UNITED STATES OF AMERICA

BEFORE THE

FEDERAL ENERGY REGULATORY COMMISSION

Improving Winter-Readiness of Generating Units Docket No. AD22-4

**Comments of Public Citizen, Inc.**

As the nation’s Electric Reliability Organization tasked with overseeing and implementing reliability standards, the North American Electric Reliability Corporation (NERC) is responsible for collecting reports on the causes and duration of unplanned power generator outages. Such forced outages occurring during climate-induced extreme weather events can prompt blackouts for millions of Americans, and result in significant price spikes that provide generators lucrative profit opportunities.

NERC’s procedures of collecting unplanned and forced generator outage data is flawed because it relies upon unverified submissions by power plant owners. NERC conducts no independent corroboration of unplanned and forced generator outage incidents, tainting the data set’s legitimacy. NERC’s methods ignore the fact that entities that own more than one power plant in a market have financial incentive to prolong scarcity events in order to earn higher profits at their still-operating units. Such intentional capacity withholding is a threat in FERC’s market-based rate program, and NERC’s failure to verify the accuracy of the data may be concealing market manipulation by unscrupulous power generators. FERC must require NERC to independently verify unplanned outage reports by all generators that own more than one facility in a market. The accuracy and reliability of data is paramount for regulators to appropriately diagnose and remedy issues, and NERC’s failure to do so threatens grid reliability.

**About Public Citizen**

Established in 1971, Public Citizen is a national, not-for-profit, non-partisan, research and advocacy organization representing the interests of household consumers. Public Citizen is active before FERC promoting just and reasonable rates, and supporting efforts for utilities to be accountable to the public interest. Financial details about our organization are available at our website.[[1]](#footnote-1)

**Failure to Independently Verify Outage Reports Could Conceal Market Manipulation**

Climate change is contributing to more frequent and severe extreme weather, which can compromise grid reliability. During extreme weather events, even well-managed and well-prepared generation units can experience unplanned and forced outages. During such episodes, an entity that owns more than one generator in a given market has financial incentive to prolong a scarcity event if it results in price spikes.

Here’s a hypothetical: a company owns five power plants within the same market, and a severe storm results in a temporary forced outage of all five units. Market prices sharply spike due to the generation shortage. The company is able to restore operation to four of its five units within half an hour. However, the company has financial incentive not to bring all four units online when they are available, because doing so would depress prices and negatively impact potential earnings. So the generation owner brings only one of the four available units back into service, and is able to earn more from the single facility with scarcity pricing than she could operating all four.

Continuing with the hypothetical, in responding to NERC’s unplanned outage report, the generation owner accurately details the reasons for all five being knocked out of service, but omits the important detail of when the disabled units were available to return. NERC misses the omission because NERC fails to conduct basic due diligence to independently verify the accuracy of the forced outage reports.

During a recent presentation to PJM Interconnection LLC, NERC officials detailed findings of unplanned and forced outages of power generation units. During the presentation, Public Citizen had the opportunity to question NERC officials about their data, and we inquired about the verification procedures that it employs to ensure the submissions provided by generation owners are accurate. NERC replied that no independent verification of the outage reports submitted by generation owners is conducted, as their assumption is that generator owners are submitting accurate information.

NERC did assert, however, that it correlates the generation outage data with supplemental data sets―for example, data reports of frozen and shut-in natural gas distribution infrastructure that aligns with the causes cited in the generator outage disclosures. But NERC conducts no follow-up verification of the information submitted by generation owners.

As we pointed out to NERC at the time, such supplemental market condition data does not result in proper certification of the generator outage reports. Let’s again take the hypothetical: a generator asserts to NERC that all five of its units experienced forced outages. NERC does not investigate the accuracy of the submission, but NERC does correlate the stated reasons for the outages with natural gas infrastructure failure data, noting that the generator’s cited cause of the forced outage is consistent with the correlated gas infrastructure reports. But the generation owner delays bringing operational units back online in order to exploit lucrative scarcity pricing―a strategy that NERC’s correlated data fails to capture. So the official NERC record shows that the generation units experienced a prolonged forced outage, when in reality the duration of the unplanned outage was far shorter.

A NERC official recently noted that the reliability corporation had “anecdotal evidence” of price gouging during winter storm Uri.[[2]](#footnote-2) Quality data can transform anecdotes into substantiated facts. FERC cannot ensure system reliability when the underlying information to assess performance is compromised by NERC’s failure to independently verify accuracy of industry-reported data. Assuming that financially-conflicted power plant owners will submit accurate information imperils data veracity. The Commission must require NERC to independently verify the accuracy of generation outage data submitted by entities that own more than one power plant in a given market.

Respectfully submitted,

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1. www.citizen.org/about/annual-report/ [↑](#footnote-ref-1)
2. https://twitter.com/TysonSlocum/status/1473770400458891269 [↑](#footnote-ref-2)