

May 4, 2018

VIA EMAIL

The Honorable James Richard Perry
Secretary of Energy
United States Department of Energy
1000 Independence Avenue, S.W.
Washington, DC 20585

Re: Request for Emergency Order Pursuant to Federal Power Act Section 202(c)

Dear Secretary Perry:

FirstEnergy Solutions Corp. (“FES”), on behalf of its affiliates named in its March 29, 2018 Section 202(c) application (the “Application”), respectfully responds herein to the April 30, 2018 letter to you from PJM Interconnection, L.L.C. (“PJM”) regarding PJM’s Fuel Security Initiative.

PJM’s views on resilience are best summed up by the classic image of Lucy holding a football for Charlie Brown to kick, only to pull it away at the last moment, resulting in Charlie Brown once again flying through the air and landing flat on his back. Indeed, PJM’s latest procedural gambit confirms what FES has been warning DOE (and FERC) about all along: at a time when resilient generation is closing permanently, PJM continues to refuse to act, like Lucy continuing to pull away the football. PJM now suggests that it will take action sometime next year “*if*” PJM thinks it is necessary. Once again, PJM is asking DOE (and the Nation) to “rely on a narrow process run by an entity that has admitted that it does not have a clear view of what resilience is, how to measure it, or how to ensure it.”¹ PJM’s latest letter demonstrates that what was true then remains true now: PJM is either unwilling or unable to address effectively the emergency facing the Nation’s electric grid. But unlike Charlie Brown, DOE does not need to keep blindly “trusting” Lucy since it *can kick the ball now* and address the resilience crisis by granting FES’ Application.

Faced with a growing consensus that something must be done now to address the resilience crisis, and unlike its prior statements to FERC and others eschewing that any real problem exists, PJM now pivots and *belatedly* “recognizes that fuel security raises questions about electric system resilience which go beyond reliability” and that it must “[i]dentify system vulnerabilities and determine attributes . . . that ensure that peak demands can be met during extreme scenarios.”² This sudden revelation rings hollow as it stands in stark contrast to PJM’s

¹ Letter from FirstEnergy Solutions to Rick Perry, U.S. Sec’y of Energy at 1 (Mar. 30, 2018).

² Letter from Steven R. Pincus, Assoc. Gen. Counsel, PJM Interconnection, L.L.C., and Craig Glazer, Vice President, Fed. Gov’t Policy, PJM Interconnection, L.L.C., to Rick Perry, U.S. Sec’y of Energy at 1-2 (Apr. 30, 2018) (“April 30 Letter”).

recent and consistent refusal to acknowledge the problem let alone to act to address resilience issues.³

For example, just two months ago PJM told FERC that: 1) it needed authority to plan for resilience;⁴ 2) it lacked formal resilience criteria;⁵ 3) its existing markets were not designed with resilience in mind;⁶ 4) it required FERC to verify that it correctly identified system threats;⁷ and 5) it lacked requisite information, including real-time conditions on pipelines that support natural-gas fired power plants.⁸ But now PJM asserts all of a sudden that sometime next year it may be capable of identifying resilience attributes and designing a market mechanism to compensate generators for the resiliency benefits they provide “if” action is warranted.

PJM has made a similar about-face with respect to the need for nuclear and coal-fired generation in the electric grid. Following the cold weather in the Eastern United States last winter, Andy Ott, President and CEO of PJM, conceded that “[PJM] couldn’t survive without gas; [PJM] couldn’t survive without coal; [PJM] couldn’t survive without nuclear. [PJM] need[s] them all in the moment.”⁹ Since then, PJM has concluded that its grid “will remain reliable” despite the retirement of three FirstEnergy nuclear plants,¹⁰ representing a combined capacity of approximately 4,000 MW,¹¹ again ignoring concerns related to *resilience*. Further, Mr. Ott recently claimed that “[w]e do not feel we have a vulnerability today, *but will take a look at the system to see if we could have fuel security issues in the future.*”¹²

