



Enhancing Electric Reliability Through Competition

The Electric Power Supply Association (EPSA) and our member companies are working to provide meaningful solutions to evolving grid challenges.

We believe targeted and prudent refinements to energy markets can improve overall reliability, help meet emission reduction targets, and provide cost-effective energy to all Americans. Competitive power markets are working. The PJM Interconnection is the largest restructured electricity market in the nation and provides reliable power to 65 million customers in 13 states and the District of Columbia, saving residents \$3.2-\$4 billion annually. But changes in state and federal policy, the evolution of the resource mix, climate change, demand shifts, and other emerging challenges have made it clear that careful adjustments to market designs may be needed.



Experts Across the Spectrum Believe Markets Remain the Right Solution, but Smart Reforms Can Strengthen Our Electricity Sector

"I believe the capacity markets have brought tremendous benefits." - **Willie Philips**, Chair, Federal Energy Regulatory Commission (FERC)

"We don't think there are major changes needed right now. But clearly we need some going forward to address the changing resource mix." - **Phil Moeller**, EVP, Edison Electric Institute

"Despite its flaws, we believe that a competitive capacity market is the best way to efficiently meet reliability goals." - **Abigail Ross Hopper**, President and CEO, Solar Energy Industries Association

"Something is out of kilter with the incentives [the market] provides...to retain or attract capacity resources that do provide robust resource adequacy and reliability attributes." - **Dan Conway**, Commissioner, Public Utilities Commission of Ohio

Where Does EPSA Stand?

Market Design for Electric Reliability: A blueprint for PJM to enhance reliability through competition



1. Keep What Works: Retain key elements of the capacity and energy markets.

Existing market structures, like the single clearing price mechanism that helps ensure energy generators are dispatched economically, and the “pay for performance” model help to facilitate the lowest prices for customers while securing sufficient resources to meet demand in a clear and effective manner.



2. Analyze What Doesn't: Review the factors that have hampered the ability of capacity markets to provide accurate signals to energy producers.

Factors like out-of-market subsidies and other regulatory decisions have hampered the market's ability to send accurate price signals and adequately compensate generators for the resources needed to maintain reliability.



3. Consider changes to PJM's reliability planning parameters and other metrics to accurately reflect the changing resource mix and more frequent extreme weather events.

Bringing new generating resources online is a multiyear planning and development process. But generators cannot begin this process to meet the growing capacity and emission goals of states if policies quickly change and alter the financial calculus of their projects, especially when these risks cannot be reflected in market offers.



4. Ensure generation resources can accurately reflect financial risk in offers.

Resources must bid into capacity, must offer into energy and must be allowed no excuses during a performance assessment interval (PAI).



5. Ensure sufficient infrastructure is available to meet peak demand and extreme, long-duration emergencies.

Dispatchable generation is a crucial component of a stable grid and market reforms should address the pathways to ensure they are readily available. Although natural gas is currently the fuel of choice for dispatchable generation, in the future, new technologies could fill this role, and markets should be prepared to adapt without a major overhaul.

Competitive Wholesale Electricity Markets Nationwide

More than 20 years ago, competitive wholesale electricity markets were established in many parts of the U.S. to help reduce power generation costs, increase competition and provide choice for consumers. Since then, these markets have consistently driven innovation, enhanced efficiency and reduced costs. This new competitive era replaced an inflexible, vertically-integrated utility model that was costly and failed to advance the power sector.

As competitive power suppliers, EPSA members have since delivered substantial economic benefits to consumers and businesses – by quickly adapting and investing in cleaner, lower-cost, efficient resources needed to support a reliable grid, in addition to natural gas, geothermal, and wind and solar resources.