

**UNITED STATES OF AMERICA  
BEFORE THE  
FEDERAL ENERGY REGULATORY COMMISSION**

**Meeting the Challenge of Resource  
Adequacy in Regional Transmission  
Organization and Independent System  
Operator Regions**

**Docket No. AD25-7-000**

**COMMENTS OF  
THE AMERICAN PUBLIC POWER ASSOCIATION**

The American Public Power Association (“APPA”) submits these comments on the Federal Energy Regulatory Commission’s (“Commission” or “FERC”) June 4-5, 2025, technical conference (“Technical Conference”) addressing resource adequacy challenges in Regional Transmission Organization and Independent System Operator (“RTO/ISO”) regions.

Steven Lieberman, Vice President of Transmission & Regulatory Affairs, at American Municipal Power Inc., which is an APPA member, was a panelist on the fifth panel at the Technical Conference, where he addressed resource adequacy challenges in the Midcontinent Independent System Operator, Inc. (“MISO”) region and, more generally, addressed the role of public power utilities in ensuring resource adequacy.<sup>1</sup>

APPA’s comments here echo and elaborate on Mr. Lieberman’s pre-filed statement, as well as the post-technical conference comments filed by other APPA members.<sup>2</sup> Specifically, APPA emphasizes the core principle that resource adequacy constructs in RTO/ISOs ought to be designed to make it easier and more cost-effective for load-serving entities to fulfill their obligations.

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<sup>1</sup> Pre-Technical Conference Statement of Steven Lieberman on Behalf of American Municipal Power Inc., eLibrary No. 20250516-5206 (May 16, 2025) (“AMP Comments”).

<sup>2</sup> See Post-Technical Conference Comments of the Large Public Power Council (July 7, 2025); Post-Technical Conference Comments of the Transmission Access Policy Study Group (July 7, 2025); Post-Technical Conference Comments of American Municipal Power, Inc. (July 7, 2025).

## **I. INTEREST OF APPA**

APPA is the voice of not-for-profit, community-owned utilities that power 2,000 towns and cities nationwide. Public power utilities are in every state except Hawaii. They collectively serve over 55 million people in 49 states and five U.S. territories, and account for 15 percent of all sales of electric energy (kilowatt-hours) to end-use consumers.

Public power utilities are load serving entities, with the primary goal of providing the communities they serve with safe, reliable electric service at the lowest reasonable cost, consistent with good environmental stewardship. This orientation aligns the interests of the utilities with the long-term interests of the residents and businesses in their communities.

## **II. COMMENTS**

### **A. Load serving entities are obligated to meet resource adequacy requirements in an increasingly challenging environment.**

Public power load serving entities are responsible for ensuring they have sufficient resources to meet their communities' electricity demand, either by building those resources themselves or by procuring the resources in bilateral or market transactions. For decades, public power utilities have met that responsibility of ensuring reliability while keeping rates affordable and selecting resources consistent with local preferences.

Fulfilling that responsibility, however, is becoming increasingly challenging. As demand forecasts grow—driven by manufacturing, electrification, and data centers—several factors are threatening reliability and affordability: federal policies, overly burdensome permitting processes, increased reliance on natural gas for electricity generation, and supply chain constraints.

The Technical Conference was a timely exploration of these significant challenges nationwide. NERC's studies show that there are "resource adequacy concerns in every ISO/RTO

area at one point or another,” mostly under extreme weather conditions.<sup>3</sup> The RTO/ISOs all acknowledged that they are facing issues, though with important regional nuances and differences. Each RTO/ISO described the steps it is taking to address its specific issues, but the Technical Conference appropriately inquired into whether those actions are sufficient. As discussed further below, APPA urges the Commission to focus its inquiry on the real-world impacts of any future changes on the ability of load serving entities to meet their resource adequacy obligations at the lowest reasonable cost.

**B. Resource adequacy constructs should enable load serving entities to fulfill their obligations at the lowest reasonable cost.**

The Technical Conference highlighted that each RTO/ISO has a unique resource adequacy construct, which considers the needs of its region. One similarity among them all, however, is that each construct is intended to ensure that load serving entities have a mechanism and pricing signal to obtain—by constructing or purchasing—adequate capacity to serve their loads.

