June 15, 2017

The Honorable Rick Perry
Secretary
U.S. Department of Energy
1000 Independence Avenue SW
Washington, D.C. 20585

Dear Secretary Perry,

The undersigned organizations write to provide information and analysis pertaining to the issues in your April 14, 2017 memorandum directing the Department of Energy to conduct a Study Examining Electricity Markets and Reliability ("Baseload Study"). Collectively, we represent the interests of over 8 million members. Our organizations also have decades of stakeholder experience and engagement in the development of policies to secure a low-cost, reliable, and low-carbon electricity grid. Accordingly, we urge the Department to consider the enclosed information, which we submit as part of the administrative record for this agency report – and to provide a meaningful opportunity for public review and comment on the Baseload Study at the earliest time.

Experience shows that clean energy resources support and enhance a reliable and affordable electricity sector. Energy efficiency continues to be the cheapest energy resource available; solar and wind resources have plummeted in cost and can help lower electricity bills across the nation; and innovative clean energy resources like demand response have resulted in

billions of dollars in customer savings.[1] In addition to benefiting customers, these resources have strengthened resource diversity and reliability in the nation's power grid. Resources like demand response, for example, are critical to avoiding blackouts, and played an important role in numerous cases such as the Polar Vortex and Indian Point shutdown.[2] This practical experience demonstrates unequivocally that clean energy resources are an integral part of a reliable, well-functioning power grid – and that our nation's power sector has proven more than capable of facilitating the ongoing transition to cleaner and lower-carbon sources of electricity.

In addition, the nation has a robust institutional framework – developed and strengthened over decades, and consisting of overlapping federal and state oversight – to monitor the reliability of the electricity grid and address short- and long-term challenges as they arise. Reliability at affordable prices is a value embedded throughout the electricity sector, and multiple entities – including FERC, NERC, regional reliability organizations, grid operators, and state PUCs - have long worked in tandem to ensure that the lights stay on and bills stay low.[3] Although our groups have not always agreed with every decision made by these entities, we

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[1] *See, e.g.*, Maggie Molina, *The Best Value for America's Energy Dollar: A National Review of the Cost of Utility Energy Efficiency Programs, available at*: http://aceee.org/research-report/u1402; Lazard, *Lazard's Levelized Cost of Energy Analysis – Version 10.0* 2 (Dec. 2016), *available at https://www.lazard.com/media/438038/levelized-cost-of-energy-v100.pdf;* PRWEB Report, *Demand Response Industry and Consumer Coalition Reacts to U.S. Circuit Court Decision, available at:* http://www.prweb.com/releases/2014/09/prweb12182218.htm.

[2] *See, e.g.*, Analysis Group, *Electric System Reliability and the EPA's Clean Power Plan* 12-13 (Mar. 2015) (explaining that PJM was able to meet record-breaking demand during the 2014 polar vortex by calling upon demand response and wind generation, even while substantial coal, nuclear, and natural gas capacity was unavailable), *available at http://www.analysisgroup.com/uploadedfiles/content/insights/publishing/electric_system_reliability_and_epas_clean_power_plan_case_of_pjm.pdf;*Vignesh Gowrishankar, *Demand Response to the Rescue as Power Plants Creak and Croak in the Cold, available at:* https://www.nrdc.org/experts/vignesh-gowrishankar/demand-response-rescue-power-plants-creak-and-croak-cold.

[3] *See* Analysis Group, *Electric System Reliability and EPA's Clean Power Plan: Tools and Practices* 8-24 (Feb. 2015), *available at http://www.analysisgroup.com/uploadedfiles/content/insights/publishing/electric_system_reliability_and_epas_clean_power_plan_tools_and_practices.pdf;* Michael Panfil, *Protective Carbon Pollution Standards and Electric Reliability, available at:* http://www.edf.org/sites/default/files/content/reliability_issues_-_formatted_white_paper_clean3.pdf?_ga=2.39376102.431058278.1497407195-484823185.1495373606.

respect and highlight the fact that historically they have employed an analytic and evidence based approach to decision-making. This system for maintaining reliability has functioned extremely well over decades, even as the mix of resources on the grid has changed rapidly.

Of special relevance for the Baseload Study, these entities have relied upon stakeholder processes, sound economics, and sophisticated engineering to design market frameworks and policies that ensure reliability at low cost – not a presumption in favor of "baseload" resources or any other resource. Indeed, baseload power is not a recognized reliability standard or requirement. Rather, the resources chosen to attain sufficient reliability are determined based upon a least-cost security-constrained optimization model and the demonstrated capabilities of those resources, not upon predetermined resource type. This framework is designed to ensure demand for electricity is constantly and dependably met, at the lowest overall cost to consumers. Certain "baseload" resources – notably coal-fired generation - are diminishing not because markets overlook or undervalue reliability, but because other resources can provide reliable electricity at a lower cost.[4]

We also note that the Baseload Study comes after years of intensive evaluations of the reliability implications of ongoing changes in the nation's generation portfolio. These prior studies have been carried out by a host of institutions with deep expertise in power systems and electricity markets, including national laboratories, grid operators, academic institutions and government agencies. Moreover, these studies have evaluated the issues within a range of geographic settings. This body of literature, informed by decades of operational and practical experience, consistently demonstrates the value of clean energy resources and existing electricity

[4] *See* Robbie Orvis, *The state of US wholesale power markets: Is reliability at risk from low prices?, available at:* http://www.utilitydive.com/news/the-state-of-us-wholesale-power-markets-is-reliability-at-risk-from-low-pr/443273/.

sector practices that ensure a reliable, low-cost electricity grid. Any credible study of the issues described in your April 17 memorandum must take into account the lessons of this prior research. To that end, we have attached a non-exhaustive list of relevant studies to this letter, which we are incorporating by reference in this submission. We urge the Department to consider those studies part of the administrative record for this Agency decision as it undertakes the Baseload Study.

Lastly, we strongly object to the lack of transparency and public involvement that has accompanied the development of the Baseload Study. The Department has failed to disclose any information about the methods and data being utilized in the study, and has not afforded any opportunities for the public to provide meaningful input or information. When the Department has undertaken major studies of power sector issues in the past, it has broadly solicited relevant information from the public in advance and has offered the public an opportunity to comment on draft documents.[5] We urge the Department to provide similar opportunities for public engagement and comment prior to finalizing the Baseload Study.

Thank you for considering these comments and the enclosed materials. Please direct any inquiries regarding this submission to Michael Panfil at the contact information provided below.

Sincerely,

/s/ Michael Panfil
Senior Attorney and Director of Federal Energy Policy
US Climate and Energy Program

[5] *See, e.g.* DOE, *National Electric Transmission Congestion Study, available at:* https://www.energy.gov/oe/services/electricity-policy-coordination-and-implementation/transmission-planning/national-2.

Environmental Defense Fund
1875 Connecticut Ave., NW
Washington, DC 20009
T 202 572 3280
mpanfil@edf.org

/s/ Mike Jacobs
Senior Energy Analyst
Union of Concerned Scientists
2 Brattle Square
Cambridge, MA 02138-3780
T 617-301-8025
MJacobs@ucsusa.org

/s/ Casey Roberts
Staff Attorney
Sierra Club Environmental Law Program
1536 Wynkoop St., Suite 312
Denver, Colorado, 80202
(303) 454-3355
casey.roberts@sierraclub.org

/s/ John Moore
Director, Sustainable FERC Project
Natural Resources Defense Council
20 N. Wacker Drive, Suite 1600
Chicago, IL 60606
T 312.651.7927
M 312.339.0926
jmoore@nrdc.org