

Federal Jurisdiction vs. State Policies: Renewable Energy in the NE

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For Saul Ewing Arnstein & Lehr: Energy & the Environment in the Northeast: 2020 Challenges

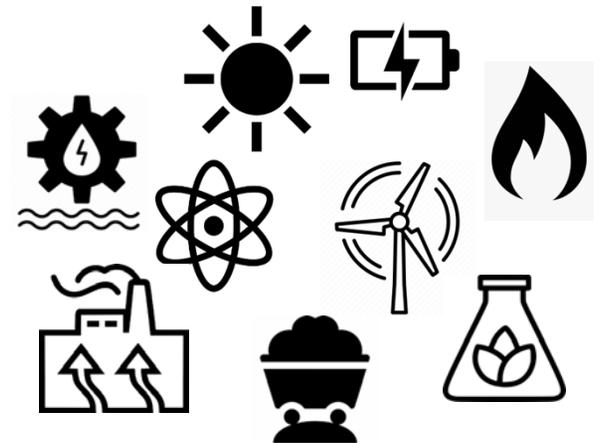
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The Power of Competition

The Electric Power Supply Association is the national voice of America's **competitive power suppliers**: owners, investors in, and operators of all types of power generation facilities and technologies.

- ✓ ~**150,000 MW** of capacity from many fuel sources.
- ✓ ~**6,000 MW** of renewable and storage assets.
- 👍 **Consumers win** when companies compete.



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Benefits of Centralized Forward Capacity Markets: PJM's Reliability Pricing Model (RPM)

- ✓ Promotes **competition**.
- ✓ Ensures **reliability** at **least cost** to consumers.
- 💰 **\$3.2 - 4 billion** in annual consumer savings.
- 🌿 **30%** emissions reductions since 2005.
- 📈 Sends **price signals** for efficient entry & exit of resources—replacing resources with more efficient, less costly, often cleaner plants.



Source: PJM Interconnection Value Proposition (2019)



Why an Expanded MOPR was needed:

- Preponderance of **out-of-market subsidies distorting capacity prices** and market signals
 - IMM: Out-of-market subsidies **threaten the market, are contagious** (*IMM State of the Markets Report - 2016, 2017, 2018, 2019*)
 - FERC: MOPR had to be revised to protect the wholesale market against “unreasonable price distortions and cost shifts caused by out-of-market support to keep uneconomic resources in operation...” (*June 2018 Order, Calpine et al. v. PJM, EL16-49-000*)
 - FERC: “The Commission’s existing statutory authority ensures its ability to ameliorate, as needed, detrimental effects on markets within its jurisdiction...If the Illinois program, in fact, impairs the functioning of the wholesale markets subject to FERC jurisdiction, **the Commission thus has the means and the authority to confront those effects.**” (*FERC/US Brief to 7th Circuit Court of Appeals, May 29, 2018, Case Nos. 17-2433 and 17-2445*)
- FERC had to act to **protect the competitive wholesale market** found to be not just & reasonable in June 2018 order.

MOPR Myths and Realities



- **No “fossil fuel bailout”**– MOPR is **fuel neutral**.
- **Not a “death knell”** for renewables.
 - *Energy resources vs. capacity resources.*
 - Existing renewable projects & competitive new projects exempt.
- Benefits of **renewable investment** will continue.
 - Competitive power suppliers building renewables in PJM, nationwide, with **150-MW solar project** just announced for Pennsylvania.
 - **Unit-specific exemption** process exists.
- Not an attack on state authority; seeking a balance of **cooperative federalism**.
 - State-by-state patchwork of expensive subsidies distorts wholesale market, suppresses prices for competitive resources, complicates sustainable environmental achievements across the PJM region
- True **costs unknown**; what’s known is the cost of expensive patchwork of state subsidies totaling at least **\$1.7 billion** each year.
- **FRR** or abandoning the market is not the solution, and it has its own set of costs—estimated to be at least **\$925 million** per year in Illinois alone.

“We are very bullish on renewables.”
- Tom Rumsey, SVP,
Competitive Power
Ventures, Washington
Examiner, January 2020



Don't Wait: HOLD THE AUCTION

- **Long-Overdue:** PJM's Base Residual Auction (BRA) has already been delayed nearly **two years**.
- **PJM agrees** we need to hold an auction; EP (Electric Power Supply Association) believes BRA can and should be run by **September 2020**.
- Delaying the auction makes it harder for participants to make critical investment decisions surrounding when to retire, maintain, or invest in new assets.
- A timely auction is needed to ensure uneconomic assets **retire**, that **price signals** function properly, and to incentivize **innovation**.
- **States need accurate data**—not subjective studies—to know the real impacts and costs of options before making long-term decisions. We can't know true costs until we hold an auction.
- ▲ Further delay the of the auction blocks needed retirement and frustrates all parties.



Going Forward: Market-Based Solutions & Carbon Price

- If states wish to pursue other goals in addition to procuring least cost, reliable resources, **change the market design** to accommodate those specific goals.
- One of those options, and perhaps the most efficient, for lower emissions at least cost to consumers is an **economy-wide price on carbon**.
- ✓ A carbon price has been endorsed by many stakeholders and experts including businesses, economists, advocates, consumer groups, and policymakers.
- **Customers win when companies compete.** Well-functioning, transparent, competitive energy markets are the most effective way to encourage sustainable environmental progress without harming reliability or burdening consumers with high costs.

EPSA supports efforts to combat climate change through transparent, open, and nondiscriminatory competitive markets, such as an **economy-wide price on carbon**, that **allow all resources to compete** to reduce carbon and other harmful emissions.



Questions?

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The Electric Power Supply Association

A banner image with a purple-to-blue gradient background. On the right side, there is a photograph of a street lamp at dusk. The EPSA logo is in the top left corner of the banner.

EPSA
CUSTOMERS WIN WHEN COMPANIES COMPETE:
EXPLAINING THE MINIMUM OFFER PRICE RULE

On December 19, the Federal Energy Regulatory Commission (FERC) took action to ensure the 65 million Americans served by the nation's largest wholesale electricity market continue to enjoy the many benefits of competitive power generation. Competition among power generators has saved consumers money, spurred innovation, and resulted in lower emissions.

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