

UNITED STATES OF AMERICA  
ENVIRONMENTAL PROTECTION AGENCY

REDUCING GREENHOUSE GAS EMISSIONS FROM NEW AND EXISTING FOSSIL  
FUEL-FIRED STATIONARY COMBUSTION TURBINES  
(ACTION: NON-RULEMAKING DOCKET)

Docket EPA-HQ-OAR-2024-0135

**COMMENTS OF THE  
ELECTRIC POWER SUPPLY ASSOCIATION**

May 24, 2024

These comments are presented by the Electric Power Supply Association (EPSA)<sup>1</sup> in response to the March 26, 2024 non-rulemaking docket and key framing questions issued by the U.S. Environmental Protection Agency (EPA), *Reducing Greenhouse Gas Emissions From New and Existing Fossil Fuel-Fired Stationary Combustion Turbines*, (EPA-HQ-OAR-2024-0135).<sup>2</sup>

EPSA is the national trade association representing America's competitive power suppliers. EPSA advocates for well-functioning competitive wholesale electricity markets and believes that markets provide the best foundation to reliably power our nation at the lowest cost while fostering the innovation necessary to achieve critical environmental progress. EPSA members own and operate approximately 150,000 megawatts (MW) of reliable and competitively priced, environmentally responsible generation facilities using a diverse mix of fuels and technologies, including natural gas, wind, solar, hydropower,

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

<sup>2</sup> <https://www.regulations.gov/docket/EPA-HQ-OAR-2024-0135>

battery storage, nuclear, and coal. EPSA members' assets represent approximately 20% of the nation's installed capacity.

In comments to the EPA's (eventually modified) proposed rule regulating greenhouse gas (GHG) emissions from existing natural gas plants,<sup>3</sup> EPSA members stressed the importance of listening to the concerns of the owners and operators of affected power plants. Electric grid reliability remains the overarching priority for generation owners – like EPSA members – and policies must ensure reliability is maintained first and foremost.

There is clear and definitive evidence that the dispatchable, firm resources, like natural gas plants, that are critical to electric grid reliability can coexist with the clean energy expansion (and deliver the accompanying emissions reductions policymakers seek). Since the advent of competitive wholesale markets, and the ability of those markets to harness the benefits of the shale gas revolution, our nation has benefited from significant reductions in emissions. For example, in its annual review of greenhouse gas emissions (released in April 2024), the EPA highlighted the significant decreases in emissions from the electric generating sector since the shale gas revolution and the advent of competitive wholesale markets two decades ago, noting that “[t]otal greenhouse gas emissions from the electric power sector have decreased by 15.5 percent since 1990...From 2008 to 2022, as electricity demand increased by 5.2 percent, electric power sector emissions decreased by 35 percent, driven by a significant drop (25 percent) in the carbon intensity of electricity generated.”<sup>4</sup>

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<sup>3</sup> [https://epsa.org/wp-content/uploads/2023/08/EPsAComments\\_EPA111\\_August2023.pdf](https://epsa.org/wp-content/uploads/2023/08/EPsAComments_EPA111_August2023.pdf)

[https://epsa.org/wp-content/uploads/2023/12/EPsAComments\\_EPA111SNOPR\\_December2023.pdf](https://epsa.org/wp-content/uploads/2023/12/EPsAComments_EPA111SNOPR_December2023.pdf)

<sup>4</sup> <https://www.epa.gov/system/files/documents/2024-04/us-ghg-inventory-2024-chapter-3-energy.pdf>

