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ONE HUNDRED THIRTEENTH CONGRESS

Congress of the United States

House of Representatives

COMMITTEE ON ENERGY AND COMMERCE
2125 RAYBURN HOUSE OFFICE BUILDING
WASHINGTON, DC 20515–6115
Majority (202) 225–2927
Minority (202) 225–3641

March 26, 2014

Mr. Terry Boston
President and CEO
PJM Interconnection
P.O. Box 1525
Southeastern, PA 19399-1525

Dear Mr. Boston,

Cold weather events this winter season significantly affected electricity generation, deliverability, and prices across the nation, especially in the Midwest, Mid-Atlantic, and Northeast. According to the Federal Energy Regulatory Commission (FERC), January's cold weather events "stressed the bulk power system with high loads, increased generator forced outages, and other challenging operating conditions," including over 50 gigawatts (GW) of forced outages.[1] The Energy Information Administration (EIA) similarly reported that January's cold weather resulted in significant increases in demand, leading to spikes in wholesale electricity prices, particularly in the increasingly natural-gas-reliant Northeast and Mid-Atlantic regions.[2]

We are concerned that such outages and price increases could be further exacerbated in the future as "coal-fired power plants that utilities have relied on to meet the surge in demand are shuttered for environmental reasons."[3] EIA reported in February that the number of coal-fired power plant retirements will be higher than originally anticipated, and that an estimated 60 GW of coal-fired capacity will retire by 2020.[4] Notably, EIA expects "90% of the coal-fired capacity

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[1] FERC, Staff Report, "Recent Weather Impacts on the Bulk Power System," Item No: A-4 at p. 1, 12 (Jan. 16, 2014).

[2] EIA, "Short-Term Energy Outlook," at pp. 8-9 (Feb. 2014). *See also* EIA, "Northeast and Mid-Atlantic power prices react to winter freeze and natural gas constraints," (Jan. 21, 2014) (reporting that day-ahead on-peak power prices at the Massachusetts hub rose above $235 per megawatt-hour (MWh) and the Mid-Atlantic region experienced day-ahead on-peak electricity prices higher than New York and New England due to record-high winter peak demand and unexpected outages of power plants and natural gas equipment). According to a FERC Staff Report, on-peak average real-time prices were even higher, climbing as high as $765/MWh in PJM and $510/MWh in the NYISO.

[3] Matthew Wald, "Coal to the Rescue, but Maybe Not Next Winter," *New York Times* (Mar. 10, 2014). *See also* "Transcript of AEP CEO 4Q 2013 Earnings Call," (Jan. 27, 2014) (American Electric Power's CEO stated that during January's cold weather "89% of our coal capacity slated for retirement in mid-2015" was running to provide power).

[4] EIA, "AEO2014 projects more coal-fired power plant retirements by 2016 than have been scheduled," (Feb. 14, 2014).

retirements [to] occur by 2016, coinciding with the first year of enforcement for the [Environmental Protection Agency's] Mercury and Air Toxics Standards."[5] This means approximately 54 GW of coal-fired generation will retire in the next two years, representing nearly 17.5% of all coal-fired generation in the United States. We are specifically concerned that the loss of these critical generation facilities in such a short timeframe will make it increasingly difficult to meet electricity demands in the future, thereby putting reliability at risk and driving up electricity prices for consumers.

In light of these concerns, we write to request information relating to the performance of the electric grid within the footprint of the PJM Interconnection (PJM) during this past winter season. We also seek information relating to affordability and reliability concerns going forward, given that a large number of coal-fired units reportedly relied upon to meet the surge in demand this past winter are scheduled to retire over the next 1 to 2 years as a result of Environmental Protection Agency (EPA) regulations. To assist the Committee in its evaluation, we ask that you provide written responses to the following questions by April 18, 2014:

1. For this past winter season, please address the following relating to the PJM system:

    a. Did PJM have sufficient operating reserves during the recent cold weather conditions?

    b. Were there generating units contracted for capacity that failed to produce power when called upon during the recent cold weather events? If yes, please describe the type of generation source for each contracted unit that failed to produce power.

    c. At any time did PJM rely on electricity imports from other systems in order to meet its own system energy needs, outside of normal operating conditions? If yes, please describe the magnitude and duration of such reliance, and any remedial actions.

    d. Were there any periods of unplanned loss of load during this time? If yes, please describe the reason, scope, and duration of any unplanned loss of load.

    e. Did PJM experience any generation outages or curtailments due to lack of fuel? If yes, please describe the reason, scope, and duration of any lack of fuel.

    f. Was PJM required to adjust generation commitment and/or dispatch due to the conditions on the natural gas system?

2. For the PJM region this past winter season, what would have occurred in terms of reliability and affordability of electricity if coal-fired units, other fossil fuel-fired units, or nuclear power plants that have announced retirement had not been available?

    a. How many of these retiring units ran during the recent cold weather incidents? How many megawatts did these retiring units provide?

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[5] *Id.*

b. Does PJM plan to replace the capacity provided by the retiring units? If the replacement is expected to be natural gas units, is deliverability of natural gas an issue of concern in the PJM footprint?

c. Has PJM performed any economic modeling to determine how many natural gas units are likely to be built to replace retiring capacity?

d. Does PJM expect or have any firm commitments that new natural gas units will be constructed within the PJM footprint?

e. Is there sufficient natural gas transportation capability available in the PJM footprint for anticipated new natural gas units?

3. Please describe in detail how renewable energy resources performed when dispatched during the cold weather conditions.

4. Please describe in detail how demand response resources performed during the cold weather conditions. Was demand response subject to compliance penalties?

5. Please describe in detail how distributed generation performed during the cold weather conditions.

6. Please describe in detail how system conditions in neighboring Balancing Authorities affected PJM's operations during recent cold weather conditions.

We appreciate your prompt response to this request. Should you have any questions, please contact Patrick Currier of the Majority Staff at (202) 225-2927.

Sincerely,

Fred Upton
Chairman

Ed Whitfield
Chairman
Subcommittee on Energy & Power

Joe Barton
Chairman Emeritus

Marsha Blackburn
Vice Chairman

Steve Scalise
Vice Chairman
Subcommittee on Energy & Power

cc: The Honorable Henry A. Waxman, Ranking Member

The Honorable Bobby Rush, Ranking Member
Subcommittee on Energy & Power