March 14, 2025

The Honorable Bob Latta
Chairman, Subcommittee on Energy

The Honorable Kathy Castor
Ranking Member, Subcommittee on Energy

U.S. House of Representatives Committee on Energy and Commerce
2125 Rayburn House Office Building
Washington, D.C. 20515

Dear Chairman Latta and Ranking Member Castor:

Thank you for holding the March 5, 2025 hearing *Scaling for Growth: Meeting the Demand for Reliable, Affordable Electricity*.[1] The competitive power suppliers represented by the Electric Power Supply Association (EPSA) are grateful for the subcommittee's continued focus on the importance of electric grid reliability and the challenges ahead as demand for electricity is expected to increase substantially.[2] While the hearing covered a variety of relevant and pertinent issues related to electric grid reliability, EPSA would like to offer some additional perspective on the nation's energy expansion, particularly on the importance of competitive wholesale electricity markets as a driver of critical investment and ratepayer protection.

EPSA is the national trade association representing America's competitive power suppliers, advocating for well-functioning competitive wholesale electricity markets.[3] Over the last 25 years, competitive markets have proven to be the most efficient and transparent way to meet our nation's electricity needs at the lowest cost while fostering innovation and emissions reductions.[4] EPSA members own and operate approximately 175,000 megawatts (MW) of reliable and competitively priced, environmentally responsible generation facilities using a diverse mix of fuels and technologies, including natural gas, wind, solar, hydropower, battery storage, nuclear, geothermal, and coal. EPSA members' assets represent approximately 20% of the nation's installed capacity.

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[1] https://energycommerce.house.gov/events/energy-subcommittee-scaling-for-growth-meeting-the-demand-for-reliable-affordable-electricity

[2] This letter includes policy positions of EPSA as an organization, but not necessarily the views of any particular member with respect to any issue.

[3] https://epsa.org/about-epsa/

[4] https://epsa.org/getting-to-the-truth-on-competitive-electricity-markets/

Competitive Markets Are the Optimal Way to Meet the Simultaneous Challenges of Ensuring Electric Grid Reliability and Ratepayer Protection

EPSA appreciates the subcommittee's commitment to addressing the challenges facing the electric grid in every region of the country. As subcommittee members know, there are a variety of reasons for rising demand projections. New data centers aiding in the development of Artificial Intelligence (AI), an increase in domestic manufacturing, digital currency mining, and electrification of the economy are most often cited as putting upward pressure on electricity demand.[5] The challenge that must be addressed is well known – sufficient existing capacity must be maintained while a substantial number of new assets are brought online. The question of *how* to incentivize that investment is critical. Secondarily, the speed with which those new assets can be added to the system is also critically important.

Competitive wholesale electricity markets have proven their value over the last 25 years.[6] A November 2024 study[7] by the Alliance for Competitive Power and FTI quantified numerous benefits to competitive markets, including noting that data from 1996-2022 demonstrates "that restructured markets had lower electricity rate growth, lower emissions, and greater reliability compared to states that are still vertically integrated." Not only have market efficiencies and innovations driven increases in reliability and resulted in a cleaner, more environmentally friendly electric grid, markets have also shielded ratepayers from inefficient or unnecessary investment.

In a time of static or declining demand, the risk of overbuilding the electric grid may not be as concerning to regulators or policymakers. However, we are on the cusp of a period of significant growth in demand. The risk of inefficient or imprudent investment is ever-present, even heightened, in this scenario, particularly given the uncertainty regarding just how fast demand will materialize and how high demand will rise. Competitive markets do not offer a guaranteed rate of return to asset owners, and do not place investment risk on the backs of captive ratepayers. Investors that participate in restructured markets rely on price signals to indicate the opportunity to make financially sound investments in resources, but project developers receive no guarantees before committing billions of dollars to improve existing assets or build new generation. Given the attention paid to the issue of affordability and consumer protection at the March 5 hearing, EPSA believes this point is particularly noteworthy.

[5] EPSA applauds the creation of the AI-Energy Working Group by Congresswoman Julie Fedorchak (R-ND) as a valuable way to bring stakeholders together to address these challenges. https://fedorchak.house.gov/media/press-releases/fedorchak-announces-working-group-establish-legislative-framework-power-future

[6] In its written testimony (Page 4), PJM Interconnection cites $3.2-4 billion in savings annually from its markets and planning functions: https://d1dth6e84htgma.cloudfront.net/03_05_2025_ENG_Testimony_Haque_08233b47af.pdf

[7] https://www.allianceforcompetitivepower.org/fti-study-results

Regarding the expected proliferation of data centers dedicated to the development of AI, competition is a critical piece of affordability efforts. Contracts between power suppliers and large AI customers isolate the supply risk to the contracting parties without exposing a captive ratebase, as is the case when a regulated utility provides energy for data centers. Additionally, the massive buildout of AI infrastructure should not depend on individual gatekeepers that may face managerial and capital constraints on their ability to serve AI demand.

The Administration and Regulation of Competitive Markets Will Require a Steady Hand and a Commitment to Meeting Long-Term Challenges

At a fundamental level, competitive wholesale markets must send appropriate price signals to ensure adequate investment in needed resources. The price signals sent by efficient markets at a time of declining demand with excess capacity should be starkly different from where we are today – sharply rising demand while simultaneously dealing with the retirement of existing dispatchable, flexible resources. Competitive markets should incentivize and encourage both the retention of (and investment in) existing capacity as well as investment in new resources. Of course, these are multi-decade investments and require substantial investment of financial capital.

