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September 13, 2019

The Honorable Frank Pallone, Jr.  
U.S. House of Representatives  
Chairman, House Energy and Commerce Committee

The Honorable Paul Tonko  
U.S. House of Representatives  
Chairman, House Subcommittee on Environment and Climate Change

The Honorable Bobby L. Rush  
U.S. House of Representatives  
Chairman, House Subcommittee on Energy

Dear Congressmen,

On July 23, 2019, Democratic leaders of the U.S. House Committee on Energy and Commerce announced a plan to achieve a 100 percent clean economy by 2050. The committee solicited input on a series of questions to help guide the process and requested responses by Friday, September 13, 2019. Please find herein a response from the Electric Power Supply Association (EPSA) to the Committee's request. Given that EPSA represents several individual companies, we find our high-level, principles-based approach to answering the Committee's questions more appropriate than a targeted response to each question. We appreciate the opportunity to participate in this process and look forward to working with the Committee going forward.

Launched over 20 years ago, EPSA is the national trade association representing leading independent power producers and marketers. EPSA members provide reliable and competitively priced electricity from environmentally responsible facilities using a diverse mix of fuels and technologies. Power supplied on a competitive basis collectively accounts for 40 percent of the U.S. installed generating capacity. EPSA seeks to bring the benefits of competition to all power customers. This letter represents the position of EPSA as an organization, but not necessarily the views of any particular member with respect to any issue.

EPSA offers the following principles for the Committee to consider as it develops comprehensive climate legislation:

- Competitive, technology-neutral market-based mechanisms are key to sustainable environmental progress. All resources have a different combination of reliability benefits and environmental attributes. Market-based mechanisms will yield the most efficient, lowest cost set of resources and technologies that jointly produce the greatest environmental benefit while maintaining reliability.
- All resources should have the opportunity to compete to achieve meaningful carbon emissions reductions; one-off preferential policies to favored resources must stop.
- Solutions should be economy wide to maximize benefits. Targeting one sector (e.g., electricity) will, over time, produce less environmental benefits at a greater cost.

Competitive electricity markets have flourished in the United States over the past 20 years, delivering a 30 percent reduction in carbon emissions since 2005 and substantially lowering consumer and industrial costs for electricity.<sup>1</sup> These benefits are largely the result of private investment from independent power producers in all types of electric generation resources, from highly efficient natural gas combined cycle resources to renewables, that has displaced many thousands of megawatts of older coal-fired generation. Importantly, because these investments have occurred in what are known as “restructured” markets, U.S. homes and business did not provide up-front financing or guaranteed returns to build the new resources; rather, private companies injected capital at their own risk, and the market dictated returns.

Going forward, sustainable environmental progress will depend on whether we build upon this model, or shy away from it. To date, competitive electricity markets have been designed to achieve the following objective: reliability at lowest cost. As noted above, this formula has produced impressive results with the added benefit of meaningful carbon emissions reductions. To that end, the Committee could consider adding an environmental component to this formula. For example, what is the least-cost, reliable resource mix that produces the greatest environmental benefit. In competitive electricity markets, every resource has some incremental contribution to grid reliability or emissions. Considering all resource attributes – including carbon emissions – when “clearing the market” will ultimately produce the lowest cost, reliable set of resources that has the greatest environmental benefit.

Importantly, this model does not pick arbitrary winners and losers. Subsidies for mature technologies harm consumers, other market participants, and rarely translate into meaningful environmental benefits. Subsidies for new, untested technologies shift the risk from investors to consumers, particularly when those subsidies take the form of long-term contracts for large projects. Policymakers can determine the market design goals up front (in this case, reliability, affordability, environment benefits) and then allow *all* resources to compete to meet the objective. If a company invests in a technology that turns out to be uncompetitive, its investors rather than consumers will bear the burden of that decision.

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<sup>1</sup> The Value of Markets, PJM Inside Lines, May 22, 2018. Available at: <http://insidelines.pjm.com/the-value-of-markets/>

When considering comprehensive climate legislation, the Committee should also consider the benefits of an economy wide solution as opposed to one that targets particular sectors or industries. Targeting one sector (e.g., electricity) will, over time, make it more expensive to produce incrementally smaller environmental benefits in that sector and can even simply shift emissions from one industry to another, nullifying any gains overall. Alternatively, an economy wide approach that targets multiple sectors (e.g., transportation, electricity, heating) promotes the lowest cost, highest impact carbon reductions across multiple sectors. In other words, by adopting an economy wide approach, consumers will get more “bang for their buck” in terms of environmental benefits. At a time when 68 percent of Americans are opposed to just a \$10 per month increase in their utility bills despite believing in climate change, meaningful and sustainable environmental progress at the lowest possible cost is critically important.<sup>2</sup>

Finally, EPSA members are committed to producing a safe, affordable, reliable supply of electricity. We do not, and should not, question the ability of our switch to turn on a light or charge a phone. As the Committee considers climate legislation, they must be aware that targeting the electricity sector may put excessive pressure on our industry to maintain that safe, reliable, affordable supply of electricity to American consumers and businesses. Clearly, the industry is in a transition, but we should harness the power of markets and competition to ensure that transition happens in a safe, reliable, and affordable manner.

EPSA appreciates the opportunity to provide feedback on the questions posed by the Committee. We look forward to continued engagement and welcome the opportunity to discuss our comments with the Committee or any of its members.

Sincerely,



Todd A. Snitchler  
President & CEO  
Electric Power Supply Association

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<sup>2</sup> Is the Public Willing to Pay to Help Fix Climate Change, The Associated Press-NORC Center for Public Affairs Research. Available at: [http://www.apnorc.org/projects/Documents/Epic\\_toplevel\\_final.pdf](http://www.apnorc.org/projects/Documents/Epic_toplevel_final.pdf)