The U.S. Energy Information Administration (EIA) recently highlighted the power sector's leading role in emissions reductions, noting that "U.S. energy-related CO<sub>2</sub> emissions decreased slightly in 2023 compared to 2022. Although emissions decreased across many economic sectors, more than 80% of U.S. energy-related CO<sub>2</sub> emissions reductions in 2023 occurred in the electric power sector," and further detailed that "U.S. energy-related CO<sub>2</sub> emissions declined by 3%...in 2023. Most of this decrease occurred in the electric power sector."<sup>5</sup> Looking forward, EIA predicts that the downward trend of energy-related carbon CO<sub>2</sub> emissions is likely to continue. When accounting for "increased electrification, higher equipment efficiency, and renewables deployment in the electric power sector," the EIA forecasts that "U.S. energy-related CO<sub>2</sub> emissions drop 25% to 38% below what they were in 2005 by 2030."<sup>6</sup>

PJM Interconnection, the largest grid operator in the United States,<sup>7</sup> recently announced that from "2005 to 2023, carbon dioxide emission rates fell 43% across PJM's footprint. Emission rates for nitrogen oxides declined 90%, and the rates for sulfur dioxide dropped 96%." Further, PJM articulated that the "decline has occurred as competitive wholesale electricity markets continue to encourage the entry of new technologies, and lower-emitting, more efficient resources replace older, less efficient units."<sup>8</sup> In the ISO New England footprint the system operator stated, "Air emissions from regional generators have fallen dramatically since the early 2000s. From 2001

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<sup>5</sup> <https://www.eia.gov/environment/emissions/carbon/?&src=email>

<sup>6</sup> <https://www.eia.gov/todayinenergy/detail.php?id=55840>

<sup>7</sup> PJM Interconnection highlights that it serves 65 million people in 13 states in a region producing roughly 21% of the nation's Gross Domestic Product.

<sup>8</sup> <https://insidelines.pjm.com/emission-rates-in-pjm-reach-all-time-low/>

through 2022, annual emissions for sulfur dioxide (SO<sub>2</sub>), nitrogen oxides (NO<sub>x</sub>), and carbon dioxide (CO<sub>2</sub>) declined by 98%, 79%, and 37%, respectively.”<sup>9</sup>

Given the emissions reductions already achieved (and experts’ predictions for continued reductions) and the expectations for significant growth in renewable energy investment, it’s fair to ask if a further federal rulemaking limiting emissions from existing natural gas plants is a solution in search of a problem. We remain concerned about aspirational policy charging ahead of the operational, technical, and scientific realities of the electric grid.

To that end, EPSA’s comments detail the significant pressures already challenging the electric grid in order to warn against compounding those difficulties by further limiting existing natural gas capacity. However, in any future EPA rulemaking, EPSA reiterates its request that the EPA consider the input of power plant owners when making assumptions about how future rulemakings will impact individual generation assets, and subsequently affect electric grid reliability, affordability, and sustainability in order to achieve efficient and timely decarbonization of the electricity sector.

#### I. THE VOICES MOST RESPONSIBLE FOR MAINTAINING ELECTRIC GRID RELIABILITY CONTINUE TO SOUND ALARMS

EPSA urges the EPA to listen carefully to the entities most attuned to electric grid reliability – the Federal Energy Regulatory Commission (FERC), the North American Electric Reliability Corporation (NERC, our nation’s Electric Reliability Organization), and Independent System Operators/Regional Transmission Organizations (ISOs/RTOs),

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<sup>9</sup> <https://www.iso-ne.com/about/key-stats/air-emissions>

like the PJM Interconnection. While members of all these groups are flashing warning signs about reliability issues, it is worth highlighting several specific concerns.

In 2023, FERC Commissioner Mark Christie testified before Congress that our nation is “heading for a reliability crisis. I do not use the term ‘crisis’ for melodrama, but because it is an accurate description of what we are facing.”<sup>10</sup> In separate Congressional testimony a month later, Commissioner Christie elaborated that “the core threat is this: Dispatchable generating resources, even with many years of useful life remaining, are retiring far too quickly and in quantities that threaten our ability to keep the lights on. The problem generally is not the addition of intermittent resources such as wind and solar, but the far too rapid subtraction of dispatchable resources, especially coal and gas.”<sup>11</sup>