As PJM's written testimony for the March 5 hearing clearly indicates (and was noted during the hearing on several occasions), when supply is limited and demand rises sharply, competitive markets will return higher clearing prices.[8] This result is not a market flaw – it is an appropriate recognition that sizable investment is immediately required to meet reliability needs. Shying away from that fundamental principle or manipulating market outcomes after-the-fact to satisfy near-term goals other than reliability damages market efficiency, produces suboptimal results, and can potentially erode investor confidence in competitive markets – particularly in the absence of guidance from the federal regulator.

Regardless of any particular region's economic model, the energy expansion needed across the country will require significant investment. The subcommittee hosted representatives from three distinct economic models – competitive markets, vertically integrated utilities, and electric cooperatives. Each approach may have distinct parameters for investment, but all will require investment. There is no silver bullet or scenario in which investment does not have a cost. If tens of thousands of megawatts of new generation (and the accompanying electric transmission) are required, then costs will be borne under all economic models, whether those investments are approved by a state regulator via a guaranteed return on equity or by the Federal Energy Regulatory Commission (FERC) via competitive market signals. It would be disingenuous and unhelpful to all parties to suggest that the energy industry can benefit from massive investment in capacity and transmission without bearing the accompanying costs. Competitive markets can ensure that investment is made efficiently and without exposing ratepayers to unnecessary risk.

[8] Ibid., Page 10

Competitive markets have multiple layers of oversight to ensure that market manipulation or an exercise of market power is not occurring. Speaking broadly, competitive markets typically are assessed by independent market monitors (either internal or external – or both – to the ISO/RTO) and with one noted exception, ISO/RTO markets are subject to FERC jurisdiction, which oversees wholesale market operations.[9] Wholesale market regulation is intended to ensure just and reasonable rates and provide consumers confidence that constant and rigorous oversight is being conducted. If FERC believes that competitive markets are not returning just and reasonable rates, the Commission can mandate that the market administrator (the ISO/RTO) make appropriate modifications.

Additional Hurdles Exist to Faster and More Efficient Buildout of New Generation

Aside from leaning into the benefits of competitive markets, EPSA would like to highlight several other policy items of importance to meeting future electricity demand. EPSA appreciates the subcommittee's commitment to permitting reform in the last few years. The permitting process is often a seemingly endless exercise in frustration and bureaucracy. As EPSA has stated in its policy position on permitting reform, EPSA rejects the notion that a more predictable and efficient permitting process will necessarily result in degraded or minimized environmental protection.[10] In fact, EPSA highlights that given the acreage discrepancy between a new dispatchable power plant and the capacity rated equivalent of a new intermittent renewable project, the latter may receive even greater benefit from permitting reform. Regardless, to bring new generation (of all types) to production faster, permitting reform may be the most impactful legislative opportunity available to Congress.

In June 2023, I had the privilege of testifying[11] before the Committee on Energy and Commerce's Subcommittee on Environment, Manufacturing and Critical Materials regarding the Environmental Protection Agency's (EPA) proposed rulemaking on carbon emission reduction for existing coal and new natural gas power plants (a rulemaking finalized in May 2024).[12] During that rulemaking, as well as the accompanying non-regulatory docket opened by EPA in March 2024 on existing natural gas power plants,[13] EPSA opposed the EPA's blanket mandate of carbon capture and sequestration (CCS) technology on power plants in every region of the country.[14] While EPSA members are some of the nation's leading investors in CCS in regions with geologically appropriate storage, CCS remains a technology with very real development and commercial barriers in particular regions. EPSA is grateful that EPA Administrator Zeldin has indicated that the agency seeks to unwind the final rule; however, the specter of installing CCS technology on new natural gas plants and existing coal facilities still exists. The faster that

[9] Competitive markets in Texas, administered by the Electric Reliability Council of Texas (ERCOT), are not subject to FERC jurisdiction but rather are regulated at the state level.
[10] https://epsa.org/wp-content/uploads/2025/01/EPSA_PermittingReform_Jan.-25.pdf
[11] https://d1dth6e84htgma.cloudfront.net/06_06_23_Testimony_Snitchler_514fdb3ce7.pdf?updated_at=2023-06-05T13:28:40.310Z
[12] https://www.federalregister.gov/documents/2024/05/09/2024-09233/new-source-performance-standards-for-greenhouse-gas-emissions-from-new-modified-and-reconstructed
[13] https://www.regulations.gov/docket/EPA-HQ-OAR-2024-0135
[14] https://epsa.org/wp-content/uploads/2023/08/EPSAComments_EPA111_August2023.pdf
https://epsa.org/wp-content/uploads/2024/05/EPSAComments_EPANonRegDocket_May242024.pdf

the EPA can provide certainty in eliminating that EPA's CO_2 rule the more certainty investors will have moving forward.

We are clearly at a pivotal moment for our nation. We have the opportunity to be the global leader in the development of Artificial Intelligence. The Trump Administration is clearly dedicated to fostering and encouraging domestic manufacturing. And certain regions of the country continue to work toward the decarbonization of various sectors of the economy through electrification. The common thread among those policy priorities is electricity. In order to meet the moment, energy industry stakeholders, federal and state regulators, and policymakers must work to deliver a policy landscape that reflects how essential it is to ensure the viability of existing capacity and to create a predictable and welcome environment for new investment.

Thank you again for holding a hearing on such an important topic and for your continued dedication to electric grid reliability. Please let me know if I can provide any additional assistance.

Sincerely,

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CC: Committee on Energy and Commerce Chair Brett Guthrie
Committee on Energy and Commerce Ranking Member Frank Pallone

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The Electric Power Supply Association (EPSA) is the national trade association representing America's competitive power suppliers. EPSA members provide about 175,000 MW of reliable and competitively priced electricity from environmentally responsible facilities using a diverse mix of fuels and technologies including natural gas, wind, solar, hydropower, geothermal, storage, biomass, and coal.
EPSA seeks to bring the benefits of competition to all power customers.