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CONTACT: John Shelk
(202) 628-8200
(703) 472-8660

EPSA RELEASES REPORT ON WHOLESALE POWER IMPACTS OF CLEAN POWER PLAN

Analysis Group Report Identifies Issues and State Options

WASHINGTON, D.C. – The Electric Power Supply Association (EPSA) today released a report entitled, “Carbon Control and Competitive Wholesale Markets: Compliance Paths for Efficient Market Outcomes” authored by Susan F. Tierney and Paul J. Hibbard of the Analysis Group.

“The report follows up on EPSA’s remarks before the Federal Energy Regulatory Commission earlier this year on making sure that development and implementation of the Clean Power Plan by EPA, FERC and the States are consistent with the regional wholesale power markets on which the nation increasingly relies for electric generation,” said EPSA President and CEO John E. Shelk. “While the report highlights a number of important issues and recommends potential options to address them, one in particular bears emphasis: that is, the potential for costly market distortions if new power plants remain outside the design of State Plans,” Shelk said.

The Analysis Group report points out that,

Although the 111(d) rule is focused on existing power plants, the regulation will alter the competitive landscape for both new and existing power plants. Taking into consideration both of the upcoming EPA rules under 111(b) and 111(d) of the [Clean Air Act], regulating new and existing plants, respectively, the proposed rule allows states to choose whether to include the new generating units in the program affecting existing sources. We encourage them to do so, to avoid market distortions. All existing trading programs, including the Acid Rain trading program and RGGI, include both new and existing sources. (*Executive Summary, page two.*)

Other key points in the report are that the power sector has a long track record of successful market-based, regional trading programs; there is a natural fit between market-based emissions programs and wholesale power markets; the Clean Air Act allows EPA and States to establish a trading system that includes both existing and new power plants; State Plans can create competitive advantages and disadvantages for some generators, and introduce inadvertent and unnecessary cost impacts for consumers; the Clean Power Plan gives States broad discretion; there are benefits to States coordinating on mass-based, multi-state trading programs that cover existing and new power plants; and thus EPA is encouraged to provide incentives for States to do so.

A copy of the Analysis Group report is available at www.epsa.org.

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EPSA is the leading national trade association representing competitive power suppliers, including generators and marketers. Competitive suppliers, which collectively account for 40 percent of the installed generating capacity in the United States, provide reliable and competitively priced electricity from environmentally responsible facilities serving power markets nationwide. EPSA seeks to bring the benefits of competition to all power customers.