Additionally, NERC’s President & CEO Jim Robb testified in 2023 that “NERC is concerned that the pace of change is overtaking the reliability needs of the system. Unless reliability and resilience are appropriately prioritized, current trends indicate the potential for more frequent and more serious long duration reliability disruptions, including the possibility of national consequence events.”<sup>12</sup>

In a recent report exploring *The Future of Resource Adequacy*, the U.S. Department of Energy acknowledges the critical role that natural gas generation plays in the nation’s electric grid, noting that “[natural] gas has grown to become the largest source of electricity generation in the United States, providing over 40% of total electricity generation in 2023. Natural gas generators have traditionally provided a

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<sup>10</sup> <https://www.energy.senate.gov/services/files/1D618EDD-7CED-4BC5-8F09-C8F0668FE608>

<sup>11</sup> <https://docs.house.gov/meetings/IF/IF03/20230613/116094/HHRG-118-IF03-Wstate-ChristieM-20230613.pdf>

<sup>12</sup> <https://www.energy.senate.gov/services/files/D47C2B83-A0A7-4E0B-ABF2-9574D9990C11>

significant source of firm capacity and *are also an important source of flexible generation complementing variable wind and solar generation*” (emphasis added).<sup>13</sup>

Last year PJM highlighted that “the amount of generation retirements appears to be more certain than the timely arrival of replacement generation resources and demand response, given that the quantity of retirements is codified in various policy objectives, while the impacts to the pace of new entry of the Inflation Reduction Act, post-pandemic supply chain issues, and other externalities are still not fully understood. Should these trends continue, PJM could face decreasing reserve margins for the first time in its history.”<sup>14</sup> In March 2024, PJM’s Independent Market Monitor warned that “[o]ne of the key challenges facing the PJM markets is the potentially high level of expected thermal resource retirements between now and 2030 with no clear source of replacement capacity. Although the exact numbers may vary, an estimated total of between 24,000 MW and 58,000 MW of thermal resources are at risk of retirement, including 4,285 MW of announced retirements, 19,635 MW of retirements as a result of state and federal environmental regulations, and 33,744 MW of retirements for economic reasons, based on expected forward prices.”<sup>15</sup>

PJM is far from the only grid operator pressing the value of dispatchable resources. In ISO New England’s *2021 Future Grid Reliability Study*, forecasting regional needs out to 2040, ISO-NE concluded that it “would likely require significant dispatchable resources, such as natural gas or stored fuels, to support periods when

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<sup>13</sup> <https://www.energy.gov/sites/default/files/2024-04/2024%20The%20Future%20of%20Resource%20Adequacy%20Report.pdf>

<sup>14</sup> <https://insidelines.pjm.com/pjm-details-resource-retirements-replacements-and-risks/>

<sup>15</sup> [https://www.monitoringanalytics.com/reports/PJM\\_State\\_of\\_the\\_Market/2023/2023-som-pjm-vol2.pdf](https://www.monitoringanalytics.com/reports/PJM_State_of_the_Market/2023/2023-som-pjm-vol2.pdf)

variable resources are unavailable.”<sup>16</sup> Under the heading *Dispatchable units are crucial to the future grid*, the ISO outlines future scenarios with a heavy renewables penetration as illustrating the “importance of dispatchable resources to the future grid.”

These concerns are being raised by the most knowledgeable and experienced voices in our country, responsible for the reliable operation of the bulk electric system. A more effective approach to any future rulemaking must heed the warnings and challenges of the grid operators around reliability before finalizing rules directed at the power sector.

## II. DEMAND FOR ELECTRICITY IS SET TO INCREASE DRAMATICALLY, NECESSITATING SIGNIFICANTLY MORE – NOT LESS – GENERATING CAPACITY

The premature retirement of dispatchable, firm generation – whether driven by policy or economic pressures – is challenging the reliability of the electric grid. Those pressures would be a concern in a time of static demand for electricity. However, demand for electricity is set to increase *significantly* in the coming years, necessitating substantial increases in new energy infrastructure of all types, such as transmission, generation, and pipeline infrastructure.

