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PJM Takes Next Step to Continue Benefits of Competitive Power Markets for Consumers

Statement From EPSA President and CEO Todd Snitchler on PJM Interconnection's MOPR Implementation Compliance Filing

Washington, D.C. – The nation's largest grid operator, PJM Interconnection, today [shared its plan](#) to implement a [December 2019 order](#) from the Federal Energy Regulatory Commission (FERC) that sought to ensure power providers bid into PJM's capacity market at their true costs—an effort to protect competitive processes to secure power generation, which are needed to keep electricity costs low and encourage innovation and efficiency. Specifically, FERC directed PJM to expand its [Minimum Offer Price Rule \(MOPR\)](#) to more state-subsidized resources participating in its capacity market, where power providers submit bids to offer electricity capacity at a future date to help ensure reliability. Alternative approaches—such as subsidies to state-selected resources and mandated long-term contracts with utilities to lock in power generation agreements at a set price—undermine efficiency, raise customer costs, and harm flexibility.

PJM's [compliance filing](#) with FERC as to how it will implement the MOPR has significant implications for market participants and power consumers, particularly [competitive power suppliers](#), which rely on market signals to make investment and operational decisions. Competitive generators and investors have followed market rules to build more efficient plants, retire older, costly, or unnecessary and often higher-emitting generation resources such as coal, and invest in new, cleaner power generation.

Todd Snitchler, president and CEO of the [Electric Power Supply Association \(EPSA\)](#), which represents competitive power suppliers, issued the following statement, emphasizing that competition among power generators provides the best outcomes for consumers:

“FERC's December ruling to apply the MOPR to an extended set of subsidized resources in PJM's capacity market was at core an effort to make sure competitive electricity markets work for power providers, grid reliability, and most importantly, consumers.

Competition among power generators has resulted in [record low prices](#), reliable electricity, and even driven [emissions reductions](#) through more efficient operations and market-driven fuel-switching. That's a win for consumers and our environment.

Since December, there has been a productive and extensive public conversation among all stakeholders about how competitive electricity markets can best serve the interests of consumers and the power grid.

PJM has worked diligently under a compressed timeline to conduct a thorough stakeholder process and develop a MOPR implementation plan while ensuring that perspectives from all relevant groups were considered and incorporated into its compliance filing.

EPSA appreciates this thoughtful, thorough, and inclusive effort, and was an active participant in PJM's stakeholder process along with our member companies, which own and operate more than 50,000 MW of capacity in PJM. Our members build projects and make investment decisions at their own risk, without subsidies or captive customer-based rate structures that guarantee a return on investment no matter whether a project is on time or over budget. This means accurate market signals and pricing are paramount to our ability to provide customers with low cost reliable electricity.

PJM's compliance filing is the critical next step in getting the market back into normal operation. It is also necessary to understand how the expanded MOPR will actually impact prices, the resource mix, and consumers.

Now, FERC must act expeditiously in order for PJM to move forward and [hold its long-delayed Base Residual Auction \(BRA\)](#) as soon as possible. The auction is an essential tool for power generators and investors to make critical decisions about whether to maintain, upgrade, retire, or invest in new technologies and resources. Without the data an auction provides, generators, states, and others cannot have an evidence-based discussion about the best path forward. While EPSA understands PJM's proposed timeline of 6 months, we urge FERC to shorten the time between a final order and holding the first, long-delayed auction to no more than four months.

Market exit is just as important as market entry for achieving the right resource mix and meeting evolving energy policy goals.

Since 2011, over 43,000 MW of capacity in PJM—mostly coal—has retired as a result of market signals. This has paved the way for newer, more efficient resources that have led to significant emissions reductions across the PJM footprint. There are currently over 6,000 MW of planned retirements through January 2020 and beyond. For trends like this to continue, [auctions must be held](#) so that market participants can make informed decisions about whether to retire unneeded resources.

Unfortunately, resources that should be retiring—and are receiving clear signals to do so—aren't. Many of those resource owners have sought resource-specific subsidies. This includes owners of nuclear plants in Illinois, New Jersey, and Ohio, as well as coal resources in Ohio. Now those same entities are seeking a further delay of the BRA to secure additional subsidies—despite being shown to be profitable by PJM's Independent Market Monitor—as well as to pursue inefficient out-of-market, state-focused options such as a Fixed Resource Requirement plan that would raise costs and undo the significant achievements of regional competitive power markets.

With PJM's compliance filing now in FERC's hands, the onus lies with FERC as well to require PJM to move forward with the BRA and other auctions. EPSA urges FERC and PJM to implement an expedited timeline to ensure the market can continue to deliver current and future benefits.”

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The Electric Power Supply Association (EPSA) is the national trade association representing America's competitive power suppliers. EPSA members provide nearly 150,000 MW of reliable and competitively priced electricity from environmentally responsible facilities using a diverse mix of fuels and technologies including natural gas, wind, solar, hydropower, geothermal, storage, biomass, and coal. EPSA seeks to bring the benefits of competition to all power customers. Learn more at www.epsa.org and connect with us on [LinkedIn](#) and Twitter [@EPSAnews](#).