For example, MISO explains that its “resource adequacy objectives are formally communicated through the resource planning obligations on LSEs.”<sup>4</sup> SPP similarly states that its resource adequacy program “require[s] each [load responsible] entity to maintain a specified planning reserve margin by owning or contracting for generation capacity, under the oversight of SPP and our state regulators.”<sup>5</sup> And CAISO explains that its resource adequacy construct is

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<sup>3</sup> NERC Pre-Conference Comments, eLibrary No. 20250528-4031 (May 19, 2025). NERC recently announced that following its reanalysis of data, the MISO footprint is classified as “elevated risk” meaning the area is likely to experience a shortfall in reserves under extreme weather conditions. NERC, Statement on 2024 Long-Term Reliability Assessment (June 17, 2025), <https://www.nerc.com/news/Pages/Statement-on-NERC%E2%80%99s-2024-Long-Term-Reliability-Assessment.aspx>.

<sup>4</sup> Comments of Todd Ramey on Behalf of Midcontinent ISO, Inc., at 11, eLibrary No. 20250528-4032 (May 16, 2025).

<sup>5</sup> Pre-Filed Statement of Lanny Nickell, President and CEO, Southwest Power Pool, at 4, eLibrary No. 20250528-4029 (May 16, 2025).

intended to “to ensure that load serving entities have secured and shown sufficient electric supply in a forward planning horizon to provide reliable electric service in real-time based on certain planning assumptions.”<sup>6</sup> Even in PJM, the intention of its capacity market has always been to “produce a price signal that [load serving entities] and generators can use as a reference price when contracting for capacity outside of the [capacity market].”<sup>7</sup>

In short, the purpose of all resource adequacy constructs is to enable load serving entities to fulfill their reliability obligations. It is the Commission’s responsibility, therefore, to ensure that each construct is designed to achieve that reliability objective at the lowest reasonable cost.

Ensuring just and reasonable resource adequacy constructs in each region must be more than an academic exercise in economic theory. Idealized assumptions about market participant behavior must yield to practical realities: each megawatt of capacity is not fungible, load forecasts are not based on perfect information, and supply chain constraints and permitting challenges do pose significant barriers to market entry.

The Commission should therefore look at the reality of how each resource adequacy construct affects load serving entities—the buyers of the resource adequacy product. Mr. Lieberman, of American Municipal Power, explained many of those practical realities from the perspective of public power load serving entities. For example, he compared the benefits of MISO’s truly residual auction that reduces load’s exposure to price volatility to the practical reality of PJM’s auction being the “principal source of capacity procured on behalf of captive

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<sup>6</sup> Prepared Statement of Elliot Mainzer on Behalf of the California Independent System Operator Corporation, at 7-8, eLibrary No. 20250528-4030 (May 16, 2025).

<sup>7</sup> Prefiled Statement of Manu Asthana on Behalf of PJM Interconnection, L.L.C., at 11-12, eLibrary No. 20250520-5173 (May 16, 2025) (“PJM Comments”). PJM acknowledges that its intent of being a residual market has not been realized, but affirms that its spot capacity market imposes obligations on load serving entities. *Id.* at 6 (“Load serving entities in some regions appear to be primarily relying on the spot capacity market rather than using bilateral contracting first, and using the capacity market as a secondary, residual market.”).

load since inception.”<sup>8</sup> Mr. Lieberman also explained the significant practical challenges that arise when price signals are not actionable; that is, when load serving entities do not have enough time to make investments to respond to auction results.<sup>9</sup> Finally, Mr. Lieberman explained the practical consequences of “rule churn” that undercuts the ability of market participants to make appropriate investment decisions.<sup>10</sup>

These examples demonstrate that the unremarkable conclusion that merely sending “price signals” through market-based resource adequacy constructs is not sufficient to actually enable load serving entities to procure sufficient resources to serve their load at the lowest reasonable cost. The Commission must bridge that gap between theory and practice, along the lines Mr. Lieberman has suggested. So, as the Commission considers changes to resource adequacy constructs in RTO/ISOs, it must evaluate whether each proposal is intended to—and likely will—create an environment in which load serving entities can invest in reliable, affordable resources to serve their communities.

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<sup>8</sup> AMP Comments at 9; *see also* PJM Comments at 6 (Explaining that primarily relying on the spot capacity market rather than using the capacity market as a secondary, residual market exacerbates affordability challenges).

<sup>9</sup> AMP Comments at 3.

<sup>10</sup> AMP Comments at 11; *see also* Pre Technical Conference Comments of the Independent Market Monitor for PJM at 11 (May 20, 2025), (“The level of uncertainty created by PJM’s ELCC design combined with the extreme performance assessment interval (“PAI”) penalties . . . weakens the incentives to invest in PJM generation.”).

### III. CONCLUSION

APPA appreciates the opportunity to offer these post-conference comments on the pressing issues of resource adequacy in RTO/ISOs. We urge the Commission to consider these comments as it evaluates any future actions.

Respectfully submitted,

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