Are EPSA’s members utility companies?

No. EPSA’s members are competitive power suppliers. They sell electricity, but they don’t deliver it to your home or business. They own, operate, and invest in the facilities and technologies that generate and sell electricity. These companies operate all resources and technologies including natural gas, coal, wind, solar, hydropower, geothermal, nuclear, biomass, and battery storage.

Competitive power suppliers invest in, build, and maintain projects at their own economic risk with private capital. Unlike utilities, they do not have a designated “service territory,” or receive a guaranteed return on investment from customers through utility bills. They must compete in the market to offer safe, reliable power at the least cost.

How does power get to me?

Competitive power is bought, sold, and traded just like other commodities. In this case, the commodities are the electrons generated from various sources: solar, nuclear, natural gas, etc. Power suppliers generate electricity and sell it into a wholesale marketplace, where it is purchased by utilities and retail providers who then sell it to consumers.

Wholesale prices are determined by the market forces of supply and demand. Owners of generation resources submit offers to sell power to the system operator, which delivers that electricity to utility companies. Local utilities then deliver the electricity directly to customers through retail (local) sales.

- EPSA member companies own and operate more than 6,000 MW of power capacity from renewable resources, in addition to cost-competitive zero-emitting nuclear plants.
- EPSA member companies have more than 6,700 MW of battery storage capacity on the grid or in development – including the largest battery projects in the U.S.

How do competitive wholesale power markets help ensure reliable power?

It depends where in the country you live. Power can be generated but not stored in large quantities (yet!), which means it is largely produced, delivered, and consumed in real time. The competitive wholesale power markets across the country typically have two primary components: a foundational energy market and capacity market. Each market serves a separate function, but they work in tandem.

Energy Markets secure electricity supply to meet consumer demand in real-time and in the near-term (sometimes referred to as the forward or day-ahead market). Power is
bought and sold in the energy market much like a stock exchange – electric generators offer into the market at the price required to cover the costs of producing power and then utilities (or load-serving entities) bid for that electricity in order to meet their customers’ energy demand – thus competition amongst the generators keeps prices low. The offers are then stacked in order from lowest to greatest and the energy market “clears” where supply and demand meet. Electric generators then receive the clearing price established from the utilities. This base energy cost can be increased due to heavy demand areas (like big cities) and insufficient transmission to get all the supply to that demand (transmission congestion), much like rush-hour traffic. In the real-time, the market operator evaluates system conditions on a 5-minute basis and increases, or decreases, the amount of power needed based on demand.

**Capacity Markets** work a bit like energy markets, but help guarantee sufficient power in the future. In capacity markets, generators agree to produce electricity at a future date for an agreed upon price. These markets help to provide price stability by ensuring that power will be available when needed and shield customers from unexpected price spikes.

**Are competitive wholesale markets better for consumers?**

Yes – customers win when companies compete. Electricity consumers have experienced significant benefits in increased efficiency, cost savings, innovations and emissions reductions from competitive wholesale markets.

- **65 million Americans** living in 13 states and the District of Columbia see an annual savings of **$3.2 - $ 4 billion** thanks to the PJM Interconnection competitive market.
- Average real-time wholesale power prices dropped in New England from **$80 per megawatt hour in 2008 to $30.67 in 2019** – a massive savings passed along to consumers thanks to competition among generators.

**Does the whole country have competitive wholesale power markets?**

No. In the 1990s, many (but not all) states passed legislation to move power generation to a competitive market system. In competitive markets, investors and owners assume the cost risks associated with their investments. If one of those companies experiences a cost overrun and can’t supply electricity at a competitive price, they will retire that resource and customers won’t have to pay for the losses.

Customers living in states without these markets remain on the hook for utility decisions, including commitments to expensive capital investments that may turn out to have significant cost overruns. These costs are passed on to customers through higher prices. **But in competitive markets, investors bear the risk of doing business – not customers.**

**Competitive wholesale markets help keep costs low, but what about the environment?**

Competitive power markets are a path to accelerate emissions reductions and promote clean electricity without raising prices. Because natural gas and renewable energy resources are among the cheapest fuels operating today, cleaner, low-carbon energy has become increasingly cost competitive. Competitive forces also drive innovation and support emerging technologies, offering environmental and operational benefits. Market signals resulted in tremendous emissions reductions after falling prices in natural gas and renewables led many generators to retire coal plants—without relying solely on subsidies, mandates or rate passthroughs. Cleaner fuel = cleaner environment.

- **CO2 emissions have dropped 34%** since 2005 in the PJM Interconnection footprint thanks to newer, more efficient technologies and renewables.
- **New York’s CO2 emissions have dropped 55%** since the New York Independent System Operator launched competitive markets.

**Wholesale Electric Power Markets**

Seven different wholesale power markets operate in the United States—in the Northeast, Mid-Atlantic, Midwest, Great Plains, Texas, and California. Currently, there are no competitive wholesale markets in much of the Southeast, Mountain West, and Southwest U.S.

How do I know if I live in a state with access to a competitive competitive wholesale power market?

Seven different wholesale power markets operate in the United States—in the Northeast, Mid-Atlantic, Midwest, Great Plains, Texas, and California. Currently, there are no competitive wholesale markets in much of the Southeast, Mountain West, and Southwest U.S.

Learn more about EPSA at [www.epsa.org](http://www.epsa.org).