



October 23, 2017

Federal Energy Regulatory Commission
Secretary of the Commission
888 First Street, NE
Washington, DC 20426

Re: Grid Reliability and Resilience Pricing – Docket No. RM18-1-000

Dear Honorable Members of the Commission:

The Marcellus Shale Coalition (MSC) was formed in 2008 and is comprised of approximately 220 natural gas producing, midstream, transmission and supply chain members who are fully committed to working with local, county, state and federal government officials and regulators, to facilitate the development of the natural gas resources in the Marcellus, Utica and related geological formations. Our members represent many of the largest and most active companies in natural gas production, gathering, processing and transmission in the country, as well as the suppliers and contractors who service the industry.

Support for PA PUC Comments

The MSC expresses its support for the comments submitted by the Pennsylvania Public Utility Commission (PUC) and summarized in section II of the PUC's comment document. The MSC is particularly concerned that the accelerated timeframe of consideration of the proposed rule for final action will impair consumers in states which have embraced competitive wholesale and retail electricity markets. Moreover, as proposed the rule may discourage the continued organic development of a diverse baseload electric generation portfolio that has brought significant economic, as well as environmental, benefits to the Commonwealth and its consumers.

90-day Fuel Requirement

The 90-day on-site fuel supply requirement unfairly disadvantages one of the safest and fastest-growing baseload electric generation options in the nation today: natural gas. By the very nature of how natural gas is produced and transmitted to its end-use customer, it is nearly impossible to meet the requirement that the fuel be maintained on site. Moreover, there is no compelling reason articulated in the rule as to the benefits to grid reliability of the physical proximity of the fuel source to the generation site. Any final rule should, if it places any premium upon access to fuel source, consider the various manners in which fuel is delivered to the electric generation site. Physical connection via pipeline, coupled with a firm commitment to a fuel supplier as well as complementary access to additional fuel suppliers if necessary, is arguably more advantageous to grid reliability than a physical

stockpile of fuel. In summary, this requirement seems arbitrary and fails to recognize the significant advantages to reliability that natural gas, delivered via pipeline, provide to the grid.

Market-driven Transformation Enhancing Grid Reliability

Pennsylvania, situated within the PJM regional transmission organization, is a case-study of how a market-driven transformation is benefitting consumers while enhancing grid reliability. Spurred by an abundance of natural gas developed from the Marcellus, Utica and other unconventional shale gas formations, along with a commitment by policymakers to embrace competitive electric generation markets, Pennsylvania has seen significant diversification of its electric generation portfolio in the last decade. For example, in 2001 less than 1% of electric generation in the Commonwealth came from natural gas, whereas in 2017 over one-third of electric generation is attributable to natural gas. This growth has strengthened not only the grid's stability and reliability within Pennsylvania, but indeed throughout the PJM footprint.

There are additional benefits to grid reliability beyond the inherent advantages of diversification. Due to the proximity of natural gas reserves in Pennsylvania, and the Appalachian Region, new electric generation facilities (as well as numerous conversion or co-fired facilities) are located in close proximity to the markets they serve. This has enabled consumers to benefit from lower fuel-source prices, as Appalachian Region natural gas has traded for some time at a significant discount to natural gas produced in other basins across the nation.

The current abundance of natural gas, as well as multiple, independent evaluations which demonstrate a substantial available supply for a century or more, reinforces the value of enhanced grid reliability being realized due to natural gas. The MSC is concerned that a final rule which provides advantages for other fuel sources, without recognizing the full breadth and scope of benefits natural gas is providing to the electric grid and the consumers who rely upon it, will discourage the market-driven benefits that have materialized over the past several years.

Unintended Consequences: Discouraging Economic Opportunity

Simply put, the market dynamic in Pennsylvania is working. As the country, the region, and the Commonwealth have seen a significant level of traditional baseload electric generation plant retirements due to a variety of reasons, including economics (largely to the benefit of consumers) and the ever-changing environmental compliance landscape, the private market has responded. The generation capacity which has exited Pennsylvania has been more than compensated for through the construction and proposed construction of new natural gas generation, or co-generation. For example, the MSC is aware of at least 19 new or repurposed natural gas electric generation facilities that have either come online in the past few years, or are slated to in the relative near future. These facilities represent over 16,500 megawatts of new generation capacity, nearly \$10 billion of private capital



investment, and support thousands of family-sustaining construction and maintenance jobs. There is no stronger testament to the strength of the electric grid and its resilience than these market-driven decisions to invest capital in Pennsylvania. Yet, each of these investment decisions, as well as future opportunities waiting to present themselves, may be undermined by a significant federal policy change as proposed in this rule.

Conclusion

The federal government has established and recognized regional transmission organizations across the nation as the best, most efficient means of providing a reliable and stable electricity grid to meet the needs of consumers and protect the interests of the nation. Moreover, state public utility commissions, working in conjunction with their regional transmission organization partners, are best situated to respond and adjust to meet needs as they arise. Overlaying a federal grid reliability and resilience pricing rule contradicts this time-tested structure, and does so in contradiction to any demonstrated actual need.

The MSC strongly encourages the Federal Energy Regulatory Commission to maintain its support for existing market-based approaches and respect for state public utility and regional transmission organizations as the smartest, and most efficient means of meeting the electricity needs of our nation and its citizens.

Thank you for your consideration of these comments.

Sincerely,



Patrick Henderson, Director of Regulatory Affairs
Marcellus Shale Coalition