

July 25, 2018  
SUBMITTED VIA EMAIL

## COMMENTS OF ELECTRIC POWER SUPPLY ASSOCIATION REGARDING PJM FUEL SECURITY INITIATIVE

The Electric Power Supply Association (“EPSA”) appreciates the opportunity to comment on the PJM Interconnection, LLC (“PJM”) Fuel Security Initiative, in which PJM is working with stakeholders to define and study fuel security issues in the region to establish whether there are resilience risks related to fuel security in PJM.

EPSA is the national trade association representing leading independent power producers and marketers. Our mission is to bring the benefits of competition to all power customers. EPSA members provide reliable and competitively priced electricity from environmentally responsible facilities using a diverse mix of fuels and technologies, including owning, operating and developing major assets in PJM and in the neighboring ISO/RTO regions. EPSA members have invested billions of dollars in PJM on reliance of robust, transparent, fuel-neutral competitive wholesale energy and capacity markets.<sup>1</sup>

The first principle of the PJM Fuel Security Initiative should be to assess fuel security risks in a transparent manner that considers the risks and benefits of *all* fuel sources and generation technologies, so that market-based solutions or mechanisms can be developed to ensure a fuel secure, resilient, reliable system. This should be the linchpin to this effort, so that any existing or emerging risks are identified through clear and fair analysis, not presumed or prejudged based on pre-existing biases or narratives.

While the initiating PJM scoping paper on this issue, *Valuing Fuel Security*, highlighted the development of fuel-neutral tools and market-based mechanisms to value and incent “identified and verified fuel security attributes,” this initiative is essentially designed to address “the fuel-supply risks in an environment trending towards greater reliance on natural gas supply and delivery.” Any definition, analysis, or criteria development for fuel security must look at every fuel type, as each has issues related to fuel availability, procurement, performance and delivery. EPSA has serious concerns that, in the name of resilience (apart from reliability), one particular fuel resource has been singled out to the exclusion (or minimization) of all others. It is imperative that this PJM initiative take a comprehensive look at every generation fuel source, assessing each type’s vulnerabilities as well as attributes that ensure and support both reliability and resilience. No one fuel or resource type is *inherently* secure or *inherently* resilient in all extreme situations, or even most extreme situations. All types of critical infrastructure which comprise generation supply chains are vulnerable to cyber or physical risks, be they pipelines, rail, barges or trucks. Importantly, as PJM and others have noted in numerous proceedings and venues, the current generation resource mix

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<sup>1</sup> This pleading represents the position of EPSA as an organization, but not necessarily the views of any particular member with respect to any issue.

is at its most diverse today, which benefits the system operationally, economically, and reliably.

EPSA appreciates that PJM staff has reached out to numerous industry sectors for feedback and data on different fuel sources' attributes, requirements, and supply capabilities and options. This collected data will be helpful and is important to assist PJM in the operation of this vast regional power grid. That noted, the June 28<sup>th</sup> PJM presentation updating the Markets and Reliability Committee on this initiative reveals an inordinate focus on perceived vulnerabilities of natural gas delivery for electric generation, particularly in "extreme" events that appear to include outages of several weeks or months duration, and across vast stretches of the natural gas delivery system. This assessment could be rendered largely useless should the parameters of studied events be so expansive as to result in largely preordained "identified risks."

We are all aware of certain current motivations to assume that natural gas is a particularly vulnerable and unreliable fuel source for electric generators, such that other resource types may obtain additional fuel security payments or compensation. While PJM's assessment of the fuel security of its system should and does include operational issues with gas-fired generation, it is of grave concern that this assessment overreaches in the name of resilience – i.e., the ability of the grid to pull itself out of very rare Black Swan events – at the expense of operational reliability and efficiency. The flexible gas-fired units that represent a growing portion of the region's baseload capacity is the very resource base that enables the growing presence of intermittent generation, equally growing as a portion of PJM's generation capacity.

The perceived bias against natural gas is fueled in part by the scenarios under consideration in the analysis, which, as noted above, seem to extend for exceptionally long periods of time such that even dual fuel generators can be deemed vulnerable to fuel availability. Quite frankly, these fuel security parameters are so limiting that the effort feels to be a way to re-allocate capacity and energy market shares among resource types. While the need to address resilience during certain Black Swan events has been a constant drumbeat from certain market sectors, it begs logic that much of PJM's current and flexible baseload generation does not assist resilience and reliability, at a time when the very economics underpinning pending retirements is due in large part to chronically long reserve margins in PJM.

The growth of gas-fired generation has assisted in the expansion and modernization of the PJM grid, as have technological advances across fuel sources. For gas-fired generation in PJM, the availability of backup oil and access to multiple pipelines by most generators has positioned the RTO particularly well as to reliability and resilience. Hence, establishing measures for resilience that are as narrow and onerous as those proposed benefits no one.

EPSA agrees that metrics and criteria for fuel security should be established such that it may be valued and procured on a resource neutral basis. This is critical for this

initiative, and the broader initiative addressing grid resilience. Issues which should be adequately addressed and accounted for in this initiative include:

- The role of PJM's Capacity Performance program in valuing and compensating needed attributes or services which support resilience.
- A clear and reasonable definition of "firm fuel supply" which reflects characteristics such as access to dual fuel supply (reasonable amounts of backup oil), fuel backups, alternative fuel sources, alternative fuel delivery options, firm fuel supply management arrangements/contracts, redundant resources.
- Reasonable and credible event duration periods for both extreme weather events and delivery outages due to attack.
- Operational disruptions or failures of on-site fuel as a risk to generator performance in addition to disruptions of fuel delivery

Central to the fuel security and grid resilience initiatives underway in PJM is that no outcome has been predetermined, even as to the existence of fuel security concerns or constraints in PJM today, or under an array of future possible scenarios. It would be a reasonable outcome that fuel security does not pose a particular or looming risk in PJM, and therefore does not require the development of any new market intervention or mechanism. However, should there be identified risks or constraints, any solutions must be market-based and fuel neutral so that all capable resources may compete to resolve those concerns, as outlined by PJM in its scoping paper which initiated this effort.

Respectfully submitted,

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