



May 1, 2023

The Honorable John Barrasso, M.D.
Ranking Member, U.S. Senate Committee on Energy & Natural Resources
304 Dirksen Senate Building
Washington, DC 20510

Dear Ranking Member Barrasso:

We write to provide an industry perspective and additional context to your April 26, 2023 letter to the Federal Energy Regulatory Commission (FERC) on a myriad of issues affecting the reliability of the electric grid. The members of the Electric Power Supply Association (EPSA) appreciate your continued commitment to reliability and are intently focused on the importance of electricity being reliable, cost-effective, and sustainable.

EPSA is the national trade association representing America's competitive power suppliers that compete every day – without a guaranteed rate of return – in regions operating wholesale markets. EPSA members account for roughly 20% of the nation's generating capacity – our members don't talk about an "all of the above" energy strategy merely as an abstract concept. EPSA members are investing billions of dollars to build (or acquire) assets across the power generation spectrum, including natural gas, nuclear, wind, solar, and battery storage. EPSA members own and operate a diverse array of assets and have a deep commitment to electric grid reliability.

EPSA Appreciates Your Continued Support for Responsible Electrification Policy, Natural Gas Infrastructure, and Permitting Reform

EPSA agrees that more attention must be paid to many issues raised in your April 26 letter. Question 1 discusses the impact of electrification. We strongly believe that electrification policy cannot be done haphazardly or with a narrow and restricted focus on the demand side of the ledger. Responsible electrification policy must include a broad understanding of, and mitigation strategy for, the potential consequences of extensive additional demand for power requiring more, not less, generation to serve it reliably.¹ EPSA's members are eager to play a constructive and substantive role in the transition to a future where the economy leans even more heavily on the electric grid and stand ready to provide reliable and cost-effective generation to meet increased demand. However, those policies must account (and plan) for future stresses on the electric grid.

We appreciate your continued focus on the importance of natural gas to the electric grid. EPSA is a strong advocate for natural gas as a vital (and cost-effective) source of electricity generation for the foreseeable future. While it is currently an essential part of electricity generation, it will become even *more important* as grid operators require more flexible, dispatchable resources to balance the variability of the steadily increasing amount of weather-dependent, intermittent renewable resources

¹ U.S. Energy Information Administration, *U.S. electric capacity mix shifts from fossil fuels to renewables in AEO2023*: <https://www.eia.gov/todayinenergy/detail.php?id=56160>

on our grid. EPSA strongly supports policies that reinforce needed natural gas production and transportation, and that properly value the important attributes of natural gas power generation.

EPSA has also been vocal about its support for the need for permitting reform for all manner of energy infrastructure. Our members are eager to invest in energy projects to meet the nation's reliability and clean energy needs. But the buildout required to meet policymakers' goals in the coming years is extensive, and additional certainty and predictability would vastly improve the permitting process. We are committed to working with Congress to help reach an agreement on this issue. EPSA's formal policy position on permitting reform is included at the bottom of this letter and our members would be happy to speak further about EPSA's support for permitting reform.

Wholesale Markets Are Being Adversely Affected by Public Policies Executed Outside of the Market

In Question 3, you highlight the reliability concerns being raised in the PJM Interconnection and other regions of the country. Reliability issues exist in almost every region, regardless of the type of operational model (i.e., vertically integrated or restructured markets). These challenges were vividly exposed in the most recent load shedding experiences in late December in a pair of vertically integrated regions in the South and Midwest. It is important to note that reliability was maintained in restructured markets like PJM and New England.

In several instances, your letter highlights the impact of public policies, specifically the potential of policy statutes, to degrade the reliability of the bulk power system. For years EPSA has warned about the negative impact of public policy priorities being executed outside of wholesale markets which hinder the ability of those markets to meet their reliability needs. Your letter voices many of the concerns EPSA has raised about policy makers who criticize wholesale markets when those same officials are enacting public policies that create challenges in the very wholesale markets they blame for failing to achieve their policy ambitions.

In regions with competitive, durable, and sustainable market structures, those markets should identify the characteristics or attributes of resources needed for system reliability. Desired resource characteristics should prioritize reliability (particularly dispatchable, flexible, and balancing resources) and can include environmental attributes as well. However, markets need to be structured to address and drive investment in those stated goals – otherwise criticizing wholesale markets for not incentivizing and rewarding attributes that haven't been integrated into the market misses the point at best or seems disingenuous at worst. At the very least, critical reliability attributes shouldn't be discouraged or disadvantaged.

We believe it is imperative that *all* regions return to putting reliability first and commit to allowing competitive markets to account for present and future reliability needs.

Reliability Concerns Are Not Unique to Wholesale Markets and Any Assessment Should Be Done in a Larger Context

Electric grid reliability issues exist, and concern is growing across the country as has been highlighted by the North American Electric Reliability Corporation (NERC). The energy expansion required to meet the goals and ambitions of the *Inflation Reduction Act* is going to require a broad commitment to both reliability and investment in a variety of energy infrastructure from coast to coast. This includes regions that maintain vertically integrated systems.

EPSA members are proud to compete in wholesale markets and do so without the guaranteed rate of return that puts ratepayers on the hook for unwise or unnecessary investments in generation resources. Competitive markets are designed to send signals that incent technological innovation and efficiency, as shown by EPSA member companies' developments.

While EPSA appreciates that FERC has jurisdiction over wholesale markets (in contrast to state jurisdiction over a traditional vertically integrated system), any assessment of wholesale markets should not be done in a vacuum; assessments should be undertaken in a holistic context of how all regions, competitive market and monopoly alike, are navigating reliability, affordability (particularly for unfulfilled investments), the pace at which they are transitioning to a clean energy future, and the implementation of a patchwork of policy mandates that needs to be met in various regions of the country. Analyzing the successes of wholesale markets without a similar effort to understand non-market regions doesn't provide a true assessment of the merits of either operating environment.

Thank you again for your ongoing commitment to electric grid reliability. EPSA's members share that commitment and stand ready to help the nation meet its reliability and growing energy needs. Please let me know if you would like additional information and EPSA and our members would be happy to provide it to you.

Sincerely,



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Attachment: *Electric Power Supply Association Policy Position on Permitting Reform*

The Electric Power Supply Association (EPSA) is the national trade association representing America's competitive power suppliers. EPSA members provide about 150,000 MW of reliable and competitively priced electricity from environmentally responsible facilities using a diverse mix of fuels and technologies including natural gas, wind, solar, hydropower, geothermal, storage, biomass, and coal.

EPSA seeks to bring the benefits of competition to all power customers.