AMERICA'S POWER
ACCCE | Reliable • Secure • Resilient • Affordable

EPA RULES SHOULD CONSIDER RELIABILITY IMPACTS

By Michelle Bloodworth and Paul Bailey

FERC Chairman Neil Chatterjee filed some interesting comments recently with EPA regarding the agency's proposal to repeal the Obama-era Clean Power Plan.[i] His comments made several points having to do with the increasing overlap and potential conflict between environmental regulations and electricity policy. One of his points bolsters the case for repealing and replacing the Clean Power Plan; another would improve future EPA rulemakings and help ensure the lights stay on.

> Chatterjee —
> "I am concerned that significant changes in the power sector have occurred since 2015 that would make the reliability of the nation's bulk power system even more susceptible to unintended consequences should the Clean Power Plan ultimately be implemented … [and I am] concerned that additional generation capacity retirements brought about by the implementation of the Clean Power Plan could compound the challenges raised in [FERC resilience proceedings]."

Prior to promulgation of the Clean Power Plan in 2015, there were numerous warnings about the potential impacts of the rule on the reliability of the nation's bulk power system. Chatterjee's letter highlights some of those warnings that were based on the expected retirement of coal-fired power plants as a result of the rule. For example, ACCCE analysis for ACCCE projected that as much as 47,000 MW of coal-fired generation (roughly 15 percent of the nation's coal fleet) could have been forced to retire prematurely because of the Clean Power Plan.[ii]

Since that time, concerns about the retirement of baseload power plants have grown, not diminished, because 40 percent of the coal fleet has retired or announced plans to retire. In light of these concerns, Chairman Chatterjee's letter urges EPA to "engage in a rigorous, detailed analysis" of the Clean Power Plan and consider comments that FERC received from NERC, grid operators and others about the potential impact of the Clean Power Plan on grid reliability. On the other hand, Chatterjee writes that the proposed Affordable Clean Energy rule "appears … to cure some of the potential deficiencies in the Clean Power Plan."

Chatterjee —
"… the Clean Power Plan would have allowed [EPA] to impose sweeping changes in the composition of the nation's bulk power system through administrative action without a clear statutory directive or limiting principle." EPA's "exercise of delegated authority under the Clean Air Act … strongly affects [FERC's] exercise of delegated authority under the Federal Power Act."

In his letter, the FERC chairman notes that "any regulatory promulgation that will have profound effects on the bulk-power system should be supported by a detailed engineering-driven analysis of its impact on the scale or pace of generation retirements, the feasibility of sufficient replacement capacity, and any changes to the transmission infrastructure that may be required to sustain reliability as a result of those changes." In other words, when the EPA is considering a regulatory action that could affect the resilience and reliability of the electricity grid, experts at FERC, NERC, ISO/RTOs, and other stakeholders that are responsible for keeping the lights on should be an integral part of the analysis and discussion.

Let's hope EPA takes the sound advice of the FERC chairman.

---

[i] Letter to EPA Acting Administrator Wheeler "Re: Emission Guidelines for Greenhouse Gas Emissions from Existing Electric Utility Generating Units; Revisions to Emission Guideline Implementing Regulations; Revisions to New Source Review Program." Office of the Chairman, Federal Energy Regulatory Commission, October 31, 2018.

[ii] "Energy and Consumer Impacts of EPA's Clean Power Plan," NERA Economic Consulting, November 6, 2015. Because of considerable uncertainty as to how states might implement the Clean Power Plan, NERA modeled four possible implementation scenarios. Coal retirements through 2033 were projected to range from 41,000 MW to 47,000 MW.