



HAL QUINN  
*President & CEO*

July 1, 2015

The Honorable Fred Upton  
Chairman  
Committee on Energy and Commerce  
United States House of Representatives  
2125 Rayburn House Office Building  
Washington, DC 20515

The Honorable Frank Pallone  
Ranking Member  
Committee on Energy and Commerce  
United States House of Representatives  
2322A Rayburn House Office Building  
Washington, DC 20515

Dear Chairman Upton and Ranking Member Pallone:

Thank you for your efforts in developing the Energy Reliability and Security legislation. The discussion draft serves as a valuable, and complementary, approach to the Ratepayer Protection Act passed on June 24. Combined, these bills make important strides toward the continuation of affordable and reliable energy across America.

As you continue the Committee's work on the Architecture of Abundance, the National Mining Association (NMA) and its membership urge you to continue to support efforts to improve the reliability of the electric grid, ensuring a diverse energy mix that maintains baseload energy and provides an ideal environment for continued growth in future technology advancements. According to an analysis performed by IHS Energy, our diverse electric grid saves Americans \$93 billion each year and reduces the volatility of their utility bills by half.

Electric reliability requires adequate capacity to generate electricity, reserve capacity that can be tapped when demand increases and a functioning grid to deliver electricity to users. The reliability of the nation's power system is of utmost importance to U.S. national security, economic growth and the basic health and welfare of our citizens. Toward that end, NMA supports sections 1202, 1207 and 1208 of the draft Energy Reliability and Security legislation.

Section 1202 requires the Federal Energy Regulatory Commission (FERC), in coordination with the Electric Reliability Organization, to complete an independent reliability analysis of any proposed or final major federal rule to evaluate its anticipated effects on resource adequacy, fuel diversity of the grid and the operation of wholesale

electricity markets. The need for such assessments is readily apparent from the lack of an independent FERC analysis for the Environmental Protection Agency's (EPA) 2012 Mercury and Air Toxics Standards (MATS) for Utilities. EPA predicted that the rule would force the closure of less than 5,000 megawatts of coal-fired baseload capacity. In fact, as the Energy Information Administration and other analysis demonstrated, the MATS rule will force almost 60,000 megawatts of capacity off the grid. Two years after EPA issued MATS, the bulk power system came close to the edge of breaking as diminished baseload capacity, combined with the underperformance of intermittent resources, struggled to meet increased demand during the winter of 2014. Many of the coal-fired generation plants that supplied the increased demand that winter have been permanently closed this year due to the MATS rule.

Sections 1207 (for regulated states) and 1208 (for competitive markets) would assure that resource planning and capacity markets provide customers with sufficient baseload generation for long-term reliability and price certainty. Current policy and market designs do not properly value the critical reliability attributes of baseload generation capacity. Among the market flaws that create economic inefficiencies are the inequities in the treatment of actual generating assets versus demand response. Demand response is not a substitute for generating capacity that is on-call every hour of every day year round. Another flaw is that non-firm generation (e.g. generation without a firm fuel supply, that is not capable of running consistently for an extended period of time or that does not supply Essential Reliability Services to the grid) bids directly against baseload generation, yet is compensated the same as baseload plants that provide all of the reliability attributes. Overreliance on non-firm resources distorts the market signals that inform long-term investments needed for maintaining existing physical generating assets and the reliability of the grid. Finally, these provisions of the bill recognize that certain types of physical generation assets have enhanced reliability attributes that should be recognized in planning to ensure stable electric supply and market prices.

These provisions will promote greater reliability and fuel diversity in our bulk power system. With the right policy and proper market designs, existing baseload capacity units, which include coal-fired power plants, are capable of operating continuously and provide a foundation for the reliable energy vital for economic growth. We look forward to working with you on these efforts.

Additionally, striving for innovation within our nation's power fleet and continuing to provide affordable power to meet the nation's energy demands are not mutually exclusive goals. In fact, America needs to keep moving forward on new technologies for coal-based electricity generation if both goals are to be achieved. Unfortunately, the series of recent and upcoming emission regulations directed at coal-fired electricity generation have gravely impaired the development and deployment of new high efficiency, low emissions coal-based electricity.

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Today's investments to accelerate research and development of transformational technologies will support the long-term use of coal both here and abroad. Both developed and emerging nations abroad are continuing to build new, higher efficiency coal-fired power plants to generate low cost, reliable electricity. The United States has the ability to once again set an example for the rest of the world through American innovation and advanced technologies. We look forward to working with the Committee to address this goal in conjunction with your efforts to alleviate the cumulative effect of onerous federal regulations.

Thank you again for your work to date on these important issues. NMA looks forward to continuing a productive dialogue on any legislation that pursues a pathway for a reliable energy future through the long-term utilization of our nation's abundant coal reserves.

Sincerely,

A handwritten signature in black ink, appearing to read "Hal Quinn", with a stylized flourish at the end.

Hal Quinn