In April 2024, the EFI Foundation, led by President Obama’s former Energy Secretary Ernie Moniz, released a report titled *Managing Unprecedented Electricity Demand Growth on the Path to Net-Zero Emissions*.<sup>17</sup> As part of its conclusions, EFI highlights that the “pace of electricity load growth could nearly double or even triple over

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<sup>16</sup> <https://isonewswire.com/2022/07/29/iso-ne-issues-report-of-study-analyzing-impacts-of-a-transformed-future-grid/>

<sup>17</sup> <https://efifoundation.org/foundation-reports/managing-unprecedented-electricity-demand-growth-on-the-path-to-net-zero-emissions/>

the next five years. These load growth trends have potentially paradigm-shifting implications for the power sector, *affecting system-wide reliability in the near term and changing the course of deep decarbonization in the mid-term*” (emphasis added). EFl notes that study participants agreed that “the projection that the pace of electricity load growth will double in five years is likely an underestimate as more utilities update their load growth forecasts.”

This load growth was foreseen even back in 2018, when the National Renewable Energy Laboratory, as part of a study on an electrification-heavy future, found that “[w]idespread electrification increases 2050 U.S. electricity consumption by 20% and 38% in the medium and high adoption scenarios.”<sup>18</sup> The U.S. EIA similarly forecasts electricity demand growth, noting that it sees “stable growth in U.S. electric power demand through 2050 in all cases we considered because of increasing electrification and ongoing economic growth.”<sup>19</sup> In December 2023, Grid Strategies identified that in “just one year, the forecast of cumulative electricity growth over the next five years increased from 2.6% to 4.7%. Since their 2023 FERC load forecast filings, several major utilities have further increased near-term electricity demand forecasts.”<sup>20</sup> On a more granular level, in its *2024 Load Review Final Update* (April 2024), the Electric Reliability Council of Texas made a meaningful adjustment to its demand forecast, noting that “approximately 62 gigawatts of additional load will be added” by 2030 an overall forecasted load of roughly 152 gigawatts.<sup>21</sup> ISO New England recently announced that it projects that “regional electricity consumption will increase by about

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<sup>18</sup> <https://www.nrel.gov/news/program/2018/analysis-demand-side-electrification-futures.html>

<sup>19</sup> <https://www.eia.gov/outlooks/aeo/narrative/>

<sup>20</sup> <https://gridstrategiesllc.com/wp-content/uploads/2023/12/National-Load-Growth-Report-2023.pdf>

<sup>21</sup> [https://www.ercot.com/files/docs/2024/04/08/2024 RTP Load Review Update April 2024 RPG.pdf](https://www.ercot.com/files/docs/2024/04/08/2024_RTP_Load_Review_Update_April_2024_RPG.pdf), Slides 7-8



17% over the next decade, driven primarily by the accelerating electrification of heating systems and transportation.”<sup>22</sup>

While the exact rate of electric demand growth cannot be perfectly forecasted, even a cursory review of many third-party analyses reveals the inescapable conclusion that meaningful growth is coming to the electric grid. Experts point to the electrification of the transportation industry, residential and commercial heating, and kitchen appliances, as well as the onshoring of manufacturing and demand for energy from artificial intelligence and digital currencies as driving future demand.

Whatever the exact cause, it is clear that the grid operators need to ensure that current assets remain viable and accelerate the rate at which new resources are constructed and interconnected. Given the projections in future demand growth, a federal rulemaking that limits production from existing dispatchable resources would move the country in the opposite direction from what will be required to ensure a reliable system.

