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**THE CLAIM:** *Restructuring hasn't worked.*

**THE FACTS:** Nothing could be further from the truth. Since market restructuring began, competitive markets have facilitated new investment, consumer choice, and cost-effective outcomes while also delivering reliability. In PJM alone, customers throughout the region enjoy annual savings of \$3.2–4 billion from PJM's markets, operations and planning.<sup>[1]</sup> These savings came while PJM carbon emissions plummeted 37% from 2005 to 2022.<sup>[2]</sup> Similarly in New England, markets continue to drive wholesale prices down<sup>[3]</sup> while carbon emissions have fallen 37% since 2001.<sup>[4]</sup>

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**THE CLAIM:** *Vertical integration is the most efficient, cost-effective way to ensure that new generation gets built.*

**THE FACTS:** In just the past 10 years, vertically integrated utilities have overseen the development of some of the most expensive and delayed generation projects in history. These albatross projects failed to meet multiple construction deadlines and have left captive ratepayers on the hook for billions of dollars of cost overruns, with one project being scrapped before it could generate a single kilowatt of power. These plants include:

- **Kemper County:** Designed as a CCS project planned to be in service by 2014, Kemper's costs ballooned to \$7.5B before ultimately being turned into a natural gas plant after the plant was still not operational in 2017. Mississippi Power's 189,000 ratepayers were left to shoulder a \$840M rate increase for costs associated with this failed effort.<sup>[5]</sup>
- **Plant Vogtle:** Originally projected to cost \$14B and provide power by 2017, Vogtle's costs have more than doubled, nearing \$35B with the plant going into service 7 years behind schedule. Georgia Power will collect \$4.1 billion in advance charges, or \$913 for every ratepayer, with some cooperative customers also facing severe rate increases to pay for the plant.<sup>[6]</sup>
- **VC Sumner:** Conceived as a 1117 MW nuclear station in 2008, this project was plagued by cost overruns and delays from the outset, and ultimately scrapped in 2017. After the dust on this disaster settled, SCE&G customers are now set to pay \$3.8B for a plant that will never generate a single MW of power.<sup>[7]</sup> The mismanagement of these efforts saw a utility CEO sentenced to two years in prison.<sup>[8]</sup>

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**THE CLAIM:** *Vertically integrated utilities preserved reliability in Winter Storm Elliot.*

**THE FACTS:** While no market model, region of the country, or fuel type was immune to the challenges experienced during Winter Storm Elliott, the lights stayed on in restructured markets, but went out in balancing authorities in the southeastern U.S. At different times throughout the event, Tennessee Valley Authority, Duke Energy Progress and Duke Energy Carolinas, Louisville Gas and Electric-Kentucky Utilities, and Dominion Energy South Carolina and South Carolina Public Service Administration/Santee Cooper ordered a total of more than 5,400 MW of firm load shed.<sup>[9]</sup>

**THE CLAIM:** *Letting utilities build generation will result in more transparent and efficient processes and operations.*

**FACT:** As vertically integrated utilities recover their costs from ratepayers via cost-of-service rates, there is little to no incentive to run their plants efficiently and control costs. Compare this with independent power producers in restructured markets, whose opportunity for revenue recovery comes from efficient operations at the ISO-established rate while also subject to extensive penalties should they fail to deliver when needed. In addition, competitive generation in restructured markets is built and retires based on transparent and efficient price signals established by competitive auctions. With utility-owned generation, the construction and retirement/preservation of generation is all too often dictated by politics and lobbying power. In recent years utility-backed generators have been able to flex their outsized lobbying muscles and secure exorbitant subsidies. In Illinois and Ohio—where local utilities have long dominated state legislative agendas and political spending—these efforts resulted in federal bribery convictions.<sup>[10]</sup>

Contrast the transparent price signals that markets offer with utilities that are subject to cost-of-service regulation, where rates are often decided in heavily redacted, settlement-driven matters before state commissions. While these state Commissions are staffed with qualified experts, they are often at both resource and informational deficits to the utilities that they regulate.

## The Verdict

**MARKETS WORK:** Since their inception, restructured markets have consistently driven innovation, enhanced efficiency, and improved operations. Restructuring replaced an inflexible, vertically integrated utility model that was costly and failed to incentivize innovation. In the wake of this decision, competitive suppliers and independent power producers have delivered substantial economic benefits to consumers and businesses – by quickly adapting to and investing in lower-cost, efficient resources, and achieving lasting widespread, regional electric reliability. Markets also offer transparent pricing signals and market operations data, which gives both investors and market operators the ability to maximize efficiency when deploying capital and resources. This allows for the best resources to win and help to keep the lights on at the lowest possible cost.

[1] <https://www.pjm.com/about-pjm/-/media/about-pjm/pjm-value-proposition.ashx>

[2] <https://insidelines.pjm.com/annual-study-shows-decrease-in-average-emission-rates-for-pjm-footprint/>

[3] <https://www.spglobal.com/commodityinsights/en/market-insights/latest-news/electric-power/020923-us-power-tracker-iso-new-england-power-gas-prices-retreat-in-january>

[4] <https://isonewswire.com/2024/01/11/carbon-emissions-from-new-england-power-generation-fell-slightly-in-2022-iso-ne-analysis-finds/>

[5] <https://apnews.com/general-news-2adc857ae7fd4b8d9735a3ebe32bba83>

[6] <https://apnews.com/article/georgia-nuclear-power-plant-vogtle-rates-costs-75c7a413cda3935dd551be9115e88a64>

[7] <https://www.spglobal.com/marketintelligence/en/news-insights/trending/j-ERgPUvwggl8sgzh2nps5A2>

[8] <https://www.powermag.com/former-scana-ceo-will-land-in-prison-as-result-of-v-c-summer-nuclear-project/>

[9] <https://www.ferc.gov/news-events/news/presentation-ferc-nerc-regional-entity-joint-inquiry-winter-storm-elliott>

[10] <https://www.justice.gov/usao-sdoh/pr/former-ohio-house-speaker-sentenced-20-years-prison-leading-racketeering-conspiracy> <https://capitolnewsillinois.com/NEWS/updated-comed-four-found-guilty-on-all-counts-in-bribery-trial-tied-to-ex-speaker-madigan>