

June 21, 2022

VIA ELECTRONIC FILING

Michael S. Regan, EPA Administrator
Environmental Protection Agency
1200 Pennsylvania Ave NW
Washington, DC 20460

Re: EPA Docket Number: EPA-HQ-OAR-2021-0668
Federal Implementation Plan Addressing Regional Ozone Transport for the 2015 Ozone
National Ambient Air Quality Standard

Dear Administrator Regan:

This letter is submitted to the United States Environmental Protection Agency (“EPA”) on behalf of Southwest Power Pool, Inc. (“SPP”) in its capacity as a Federal Energy Regulatory Commission (“FERC”) - approved Regional Transmission Organization (“RTO”) and a Reliability Coordinator with responsibility to ensure the reliability of the bulk electric system within the SPP region. In this letter, SPP will provide comments in response to the proposed rule EPA published in the Federal Register on April 6, 2022 (the “Proposed Rule”).

A. Southwest Power Pool

SPP currently has 112 members¹ and administers transmission service over approximately 70,000 miles of transmission lines in a 552,885 square-mile service territory across all or part of 14 states.² As a FERC-approved RTO, SPP works to ensure the existence of a reliable supply of power, adequate transmission infrastructure, and competitive wholesale electricity prices. SPP’s services include reliability coordination, tariff administration, regional scheduling, transmission expansion planning, market operations, compliance, and training. SPP administers the Integrated Marketplace, a centralized day-ahead and real-time Energy and Ancillary Services market with locational marginal pricing and market-based congestion management. SPP also serves as Reliability Coordinator for certain utilities in the Western Interconnection and operates the Western Energy Imbalance Service Market.

¹ SPP’s members include 16 investor-owned utilities, 14 municipal systems, 22 generation and transmission cooperatives, 8 state agencies, 17 independent power producers, 13 power marketers, 14 independent transmission companies, 1 federal agency, 4 large retail customers, and 3 alternative power/public interest entities.

² SPP’s service territory covers portions of Arkansas, Iowa, Kansas, Louisiana, Minnesota, Missouri, Montana, Nebraska, New Mexico, North Dakota, Oklahoma, South Dakota, Texas, and Wyoming;

As an RTO, SPP is subject to legislative and regulatory directives to ensure the reliability of the bulk electric system within its footprint. Section 215 of the Federal Power Act requires the North American Electric Reliability Corporation (“NERC”) to develop mandatory and enforceable standards that contain the reliability-related requirements for planning and operating the North American bulk power system. NERC monitors entities’ compliance with these mandatory standards and enforces compliance through financial penalties and other sanctions for violations.³ SPP is the NERC-registered Planning Coordinator, Reliability Coordinator, and Balancing Authority for its region and performs these functions pursuant to its Open Access Transmission Tariff and the applicable reliability standards NERC has promulgated.

B. The Proposed Rule Will Impact Generation Availability in SPP.

The coincident peak load over the entirety of SPP’s system is approximately 51,000 MW. The Proposed Rule may impact approximately 40,000 MW of coal and gas generation in six states with assets operating in the SPP footprint: Arkansas, Louisiana, Missouri, Oklahoma, Texas, and Wyoming.

SPP understands the Proposed Rule will require certain covered Electric Generating Units (“EGUs”) to meet new ozone-season nitrogen oxide (“NOx”) emission limits beginning in 2023, with state allowance budgets based, by 2026, on NOx levels that would be achieved by installing Selective Catalytic Reduction Control equipment (“SCRs”). SPP further understands that for covered EGUs currently without SCRs to comply with the Proposed Rule’s requirements, the associated owners will have to take one or more of the following actions: purchase emissions allowances as part of the trading program described in the Proposed Rule, install SCRs, operate the EGU at a reduced capacity, or retire the EGU.