### III. FORCING REDUCED OUTPUT FROM NATURAL GAS ASSETS WON'T REDUCE EMISSIONS OR IMPROVE EFFICIENCY, IT WILL EVENTUALLY ENCOURAGE AND INCENTIVIZE THE USE OF OLDER, HIGHER EMITTING ASSETS

Wholesale energy markets often involve complex and detailed subtleties. However, even a basic understanding of how markets are structured and administered can demonstrate why tamping down on the output of existing natural gas assets will have the opposite effect intended by the EPA.

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<sup>22</sup> <https://isonewswire.com/2024/05/01/new-englands-electricity-use-to-increase-steadily-over-next-decade-according-to-2024-celt-report/>

Speaking broadly, wholesale energy markets reward the most efficient resources (*i.e.*, generation, storage, demand response, etc.) to meet reliability needs. Resources are dispatched based on price, with the last resource (*i.e.*, the highest price resource) operating at any given time becoming the “marginal” resource, and in a uniform clearing price model, the price setter for every other resource required to match supply and demand.

When regulations make operations untenable for certain resources – like existing natural gas plants – they will either choose to proactively make themselves unavailable or retire altogether. This deprives a grid operator of a resource that operates independent of the weather and can flexibly ramp up and down to follow short-term dispatch instructions. If the existing gas plant either prematurely retires or opts to not offer its energy to the grid operator, the grid operator must move farther up the bid stack to dispatch otherwise unobligated capacity to maintain reliability. But by moving up the bid stack to find idle capacity to maintain reliability, the new marginal resource likely becomes higher priced and may very well be less efficient and/or higher emitting than the natural gas plant driven offline. So, by regulating an existing natural gas plant out of the system, the price of wholesale electricity will increase, and a previously uneconomic, less efficient, higher emitting resource will be dispatched instead. Ratepayers suffer with higher prices, less efficiency, and potentially higher emissions.

In the example above, the grid operator avails itself of excess or reserve capacity to maintain reliability. However, as noted in Sections I and II, those overseeing grid reliability are greatly concerned about the loss of dispatchable resources at a time of steadily increasing demand. If sufficient resources do not exist to maintain reliability,

something that clearly concerns FERC, NERC, and the ISOs/RTOs, grid operators may need to undertake controlled load shedding to keep the grid in balance at the expense of lights and heat for ratepayers.

Under no scenario that punishes existing natural gas plants do reliability, price, and emissions improve. Even in a high renewables penetration model, grid operations still suffer without assets that can respond to dispatch commands and operate for successive hours (or days) when the weather is not conducive to renewable energy output.

EPSA members are some of the United States' leading investors in renewable and clean energy assets. EPSA members will be at the forefront of the clean energy expansion, and are already spending significant capital on wind, solar, storage, and other clean technologies. EPSA members appreciate that renewable energy will continue to produce an increasingly larger share of our nation's electricity on an annual basis. But the clean energy expansion should not be undertaken at the expense of system reliability. Rules that are not properly calibrated to investment, development, and operational realities will expose consumers to arbitrarily high prices and jeopardize reliability.

In order to achieve a future electric grid that meets the nation's reliability, economic, and policy goals we will need all forms of generation. That future grid must be achieved with a "both/and" mentality that embraces the environmental benefits of clean energy and the reliability benefits of dispatchable resources like natural gas generation.

#### IV. MARKETS THAT HARNESS THE POTENTIAL FOR COMPETITION AND INNOVATION ARE A SUPERIOR SOLUTION TO DRIVE EMISSIONS REDUCTIONS

Regarding the EPA's Key Framing Questions, Question 2 asks if the EPA should rely on market mechanisms. One of EPSA members' core principles is that wholesale energy markets benefit ratepayers by ensuring that the attributes valued by regulators and policymakers are procured through a competitive process. Competitive markets also protect ratepayers from inefficient or imprudent investment; markets do not offer a regulatory safety net that guarantees that investors will realize sufficient revenue to cover their initial costs plus a guaranteed rate of return. EPSA members do not have an incentive to build unnecessary infrastructure in order to guarantee financial gains. Member company shareholders and investors alone wear the risks of their investment decisions.