³ See, e.g., PJM INTERCONNECTION, PJM’S EVOLVING RESOURCE MIX AND SYSTEM RELIABILITY 5-6 (Mar. 30, 2017) (“‘Heavy’ reliance on one resource type, such as a resource portfolio composed of 86 percent natural gas-fired resources, however, raises questions about electric system resilience, which are beyond the reliability questions this paper sought to address.”), <http://www.pjm.com/~media/library/reports-notice/special-reports/20170330-pjms-evolving-resource-mix-and-system-reliability.ashx>; *Ott Addresses Resilience Importance at Grid 20/20*, PJM INSIDE LINES (Sept. 19, 2017) (quoting Andrew Ott, President and CEO, PJM Interconnection, L.L.C.) (“[Resilience] activities will happen as a part of the discussion. If we don’t do something, it will be done for us.”), <http://insidelines.pjm.com/ott-addresses-resilience-importance-at-grid-2020/>.

⁴ Comments and Responses of PJM Interconnection, L.L.C. at 5-6, *Grid Resilience in Regional Transmission Organizations and Independent System Operators*, FERC Docket No. AD18-7-000 (Mar. 9, 2018).

⁵ *Id.* at 37.

⁶ *Id.* at 66.

⁷ *Id.* at 5.

⁸ *Id.* at 6-8.

⁹ Press Release, Sen. Lisa Murkowski, Hearing Spotlights Importance of Energy Infrastructure, Diverse Fuel Mix (Jan. 23, 2018) (quoting Andrew Ott), <https://www.murkowski.senate.gov/press/release/hearing-spotlights-importance-of-energy-infrastructure-diverse-fuel-mix>.

¹⁰ April 30 Letter at 3-4.

¹¹ *Generation Deactivations*, PJM, <http://www.pjm.com/planning/services-requests/gen-deactivations.aspx> (last visited May 4, 2018).

¹² *PJM Will Test U.S. Mid Atlantic/Midwest Power Grid for Resiliency*, REUTERS (Apr. 30, 2018) (emphasis added), <https://www.reuters.com/article/pjm-power-resiliency/pjm-will-test-us-mid-atlantic-midwest-power-grid-for-resiliency-idUSL1N1S70XK>.

PJM's ever-shifting and inconsistent statements and positions underscore that action is needed, but PJM will not be the one to take it, at least in any meaningful time frame. PJM's latest announcement is nothing more than a delaying tactic. As PJM knows full well, the design and implementation of a "market-based approach" would take years even under the best circumstances. The grid and the Country do not have years. And as the failure of its capacity performance regime shows, PJM has a dismal track record of adopting effective "market based" approaches to these sorts of issues.

The Nation's wholesale electric markets have failed to recognize and properly value the benefits provided by nuclear and coal-fired generators for years, and, as a result, these generators face the imminent choice of whether to retire. PJM's consistent contradictions demonstrate that it lacks a firm grasp on the resilience problems facing the grid today, let alone how to address them, "if" it ever does.

The Department of Energy recently stated that FERC "has not taken sufficient action" despite "studying the underlying economic and regulatory causes of this problem for years" and so "urge[s] FERC to take *immediate* action to stop the loss of fuel-secure capacity."¹³ But the Department of Energy need not and indeed should not wait on FERC. Rather, urgent action by the Department of Energy is the only way to preserve nuclear and coal-fired generation while a long-term solution is developed by DOE and FERC.

Respectfully submitted,

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cc: Bruce J. Walker, Assistant Secretary, DOE OEDER
Patricia A. Hoffman, Principal Deputy Assistant Secretary, OEDER

¹³ Gavin Bade, *PJM Launches Fuel Security Initiative to Counter Gas Reliance*, UTILITY DIVE (May 1, 2018) (quoting Shaylyn Hines, Spokesperson, Dep't of Energy) (emphasis added), <https://www.utilitydive.com/news/pjm-launches-fuel-security-initiative-to-counter-gas-reliance/522531/>.