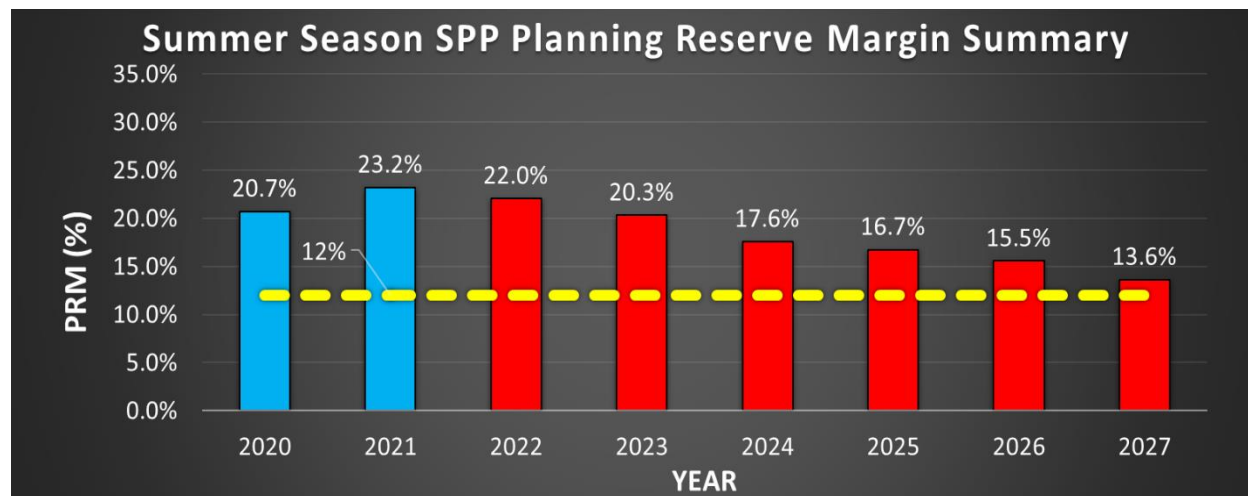
SPP has concerns that any reduction in operations will pose a threat to reliability in the form of reduced generation capacity. Even without the impacts of the Proposed Rule, SPP has experienced scarce supply conditions and is predicting that those conditions will worsen over the coming planning horizon. SPP’s Open Access Transmission Tariff requires Load Responsible Entities in SPP to maintain adequate capacity for the upcoming Summer Season. SPP establishes a Planning Reserve Margin (“PRM”) requirement designed to ensure that SPP will have sufficient capacity to serve peak demand obligations. The current minimum PRM requirement is 12%, but SPP has determined it is likely the PRM requirement will need to be increased to 15% in the near future.

SPP planning staff has analyzed projected capacity levels and issued a five-year outlook for the SPP Balancing Authority Area (“BAA”).⁴ As reflected in the graph below, the PRM exceeds the PRM requirement in 2022, at 22%. However, projected PRM drops significantly over the next

³ See, e.g., 16 U.S.C. §824o.

⁴ See the 2022 SPP June Resource Adequacy Report at: <https://spp.org/documents/67297/2022%20spp%20june%20resource%20adequacy%20report.pdf>.

five years to 13.6% in 2027, which is uncomfortably close to the *current* minimum PRM requirement of 12%.



Two key things are important to note here: First, as indicated above, that PRM requirement is expected to increase to 15%, which means that the SPP BAA PRM projected for the 2027 Summer Season would not meet the minimum SPP PRM requirement. Second, these projections do not consider any impacts the Proposed Rule’s requirements will have on operating capability from thermal resources, impacts that could be felt as soon as 2023 and certainly by 2026. The point is that any reduction in projected capacity, whether from outright generator retirement or simply from reduced output levels, is a key concern for SPP and any other RTO facing increasingly tight supply conditions on their systems notwithstanding the Proposed Rule’s impact on generation.