Given EPSA's belief in the power of competition to drive efficiencies, if a future rulemaking on existing natural gas plants is inevitable, EPSA strongly supports the creation of a model trading rule to seize opportunities for more efficient solutions across states or regions. Each state has unique challenges and opportunities, particularly with CCS, that can best be mitigated and shared over multiple jurisdictions. As you increase the applicable footprint in which compliance options are available, regulators can encourage innovative compliance solutions that result in more efficient outcomes. EPSA's position was outlined in our August 2023 comments to the EPA on the initial Notice of Proposed Rulemaking.

*EPSA requests that the EPA establish a platform that allows states to harness larger economies of scale to accomplish compliance across broader footprints. EPA should develop a model trading rule that would allow states to incorporate the rule into the state plan. EPA has experience developing trading rules that states do not and having a consistent approach developed by the EPA would provide certainty about the approvability of such an approach. A model rule that could be easily adopted provides for trading compliance obligations over multiple states is preferable to a narrow, siloed compliance regime that deprives states of broader options for meeting the goals of the proposed rule. This is not dissimilar to the benefits wholesale markets bring to the efficiency, reliability, and emissions reductions in restructured regions.*

V. DETERMINING A BEST SYSTEM OF EMISSIONS REDUCTION CANNOT BE NARROWLY FOCUSED ON THE EFFICACY OF SPECIFIC TECHNOLOGIES, RATHER IT MUST APPRECIATE THE REAL-WORLD HOLISTIC CHALLENGES TO DEPLOYMENT

Specific to the EPA requesting discussion of an appropriate Best System of Emissions Reduction (BSER), EPSA would like to underscore concerns that we voiced in earlier filings, namely that using CCS as the keystone of emissions reduction fails to recognize the real-world opposition to siting and permitting of carbon pipelines, and the challenges in developing Class VI wells. Said another way, the use of CCS to address emission reductions goals must be considered holistically with all of the required parts of the value chain, including pipelines and storage challenges, to ensure the Rule can be effectively implemented to achieve the desired policy outcomes.

EPSA speaks about CCS from a position of experience. An EPSA member developed and operated the nation's first (and only active) commercial scale power plant with CCS technology, and other EPSA members are at various stages of developing CCS projects (including investments throughout the CCS lifecycle unrelated to power generation). In earlier comments, EPSA provided detailed descriptions of the

numerous hurdles to the successful nationwide buildout of commercial scale technologies envisioned as BSER by the EPA. We will quickly review them here.

Siting and Permitting Energy Infrastructure is Very Challenging in Many Regions of the Country: Assuming that CCS can be used for the majority of existing natural gas generation in the country, the challenges of development, construction, and operation of the vast amount of pipeline and storage infrastructure required to retrofit these facilities requires timely and successful navigation of the local, state, and federal permitting processes. EPSA has previously cited examples of carbon pipeline projects cancelled or delayed due to regulatory challenges.<sup>23</sup> Last year, EFI Foundation estimated that the United States would require “roughly 150 large CO<sub>2</sub> transmission pipelines covering over 50,000 miles...Other studies suggest that the [U.S.] will need 30,000 to 66,000 miles of CO<sub>2</sub> pipelines by 2050 to meet net-zero targets.”<sup>24</sup>

EPSA appreciates the EPA raising this issue in Framing Questions 5c and 5d. Opposition to energy infrastructure can extend broadly from the community, county, state, and federal levels. As the EPA’s initial rulemaking evolved in 2023, the Council on Environmental Quality simultaneously developed a proposed rulemaking (made final on April 30)<sup>25</sup> making it more difficult to permit infrastructure for dispatchable generation.<sup>26</sup> Without a significant overhaul to the way energy infrastructure is permitted, EPSA

