conditions, increased flexibility, and innovation in planning and

¹ See, e.g., *Modernizing Wholesale Electricity Market Design*, Docket No. AD21-10-000, Report of PJM Interconnection, L.L.C. at 2 and Appendix A at 27 (filed Oct. 18, 2022) ("PJM Report").

infrastructure is [sic] needed to adapt to new and shifting periods of stress.”² MISO went on to state that: “the MISO footprint is currently experiencing significant shifts in generation resource retirement, increased reliance on intermittent resources, significant weather events with correlated generator outages, and declining excess reserve margins. In addition, reliability risks associated with Resource Adequacy have shifted from a Summer-only to a year-round concern. *Therefore, MISO must ensure that sufficient resources with the capabilities and attributes the MISO footprint needs will be available during the highest risk periods across the year.*”³ Because MISO is not alone in facing these challenges, the Commission must act to ensure that sufficient resources with the capabilities and attributes all RTOs need will be available during the highest risk periods across the year.

PJM’s report echoed the concerns raised by MISO. PJM acknowledged that, “The shifting electricity system resource mix and the growing quantity of distributed energy resources are causing a rise in uncertainty and volatility in PJM markets and operations. This is compounded by the growing concern over the amount of thermal generation retirements that are anticipated, particularly given that Intermittent Resources that are replacing thermal resources are not comparable in terms of flexibility and dispatchability. To proactively address these concerns, PJM is performing analysis to quantify the impact of the projected retirements. With the impending integration of large quantities of Intermittent Resources, the intermittent and distributed nature of a growing portion of the PJM system will further emphasize the challenge of energy and fuel security.”⁴

PJM further stated that, “PJM and the electric industry at large are in an unprecedented time of energy transition. The shifting electricity system resource mix, including the retirement of thermal resources and the growing quantity of distributed energy resources, are causing a rise in uncertainty in PJM markets.”⁵ PJM conceded that: “Reliability attributes are essential for maintaining system balance and supporting the reliable operation of the grid.”⁶

And PJM’s proposed solution recognizes “the need to properly incentivize and compensate for flexibility attributes.”⁷ PJM stated in particular that, “If fuel assurance is not valued, acquired and compensated in the near term, there could be retirements or inadequate investments of resources that are necessary to serve load at times when Intermittent Resources may not have an energy source.”⁸

The near term that PJM talks about is now. PJM just barely avoided a Stage 3 emergency in December 2022. The risks of not acting to preserve needed reliability attributes of existing grid resources is untenable, and the need for Commission action is immediate and dire.

² *Modernizing Wholesale Electricity Market Design*, Docket No. AD21-10-000, Report on Modernizing Electricity Market Design of the Midcontinent Independent System Operator, Inc. at 11 (filed Oct. 18, 2022)(“MISO Report”).

³ *Id.* at 33 (emphasis added).

⁴ PJM Report at 2.

⁵ *Id.*, Appendix A at 1.

⁶ *Id.* at 3.

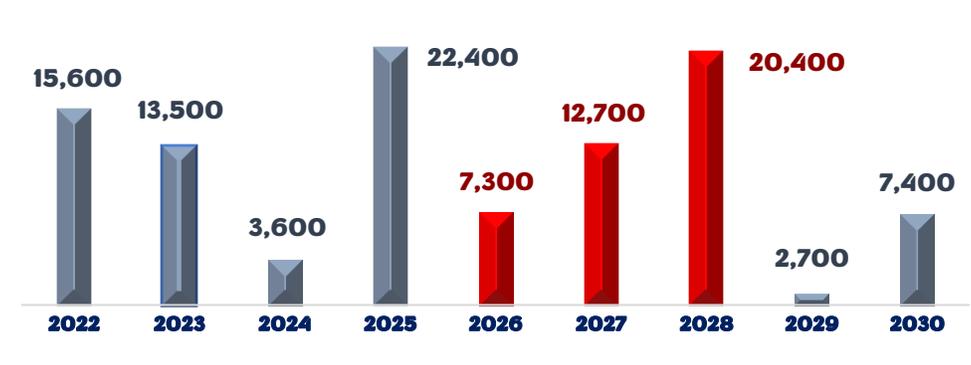
⁷ *Id.* at 2.

⁸ *Id.* at 7.

America’s Power notes that both MISO and PJM have engaged in the process of identifying needed resource attributes. Of MISO’s six identified attributes, coal resources provide five. Coal resources similarly can provide the bulk of the attributes that PJM has identified. Moreover, because coal facilities typically have fuel on-site, they avoid the operational risks attendant to gas units. For example, if PJM on a Tuesday foresees a cold weather event on the weekend, a coal unit with on-site fuel supply is ready to meet that need. A gas unit, on the other hand, will need to weigh the risk of obtaining potentially expensive gas for an eventual dispatch that may or may not occur and that may or may not provide compensation that makes the commitment economic given the high cost of the fuel. While PJM would need to financially commit to the gas generator on Tuesday to ensure it obtains the needed resources for the future expected event, the coal generator provides that optionality without an advance expensive commitment.

We provided information to the Commission in November 2022 regarding the alarming amount of coal-fired generating capacity that had publicly announced plans, as of August 2022, to retire.⁹ Retirements as of August had totaled slightly more than 93,000 MW. However, announced coal retirements as of December 2022 total almost 106,000 MW. PJM, which experienced capacity shortages during Winter Storm Elliott, has 22,200 MW of coal-fired capacity, roughly half the PJM coal fleet, that have announced plans to retire during 2022-2030. In addition, six EPA rules are certain to cause even more coal retirements during the next five or so years.¹⁰ For example, EPA estimates that its proposed Transport Rule could cause 23,000 MW of coal retirements by 2025.¹¹ We have urged EPA to take steps to avoid causing coal retirements that would further jeopardize grid reliability and resilience.

The chart below shows announced coal retirements (in MW as of December 2022) for each year during 2022-2030.



⁹ FERC Docket Number AD22-10-000, “Statement of Michelle Bloodworth, President and CEO, America’s Power,” November 10, 2022

¹⁰ Coal Combustion Residuals Rule, Effluent Limitations Guidelines, Ozone Transport Rule, Regional Haze Rule, ACE Replacement Rule, and Mercury and Air Toxics Standards. In addition to these six, EPA is considering whether to tighten the ambient air quality standards for fine particles and ozone. Tighter air quality standards could lead to stricter emission controls and, therefore, more coal retirements.

¹¹ “Regulatory Impact Analysis for Proposed Federal Implementation Plan Addressing Regional Ozone Transport for the 2015 Ozone National Ambient Air Quality Standard,” EPA-452/D-22-001, February 2022.

Announced retirements total more than 40,000 MW during the three-year period 2026-2028 (red bars). This period is highlighted because we estimate that coal retirements will increase considerably during that time due to EPA's likely compliance schedule for these six rules. Only one of these six rules is projected to cause the retirement of more than 10% of the existing coal fleet by 2025. This fact alone implies that coal retirements could reach more than 45,400 MW in 2025 (22,400 MW of announced retirements plus 23,000 MW due to the Ozone Transport Rule). That means coal retirements could total almost 62,500 MW, roughly one-third of the coal fleet, over the next three years (2023-2025).

We respectfully urge the Commission to require RTOs to value the needed attributes to mitigate the impacts of further retirements until global reforms can be developed and implemented.

Respectfully submitted,

A handwritten signature in black ink that reads "Michelle S. Bloodworth". The signature is written in a cursive style with a large initial "M".

Michelle Bloodworth
President and CEO

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