

FOR IMMEDIATE RELEASE

June 14, 2022

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Grid reliability depends on power-supplier ability to account for risks
Statement from The PJM Power Providers Group
on critical federal-court case regarding PJM's MSOC
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MALVERN, Pa. – The PJM Power Providers (P3) Group joined with the Electric Power Supply Association (EPSA) and several independent power-producers to file an opening brief on Monday in the U.S. Court of Appeals for the D.C. Circuit to demand reinstatement of market rules that recognize a competitive offer in the capacity market that incentivizes reliability must include the costs and risks of accepting the obligation to operate when so directed by PJM. Without such allowances, generators are subjected to unreasonable market-seller offer caps (MSOCs) and accompanying costs, inefficiencies and uncertainties that threaten reliability as essential resources leave the market. P3's brief can be downloaded [here](#).

P3 President Glen Thomas released the following statement on the issue:

“Through decisions dating back to 2019, FERC has abandoned a critical market concept that was based on sound economic theory by discarding a way to set MSOCs that accounts for the ‘opportunity cost’ of taking on a capacity commitment – the cost of losing the opportunity to make revenue another way. FERC decided MSOCs were higher than generators’ actual opportunity costs; but rather than simply recalibrate the calculations so that they match, FERC transferred to PJM’s Independent Market Monitor the authority to decide for generators what their offer caps should be. To make matters worse, FERC did so in a way that completely ignores potential risks. Depriving generators of the ability to accurately reflect their own views of their costs and risks will lead to the retirement of assets that might otherwise be economic and needed for reliability while sending inefficient price signals to other capacity suppliers.”

MSOCs are intended to protect against the potential to inappropriately influence prices while allowing suppliers to account for costs and express their willingness to tolerate risks by setting the lowest amount they're willing to accept for providing capacity. Generators are required to offer into capacity-market auctions, so MSOCs set below the amount they want to accept means suppliers whose continued existence depend on making prudent financial decisions are forced to accept terms they do not want or retire. Combined with FERC inaction last year that crippled rules intended to prohibit subsidized offers that artificially depress prices and consequently encourage competitors to seek their own subsidies – which P3, EPSA and others are also currently fighting in court – it is a formula for ever-decaying markets.

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P3 is a non-profit organization that supports the development of properly-designed and well-functioning markets in PJM's operating region of the electricity grid, which encompasses 13 states and the District of Columbia. Combined, P3 members own more than 67 gigawatts of virtually all forms of electricity generation, provide demand-response services, serve end-use consumers through retail affiliates, and produce enough power to supply more than 50 million homes. For more information, visit www.p3powergroup.com.