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<sup>23</sup>One such example of a cancelled CO<sub>2</sub> pipeline project: <https://carboncapturemagazine.com/articles/navigator-co2-statement-on-cancelled-heartland-greenway-project>

<sup>24</sup> [efifoundation.org/wp-content/uploads/sites/3/2023/10/EPA-H2-Infrastructure-1.pdf](https://efifoundation.org/wp-content/uploads/sites/3/2023/10/EPA-H2-Infrastructure-1.pdf)

<sup>25</sup> [https://www.federalregister.gov/documents/2024/05/01/2024-08792/national-environmental-policy-act-implementing-regulations-revisions-phase-2?utm\\_campaign=subscription+mailing+list&utm\\_medium=email&utm\\_source=federalregister.gov](https://www.federalregister.gov/documents/2024/05/01/2024-08792/national-environmental-policy-act-implementing-regulations-revisions-phase-2?utm_campaign=subscription+mailing+list&utm_medium=email&utm_source=federalregister.gov)

<sup>26</sup> [https://epsa.org/wp-content/uploads/2023/09/EP\\_SA\\_CEQNEPAPhase2\\_Sept142023\\_Final.pdf](https://epsa.org/wp-content/uploads/2023/09/EP_SA_CEQNEPAPhase2_Sept142023_Final.pdf)

questions how the tens of thousands of miles of infrastructure that will be needed will be built by 2032.

EPSA recognizes that some projects will benefit from siting infrastructure in less developed regions or areas less sensitive to opposition to infrastructure. And some projects will be close to appropriate geologic repositories that allow for CCS. Nevertheless, it is difficult to see how a nationwide carbon capture regime can be developed given these siting challenges.

Extending Compliance Deadlines Will Do Little to Ameliorate Permitting Problems, and Expiration of the Carbon Capture Tax Credit Looms in 2032: Given the significant siting and permitting challenges related to CCS, it is difficult to see how extending the compliance period will provide much (if any) relief. With the 45Q tax credit, recognized as a meaningful incentive to invest in CCS, set to expire in 2032, EPSA questions how CCS can be the BSER for existing natural gas generating facilities. So, attempting to make the rulemaking more flexible by creating a longer runway for compliance isn't useful in overcoming opposition to infrastructure.

It is also important to consider that citing the number of calendar years that a power plant may have to achieve compliance is of limited use. Generators do not want to be offline for scheduled, foreseeable maintenance during the peak Summer and Winter seasons (nor do grid operators want dispatchable, firm assets offline during periods of highest demand). That leaves the shoulder seasons, when electricity demand is typically lower, as periods when retrofits can occur. Current experience demonstrates

that shoulder periods are getting shorter leaving less time to complete much needed maintenance, let alone major retrofits of new technology to existing plant infrastructure.

The Absence of a Developed Supply Chain for Physical Materials and a Trained

Workforce Presents Further Challenges: Supply chain disruptions are being

experienced throughout the U.S. economy, making it difficult if not impossible to retrofit a nationwide fleet of natural gas turbines. Referring to the EFI Foundation analysis, EFI finds that the United States would need to find the physical materials and trained, skilled workforce to construct tens of thousands of miles of pipeline likely prior the expiration of the 45Q credit. The current issues impacting the nascent offshore wind industry, which has the full backing of the federal government, are a real-time example of how supply chain disruptions can hamper anticipated development.

Financing Issues Cannot Be Ignored: At FERC's annual reliability technical conference

in November 2023,<sup>27</sup> Commissioner Christie articulated significant concerns about the financing of the BSER, noting that "you can have timelines, you can have alternatives...but if the units can't get financing they're going to shut down." To paraphrase his concerns, independent power producers in ISO/RTO regions (like EPSA members) will require market signals to ensure that sufficient revenue opportunities exist in order to undertake such capital-intensive investments, even with support from the Federal government. In vertically integrated regions, state regulators will need to approve cost recovery for BSER investments or risk those investments not being made.

