On the Record
March 2025| Issue 5

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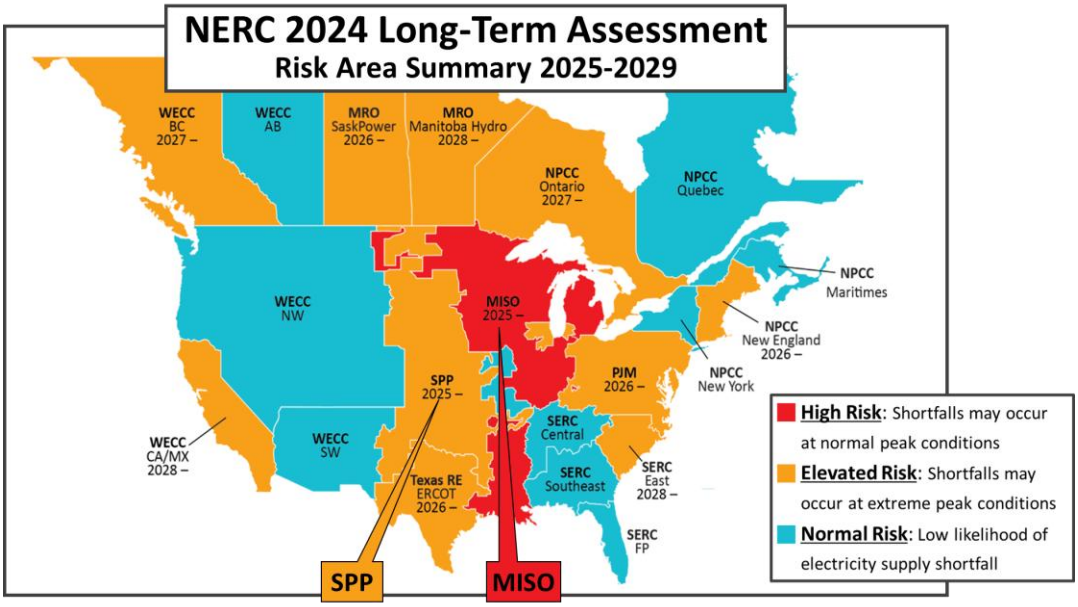
NERC'S LONG-TERM RELIABILITY ASSESSMENT

The grim forecasts from the North American Electric Reliability Corporation (NERC), our nation's watchdog for the electric grid, indicate the ***need for improved energy policy***. In a report[1] from July 24, 2023, NERC ranked energy policy as "*Risk Profile #1.*" In other words, energy policy poses the greatest risk to the stability of our nation's electric grid, or Bulk Power System (**BPS**).

> "***A new risk profile*** *has been created this year on* ***Energy Policy****. Given the increased legislation focus and mandates on decarbonization, decentralization, and electrification, the* ***Energy Policy*** *will drive many rapid changes in the energy sector. There is an undeniable need to increase coordination and collaboration among all policy makers and regulators as well as on the owners and operators of the* ***BPS****."*

In December 2024, NERC released its Long-Term Reliability Assessment[2] in a press release as follows:

> "***Urgent Need for Resources over 10-Year Horizon as Electricity Demand Growth Accelerates, 2024 LTRA Finds*** *| WASHINGTON, D.C. – Trends identified in NERC's 2024 Long-Term Reliability Assessment (LTRA) highlight critical reliability challenges that industry is facing over the next 10 years: satisfying escalating energy growth, managing generator retirements and removing barriers to resource and transmission development. As a result, well over half of the continent is at elevated or high risk of energy shortfalls over the next 5 to 10 years.*"



Arkansas Electric Cooperative Corp. (AECC) supplies us with wholesale electricity from the **BPS**. AECC operates in two Regional Transmission Organizations (RTOs) - the Southwest Power Pool (**SPP**) and the Midcontinent Independent System Operator (**MISO**). NERC is presently concerned with risks in both RTOs.

SO, WHAT DOES THIS MEAN?

When dispatchable[3] power generation runs low, RTOs will **issue appeals for conservation** and, when necessary, **order utilities to initiate rolling blackouts**. *See the next page.*

[1] See nerc.com/comm/RISC/Related%20Files%20DL/RISC_ERO_Priorities_Report_2023_Board_Approved_Aug_17_2023.pdf.

