



April 11, 2017

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Dear Stu:

With regards to the report, “PJM’s Evolving Resource Mix and System Reliability,” we want to commend PJM for continuing to evaluate electricity system reliability and for recognizing the benefits of a diverse electricity resource mix. Moreover, we support the report’s recommendation to establish criteria for evaluating resilience (maintaining reliability even during high impact, low frequency disturbances) and to determine how grid operators should incorporate resilience into their planning.

On the other hand, some might have misinterpreted the report as endorsing an unprecedented increase in natural gas-fired generation — specifically, an increase of up to 86% gas-fired generation if all coal-fired and nuclear generation in PJM retired — and, thereby, discounting the crucial role coal-fired generation should play in the future to ensure reliability, resilience, and fuel diversity.

We believe that answering a number of basic questions, such as the ones below, would help in evaluating and developing criteria for electricity system resilience, especially in light of increased reliance on natural gas in the PJM region:

- 1) Is the natural gas infrastructure system in PJM resilient enough to support an electricity grid that relies almost exclusively on natural gas-fired generation, especially under an assumption that all coal-fired and nuclear generation retires?

- 2) In evaluating resilience, what weight should be given to the advantages of the infrastructure system for coal-fired generation (85-day stockpile of coal onsite and long term fuel contracts) versus the natural gas infrastructure system (just-in time delivery of fuel and non-firm service)?
- 3) In terms of a path forward, what roles will PJM, FERC, and NERC play in developing resilience criteria that take into account potential disruptions such as polar vortex conditions, failure of a major natural gas storage field, rupture of a major gas pipeline, or other high impact, low frequency disturbances?

As you know, there are many other issues associated with a less diverse resource mix. These issues include the levels and volatility of future natural gas prices, the investment necessary for additional gas infrastructure and electricity transmission upgrades, and, ultimately, the economic impacts on natural gas and electricity consumers.

We look forward to working with you to help ensure electricity grid reliability and resilience.

Sincerely,



Paul Bailey
President and CEO

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