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<sup>27</sup> <https://www.ferc.gov/media/ad23-9-000-tech-conf>



In response to Commissioner Christie’s question, the EPA clarified that it was “not sure that [the EPA] specifically analyzed the question in those terms.”

EPISA also draws attention to issues with permitting, timeframes, supply chain, workforce, and financing to Key Framing Question 1, where the EPA identifies several possible BSER regimes. Each of the proposed alternatives would require significant investment (and many of the alternatives would necessitate acreage-intensive upgrades assuming the additional acreage is available, in addition to other requirements such as water, solar resources, and interconnection injection capacity that may not exist). EPISA urges the EPA not to limit its thinking on BSER to the efficacy of the technology, but whether the necessary infrastructure for the entire system can be delivered timely and the lifecycle investment challenges of the BSER technology can be met cost-effectively on a nationwide basis.

To address a question posed by the EPA in its December 2023 Supplemental NOPR,<sup>28</sup> the challenges noted above will be faced to some degree by *all* owners and operators of existing natural gas generation. These challenges won’t be unique to owners in a specific economic operating environment. The challenges (like opposition to permitting) won’t be alleviated or compounded simply because a generator is part of a vertically integrated utility, or a rural electric cooperative, or a merchant generator (like EPISA members) operating in a competitive market.

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<sup>28</sup> <https://www.federalregister.gov/documents/2023/11/20/2023-25580/new-source-performance-standards-for-greenhouse-gas-emissions-from-new-modified-and-reconstructed>

VI. RELIABILITY MECHANISMS ARE VALUABLE, BUT SHOULD BE SHORT-TERM REMEDIES ONLY AND LIMITED IN SCOPE

EPSA respects the calls from reliability advocates for mechanisms in any rulemaking that allow for the retention or activation of capacity resources that may intend to retire or remain idle. Electric grid reliability is paramount and EPSA does not oppose targeted, narrow initiatives that allow grid operators to avail themselves of resources that may otherwise be unavailable.

However, to address the question posed by the EPA in 5a, anything other than short-term reliability concerns should be addressed through competitive markets, which can reward or encourage the reliability attributes or characteristics desired by grid operators. Relying on a backstop of multi-year Reliability Must Run agreements, or similar out-of-market arrangements, is not only expensive, but distorts critical economic signals in wholesale markets that should drive future investment in existing and new capacity. In essence, they constitute an inefficient administrative intrusion into the competitive markets. A commitment to the evolution of wholesale markets may take more work by market administrators, stakeholders, and FERC in the short term, but will be more efficient, economical, and better for consumers of all types in the long run. ISOs/RTOs have begun the process of addressing the products that are needed to support reliability and policy goals, and these efforts to support a market-based transition should be encouraged.

## VII. CONCLUSION

- The combination of competitive wholesale energy markets and the efficiency of natural gas generation has yielded meaningful emissions reductions in the last 20 years.
- Given the expected investment in renewable energy, and the concerns voiced by reliability experts regarding the loss of dispatchable assets, additional targeting of natural gas power plants is unnecessary and could be counterproductive.  
Competitive wholesale energy markets have met and will continue to meet policy goals while ensuring the most reliable, most economic, and lowest emitting resources are dispatched.
- Markets are the optimal way to drive any desired evolution of the electric grid. No matter how the EPA chooses to act, EPSA encourages the EPA to design a compliance regime that encompasses the largest possible footprint to drive efficiencies over broad areas.
- As EPSA has highlighted, the BSER in the EPA's original proposed rulemaking had too many insurmountable flaws.
- Narrow, targeted reliability mechanisms can be useful; however, competitive markets have proven to be the proper venue to drive desired behavior or attributes valued by grid operators.

Respectfully Submitted,

Jeffrey Turcotte  
Assistant Vice President, Government Affairs  
Electric Power Supply Association  
1401 New York Avenue, NW, Suite 950  
Washington, DC 20005

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