SPP has approximately 24,000 MW of coal and gas generation within its footprint without SCRs installed. While some of those resources may be able to operate at the needed capacity within budgeted allowances without additional reduction measures, it is clear that others will need to install SCRs to meet the Proposed Rule’s requirements. Even when one considers potential additional capacity from generation facilities currently in the SPP generator interconnection queue, SPP fears several thousand MW of coal generation capacity will be at risk when 2026 emissions budgets reach levels based on what would be achieved with SCR installation.

While certain SPP stakeholders, including owners and operators of impacted EGUs, are better suited to provide detailed analyses of implementation concerns, SPP has preliminary and general concerns with the practical impacts imposed by measures required for compliance with the Proposed Rule. For example, there are practical timing challenges. It seems unlikely that resources needing SCRs will be able to install the necessary equipment in time to meet the deadlines imposed by the Proposed Rule. SPP understands that supply chain issues persist regarding the availability of necessary materials and labor for construction and installation of SCR

equipment. Such supply chain issues will be exacerbated, in terms of both availability and cost, by the tight timeframe contemplated by the Proposed Rule. Even setting aside the cost increases, which may ultimately be borne by ratepayers, there remains a practical reality that it may not be feasible to install the necessary equipment in the timeframe required under the Proposed Rule.

If SCRs cannot be installed, it is unclear how many emissions offset allowances will be available for purchase. It is not just a matter of whether a certain number of thermal generators will retire; reduced output is a serious concern for SPP as well. Along those lines, this is not just a matter of available capacity. SPP has experienced issues with the actual availability, when needed, of energy production that otherwise had sufficient capacity. At certain points during Winter Storm Uri in 2021, a majority of accredited capacity in SPP was not available to serve load, primarily due to fuel unavailability. Even outside that extreme weather event, SPP experiences instances of tight supply during high demand conditions, primarily due to fluctuating availability of a growing amount of intermittent generation on SPP's system, at times when insufficient thermal generation is available.

As more thermal resources experience retirement or reduced output, operational challenges will increase. SPP is fortunate to have a robust and growing portfolio of renewable generation in its footprint, but thermal resources continue to play a critical role in managing the variability of renewable resources and preserving system reliability. Even if sufficient additional generation could be constructed by the deadlines imposed by the Proposed Rule, SPP and other organizations continue to experience delays in the interconnection process. It is not simply a matter of constructing and interconnecting new generation; additional generation requires additional transmission infrastructure. In the SPP footprint, it can take up to ten years or more to plan, approve, and construct transmission facilities that would be required for new generation.

C. Conclusion

SPP is concerned that the Proposed Rule will create a conflict between a generator's requirements under the Proposed Rule and SPP's regulatory requirements for maintaining reliability. Despite SPP's portfolio of renewable generation in its footprint, generation from coal and gas resources continues to be a key tool for managing the variability of renewable resources and preserving system reliability. The Proposed Rule's implications to have SCRs in place for meeting emissions limits by 2026 will jeopardize, through retirement or reduced output, SPP's ability to utilize that tool.

SPP requests that EPA consider additional time in which generator owners may deal with the logistical challenges of installing SCR and related equipment or building the necessary replacement generation. In lieu of additional time, SPP requests that EPA consider some means of providing a reliability "safety valve" that would allow a generator to operate beyond the constraints imposed by the Proposed Rule if an RTO identifies a reliability-based need for that generator. SPP has joined other organizations in requesting a reliability safety valve in a contemporaneous filing in this docket. With proper consideration of the need for organizations like SPP to have adequate generation available to be operated and the provision of appropriate

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emergency-use exceptions or allowances, SPP's ability to maintain adequate system reliability will be improved while EPA's goals to reduce emissions are also being supported.

SPP appreciates the opportunity to provide its perspective and concerns.

Respectfully submitted,

/s/ Lanny Nickell

Lanny Nickell

Chief Operating Officer

Southwest Power Pool, Inc.

201 Worthen Drive

Little Rock, AR 72223

(501) 614-3232

lnickell@spp.org

cc: SPP Board of Directors