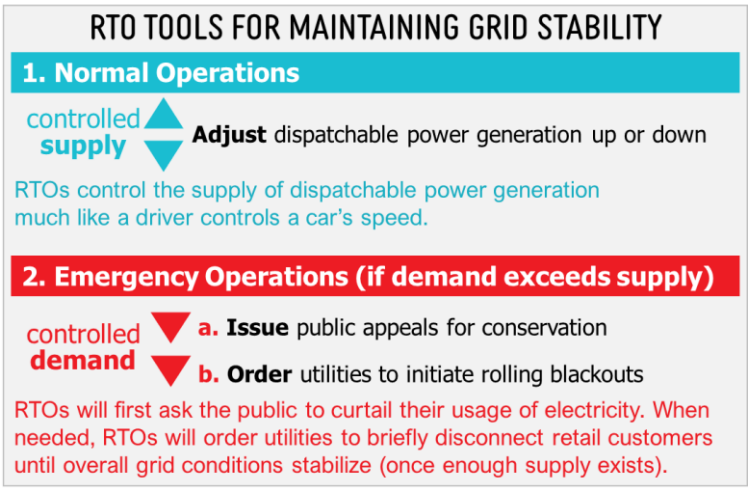
[2] See nerc.com/news/Pages/Urgent-Need-for-Resources-over-10-Year-Horizon-as-Electricity-Demand-Growth-Accelerates,-2024-LTRA-Finds.aspx

[3] In the context of electricity, the term "dispatchable" refers to a generation technology that can be controlled and scheduled to produce electricity according to demand. Dispatchable power can be adjusted up or down based on the needs of the Bulk Power System (BPS).

Under **Normal Operations** RTOs adjust dispatchable power generation up or down to meet the ever-changing need for electric power. NERC's reports indicate the risk of **Emergency Operations** is increasing.

With a new administration in Washington D.C., U.S. Energy Policy is subject to change. The speed, magnitude, and long-term durability of potential changes are presently uncertain.

NERC's warnings should not be dismissed. Carroll remains prepared to respond to any orders issued by the RTOs.



WHY?

- The pace of dispatchable power generation retirements remains a critical concern for NERC. Coal has been in the crosshairs of energy policy for decades. Retirements cause the loss of important advantages such as fuel diversity, on-site fuel storage, and low operating and capital costs.
- Even if the pace of plant retirements can be slowed, the challenge of meeting the increase in electric demand from new customers, including a rapid increase in large loads (such as data centers for artificial intelligence), is **very** significant.
- The pace of new construction for dispatchable power generation is responding but faces several constraints. This is leading to supply chain shortages which are impacting construction timelines and budgets.
- Government regulations steer the construction of dispatchable power generation to natural gas-fired power. Increased dependence on natural gas creates, at times, extreme price volatility and fuel supply concerns.

WHAT ARE ELECTRIC COOPERATIVES DOING?

In 2021 (and in 2023), Carroll Electric *almost* had to initiate rolling blackouts. The historic nature of the 2021 event inspired **On the Record**. All five issues of **On the Record** aim to educate the public and influence industry and government leaders and are available at carrollecc.com/on-the-record. More than 9 of 10 Carroll Electric members have supported the goals identified in 2021.

Electric cooperatives are fully engaged at the state and national levels. Visit our website at carrollecc.com to learn more.

- Arkansas Electric Cooperative Corp. (AECC) is actively constructing and planning additional power generation. See aecc.com/balance-of-power.
- The National Rural Electric Cooperative Association (NRECA) is working with federal officials to optimize the opportunities created by recent Presidential Executive Orders.

Please consider voicing your support for these goals by scanning the QR code or completing and returning the enclosed response form.

Regardless of your level of support, we welcome your input.

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Over the past four years, Carroll Electric members have overwhelmingly supported the following goals to address the Cooperative's concerns with the Bulk Power System.

9 of 10 Fully Support

Goal 1. Protect DISPATCHABLE power sources. A diverse mix of dispatchable resources that includes nuclear, coal, and natural gas will help minimize the various risks associated with becoming completely dependent on natural gas for dispatchable power generation.

Goal 2. End subsidies to INTERMITTENT forms of power generation.

Goal 3. Advocate for CONSUMER-FOCUSED wholesale markets that place value on continuous reliability.

PLEASE RESPOND – Please scan the QR code (above) **or** respond by mail (form below).

☐ **I support these goals.**

☐ **I cannot fully support these goals.**

Name: _____

Address: _____

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Email Address: _____ Phone No: _____

Comments (optional): _____

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