MOPR MYTHS & EPSA’S VISION for a COMPETITIVE FUTURE in PJM

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For Power Markets Today’s Webinar: “How Will the New MOPR Impact PJM?”
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The Power of Competition

The Electric Power Supply Association is the national voice of America’s competitive power suppliers: owners, investors in, and operators of all types of power generation facilities and technologies.

✓ ~150,000 MW of capacity from many fuel sources.
✓ ~6,000 MW of renewable and storage assets.

Consumers win when companies compete.
Benefits of PJM’s Capacity Market, Regional Planning: The Reliability Pricing Model (RPM)

- Serves **65 million** in 13 states and D.C.
- Promotes **competition**.
- Ensures **reliability** at **least cost** to consumers.
- **$3.2 - 4 billion** in annual consumer savings.
- **30%** emissions reductions since 2005.
- Sends **price signals** for efficient entry and exit of resources—replacing less efficient resources with more efficient, less costly, often cleaner plants.

**Source:** PJM Interconnection Value Proposition (2019)
MOPR Myths and Realities

- No “fossil fuel bailout”— MOPR is fuel neutral.
- Not a “death knell” for renewables.
  - Energy resources vs. capacity resources.
  - Existing renewable projects & competitive new projects exempt.
- Benefits of renewable investment will continue.
  - Competitive power suppliers building renewables in PJM, nationwide, with 150-MW solar project just announced for Pennsylvania.
  - Unit-specific exemption process exists.
- Not an attack on state authority; seeking a balance of cooperative federalism.
- True costs unknown; what’s known is the cost of expensive patchwork of state subsidies totaling at least $1.7 billion each year.
- FRR or abandoning the market is not the solution, and it has its own set of costs—estimated to be at least $925 million per year in Illinois alone.

“We are very bullish on renewables.”
  - Tom Rumsey, SVP, Competitive Power Ventures, Washington Examiner, January 2020
Don’t Wait: HOLD THE AUCTION

• **Long-Overdue**: PJM’s Base Residual Auction (BRA) has already been delayed nearly **two years**.

• **PJM agrees** we need to hold an auction; EPSA believes BRA can and should be run by **September 2020**.

• Delaying the auction makes it harder for participants to make critical investment decisions surrounding when to retire, maintain, or invest in new assets.

• A timely auction is needed to ensure uneconomic assets **retire**, that **price signals** function properly, and to incentivize **innovation**.

• **States need accurate data**—not subjective studies—to know the real impacts and costs of options before making long-term decisions. We can’t know true costs until we hold an auction.

⚠️ Further delay the of the auction blocks needed retirement and frustrates all parties.
• If states wish to pursue other goals in addition to procuring least cost, reliable resources, **change the market design** to accommodate those specific goals.
• One of those options, and perhaps the most efficient, for lower emissions at least cost to consumers is an **economy-wide price on carbon**.
✓ A carbon price has been endorsed by many stakeholders and experts including businesses, economists, advocates, consumer groups, and policymakers.
• **Customers win when companies compete.** Well-functioning, transparent, competitive energy markets are the most effective way to encourage sustainable environmental progress without harming reliability or burdening consumers with high costs.

**EPSA supports efforts to combat climate change through transparent, open, and nondiscriminatory competitive markets, such as an economy-wide price on carbon, that allow all resources to compete to reduce carbon and other harmful emissions.**
Questions?

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On December 19, the Federal Energy Regulatory Commission (FERC) took action to ensure the 65 million Americans served by the nation’s largest wholesale electricity market continue to enjoy the many benefits of competitive power generation. Competition among power generators has saved consumers money, spurred innovation, and resulted in lower emissions.