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ONE HUNDRED EIGHTEENTH CONGRESS

Congress of the United States

House of Representatives

COMMITTEE ON ENERGY AND COMMERCE

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April 26, 2023

The Honorable Willie L. Phillips
Chairman

The Honorable James Danly
Commissioner

The Honorable Mark C. Christie
Commissioner

The Honorable Allison Clements
Commissioner

Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, DC 20426

Dear Chairman Phillips and Commissioners,

The Federal Energy Regulatory Commission (FERC or Commission) has advocated for the formation of organized wholesale electricity markets since the issuance of Order 2000 more than 20 years ago. Today, seven Regional Transmission Organizations (RTO) or Independent System Operators (ISO), six of which are subject to FERC jurisdiction, operate the grids that provide electricity to roughly two thirds of Americans. The remaining regions, largely in the West and Southeast U.S., are served electricity by utilities that are primarily regulated by their respective state public utility commissions (“traditionally regulated utilities”).

Blackouts, brownouts, and energy rationing have become far too common in the past few years. The primary cause of the electricity shortages Americans have experienced in recent history is a lack of generation capacity. In other words, some regions do not have enough reliable, dispatchable generation to produce the electricity needed to support the bulk power system. These shortages often happen in the cold of winter or the heat of summer. This is due, in no small part, to the premature retirement of dispatchable generation resources, like coal, nuclear, and natural gas, and the rapid expansion of intermittent resources, like wind and solar, onto the bulk power system.

For the past several summers, the California Independent System Operator (CAISO) implements rolling outages to balance its lack of dispatchable generation with increasing demand for electricity. According to an Electric Power Research Institute (EPRI) study conducted in 2020, “[t]he CAISO supply deficiency was largely due to a resource adequacy issue.”¹ In a recent study conducted by the Midcontinent ISO, the grid operator highlighted the pervasive risk of capacity shortfalls across its system by noting it had a “1.2 gigawatt (GW) capacity shortage in the planning resource auction [...]”² Additionally, the Southwest Power Pool (SPP) could potentially face energy shortfalls. According to the North American Electric Reliability Corporation (NERC), in SPP, “outages and reduced output from thermal and hydro generation could lead to energy shortfalls at peak demand.”³

The PJM Interconnection, the nation’s largest grid operator, recently issued a dire warning about the rapid pace of electric generation retirements within its service territory. In a report issued February 24, 2023, PJM notes, “[r]etirements are at risk of outpacing the construction of new resources...”⁴ In the report, PJM projected 40 GW (40,000 MW) of retirements due to economic and policy factors, including regulations issued by the U.S. Environmental Protection Agency, state climate laws or regulations, as well as private sector Environmental, Social, and Governance commitments.

The Commission, as the federal agency responsible for the regulation of the nation’s organized wholesale electricity markets, must better understand how RTOs/ISOs have affected electric reliability. It is long past due for the Commission to fulfill its statutory role by conducting a thorough, unbiased analysis on the reliability impacts of a policy for which it has advocated for more than 20 years. As such, we request responses to the below questions by May 10, 2023.

1. In your view, are the current RTOs/ISOs the best mechanism to provide reliable electricity? Please explain.
2. Do current market rules allow dispatchable, on-demand generation resources the opportunity to recover sufficient revenues to continue to operate in the RTOs/ISOs? If so, which rules? If not, would you recommend FERC direct RTOs/ISOs to implement such rules?
3. How do RTOs/ISOs compare to traditionally regulated regions in terms of electric reliability? Please provide specific data.

¹ Electric Power Research Institute, “Resource Adequacy Challenges: Issues Identified Through Recent Experience in California,” October, 2020, at 1.

² S&P Global, “US Midcontinent ISO study says 200GW new capacity additions needed by 2041 to meet utility climate goals,” August 25, 2022.

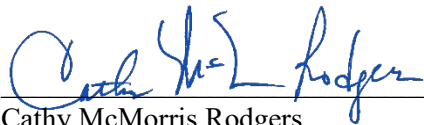
³ North American Electric Reliability Corporation, 2022 Summer Reliability Assessment, at 4.

⁴ PJM Interconnection, “Energy transition in PJM: Resource Retirements, Replacements, and Risks,” February 24, 2023, at 1.

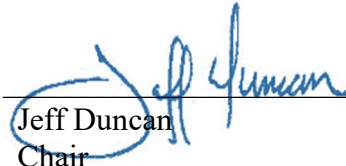
4. What policies, whether federal, state, or market rules, prevent sufficient resource adequacy in RTOs/ISOs necessary to power the grid 24/7/365 regardless of the weather?
5. Gas power generators are not required to procure firm gas transportation in RTO/ISO markets. How will the Commission ensure that market design adequately compensates natural gas generators for the reliability benefits of firm natural gas transportation?

Thank you for your attention to this matter. If you have any questions about this letter, please contact Mary Martin or Jacob McCurdy with the Majority staff at (202) 225.3641.

Sincerely,



Cathy McMorris Rodgers
Chair
Committee on Energy and Commerce



Jeff Duncan
Chair
Subcommittee on Energy, Climate, and
Grid Security