

March 16, 2021
Submitted Via Email

COMMENTS OF THE ELECTRIC POWER SUPPLY ASSOCIATION
PJM Capacity Market Workshop – Session 2

The Electric Power Supply Association (“EPSA”) appreciates the opportunity to provide comments following the PJM Interconnection, LLC (“PJM”) Capacity Market Workshop – Session 2, which was held on March 4, 2021. PJM initiated the series of workshop sessions to discuss and explore with stakeholders potential enhancements to the PJM capacity market and to determine whether or not a formal stakeholder process to consider capacity market reforms should be pursued.

EPSA is the national trade association representing leading independent power producers and marketers. Our mission is to bring the benefits of competition to all power customers. EPSA members provide about 150,000 MW of reliable and competitively priced electricity from environmentally responsible facilities using a diverse mix of fuels and technologies, including owning, operating and developing major assets in PJM and in the neighboring ISO/RTO regions. EPSA members have invested billions of dollars in PJM on reliance of robust, transparent, fuel-neutral competitive wholesale energy and capacity markets.¹

At the conclusion of the Session 2 workshop, PJM staff outlined that stakeholders could provide feedback on the same issues addressed by speakers during the session, which focused on the following: (1) What problem are we trying to solve through this effort? (2) Do you agree with PJM that we should be attempting to advance this discussion at this time? (3) What are the principles that possible enhancement should be built upon? and, (4) Do you have particular issues or a proposed prioritization that you would like to propose?

EPSA and its member companies have been actively engaged at every phase of the development and refinement of the PJM capacity market since its inception. We do agree with PJM that the discussion should be advanced at this time. Accordingly, to assist PJM and stakeholders with consideration of the issues, EPSA has developed several guiding principles on capacity markets that possible enhancement should be built on, which are attached for review.

EPSA will remain engaged as the PJM stakeholder process moves forward and appreciates PJM initiating this important and timely dialogue. We look forward to working with other stakeholders to find creative, durable market solutions that bring the benefits of competition to customers and achieve sustainable environmental progress.

Attachment

¹ These comments represent the position of EPSA as an organization, but not necessarily the views of any particular member with respect to any issue.

EPSA Guiding Principles For Capacity Markets

March 2021

1. In lieu of state-level integrated resource planning or an energy-only market, regional capacity markets utilize pre-determined reliability targets to procure the lowest cost set of resources to meet regional resource adequacy needs. A forward capacity market, which provides needed revenue to resources that may seldom run but are needed during extreme conditions, has been a highly successful regional resource adequacy tool to maintain grid reliability and is an efficient, cost effective, and durable mechanism for integrating the evolving resource mix.
2. To address state policy goals, capacity markets should integrate state-preferred resources that are not procured via a competitive, market-based procurement process only when the RTO is confident that both reliability and market integrity will be adequately maintained. The capacity market must still ensure buyer-side and seller-side market power is appropriately mitigated.
3. Capacity markets should not be a barrier to renewable integration; all resources should have the ability to compete based on their contribution to the reliability target regardless of how it is measured (*e.g.*, traditional UCAP or ELCC)
4. All market participants must have the opportunity to recover their investment to maintain confidence in the market and incentivize continued new development and retirement through market price signals.
5. Competitive wholesale markets are the most effective tool to achieve policy objectives by encouraging private capital deployment and innovation at the lowest cost while appropriately shifting investment risk to resource developers and operators, not consumers.
6. Wholesale energy markets that incorporate both environmental and reliability requirements will yield the lowest cost set of resources and technologies that jointly produce the greatest emission abatement while maintaining the highest level of reliability.