

Leaked NSC Memo

Date : June 8, 2018

Last week, media reported about a [copy of a 40-page draft White House memo\[i\]](#) explaining the justification for DOE to issue an order to delay the retirement of fuel-secure generating capacity. According to the memo, DOE would issue an order under the Defense Production Act and the Federal Power Act as “a temporary stop-gap measure to prevent the further permanent loss of the fuel-secure electric generation capacity for the grid upon which our *national security* depends” (emphasis added)

Below are a handful of quotes from the draft memo . We think the memo provides compelling justification for DOE to take action to protect national security.

- “Recent and announced retirements of fuel-secure electric generation capacity across the continental United States are undermining the security of the electric power system because the system’s resilience depends on these resources.”
- “[T]oo many of these fuel-secure plants have retired prematurely and many more have recently announced retirement. Although the lost megawatts of power often are replaced by new generation from natural gas and renewable sources, this transition comes at the expense of fuel security and resilience.”
- “[R]esources that have a secure on-site fuel supply, including nuclear and coal-fired power plants, as well as oil-fired and dual-fuel units with adequate storage, are essential to support the Nation’s defense facilities, critical energy infrastructure, and other critical infrastructure.” [Note that some 275,000 MW of gas-fired capacity do not have dual fuel.]
- “Electricity generation capacity is increasingly dependent on natural gas pipelines, which represent a major point of vulnerability in our critical energy infrastructure due to the limits of protection available to thousands of miles of pipeline networks.”
- “The cost of a major power outage due to a large-scale attack would be enormous ... outweighing any potential short-term cost impacts on consumers resulting from temporary protective measures to prevent retirements of critical generation resources.”
- DOE has begun analysis to identify Defense Critical Electric Infrastructure.^[ii] “This analysis, which has never been undertaken, will take at least twenty-four months ... In the meantime, DOE’s Order provides a temporary stop-gap measure to prevent the further permanent loss of fuel-secure electric generation capacity”
- **RTO/ISO regions:** “[DOE] is directing System Operators, for a period of twenty four (24) months, to purchase or arrange the purchase of electric energy or electric generation capacity from a designated list of Subject Generation Facilities (SGFs) sufficient to forestall any further actions toward retirement ... during the pendency of DOE’s Order.”
- **Outside RTO/ISO regions:** “DOE also is directing SGFs to continue generation ... according to their existing or recent contractual arrangements with Load-Serving Entities.” We think these units are also important to grid reliability and resilience.

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In addition to protecting national security, there are many other reasons to provide fuel security and prevent further coal retirements.

[i] Although the leaked document was referred to in trade press as a “memo,” it’s actually an “addendum” to some other document. The leaked “memo” is dated 5/29/18 (last Tuesday).

[ii] The Federal Power Act defines critical electric infrastructure as “a system or asset of the BPS [bulk power system], whether physical or virtual, the incapacity or destruction of which would negatively affect national security, economic security, public health or safety, or any combination of such matters.”