PJM Interconnection's 'Energy Transition' Report is Reason to Deploy Renewables – Not Prop Up Retiring Fossil Fuel Power Plants

Power grid operator PJM Interconnection released a report in February projecting that rising electricity demand, slow entry of new resources and the rapid retirement of fossil fuel power plants could lead to electricity shortages by 2030. However, flaws in the grid operator's report may lead stakeholders to mistakenly consider keeping expensive fossil fuel power plants online when action to build clean energy more quickly is the path forward for both reliability and affordability.

Three main problems with PJM's report

- **It underplays the role of PJM's own market in ensuring enough electricity.** PJM runs a wholesale market called a "capacity market" that is charged with creating electricity reliability well into the future. The capacity market pays generators for their commitments to provide power a couple years down the road, with prices high enough to motivate enough generation to be online not only to meet peak demand, but to provide excess cushion as well. The flaw in PJM's report is that it mistakenly assumes capacity market prices won't follow market basics – that they won't rise as demand increases and supply decreases. It's a mistake in the analysis that sends an inaccurate and needlessly alarmist message.

- **It assumes power plant owners won't act rationally.** PJM's report assumes power plants will shut down rather than incur modest costs to reduce their pollution as required by recent public health protections, such as EPA's Good Neighbor Rule to reduce smog.

- **It inflates estimates of future electricity demand.** PJM projects far greater growth in demand in its 'Energy Transition' report than it has forecast for use in its core planning and market scenarios.

Two keys to meeting future electricity demand reliably & affordably

- **Reform the Interconnection Queue and build transmission to deploy renewables.** Developers already have enough proposed wind, solar and battery storage projects (290 gigawatts) to power the entire PJM region and then some. The problem is these projects wait for so long in PJM's "Interconnection Queue" that most will never get built. Without more low-cost clean energy deployment, capacity market prices will rise and consumers will be left paying higher prices for polluting fossil fuel plants. Although PJM's recent interconnection reforms are a good first step, they're not enough. The Federal Energy Regulatory Commission (FERC) has proposed regional transmission planning and interconnection queue reforms that will help speed the process once they're finalized. PJM will need to implement it all well, and couple queue reform with transmission.

- **Correctly assess and value generation reliability, based on real-world performance today.** Gas and coal power plants are often *portrayed* as reliable, but their actual performance metrics in harsh conditions proves otherwise. After Winter Storm Elliott, PJM reported that fossil fuel power plant outages accounted for nearly all 46 gigawatts that went out of service. Meanwhile, utilities across the country saw solar and wind perform well. To better ensure future reliability, PJM must accurately calculate the capacity value of existing coal and gas resources.