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## **P3 Comments on FERC Capacity Market Ruling**

*Properly designed and well-functioning Capacity Markets deliver value to Consumers and Suppliers and must be re-established as soon as possible.*

In response to today's FERC decision in Docket No. EL16-49 and EL18-178 (consolidated), Glen Thomas, President, PJM Power Providers Group (P3), offered the following statement:

"P3 is pleased that FERC has finally reached a decision on the very important policy matter of managing the impact of subsidized resources on competitive wholesale interstate power markets. PJM's capacity markets are the backbone of PJM's markets, providing consumers and suppliers alike assurances that there will be enough power to meet the needs of the grid at competitive prices. While P3 still needs additional time to review and understand the order, it is imperative that PJM, FERC and the PJM stakeholders work quickly to reestablish PJM's capacity auctions so that stability and predictably can return to PJM's markets."

P3 has consistently supported capacity markets in PJM to achieve reliability at the least cost to consumers. If constructed properly, capacity markets will send an investment signal to both new and existing resources regarding the future viability of those resources. Since its inception in 2007, PJM's Capacity Construct, commonly called "RPM" or the "Reliability Pricing Model," has added nearly 52,000 MW of new capacity to the PJM grid, while over the same period, over

41,000 MW of less efficient capacity has made the decision to retire.<sup>1</sup> Over the same time period, PJM's carbon emissions (on a per MW basis) have dropped 30%.<sup>2</sup>

PJM's capacity markets have supported significant growth in renewable resources, demand response and energy efficiency. In PJM's last capacity auction, which was held in May 2018, wind resource participation increased by 60% and solar participation nearly quadrupled from the prior year's auction.<sup>3</sup> Similarly, nearly 12,000 MW of Demand Response cleared in the 2018 auction, which represents a 20% increase from the prior year and a 600% increase from 2007 levels.<sup>4</sup>

The PJM annual capacity auction that was scheduled to be held in May of 2019, was postponed indefinitely pending an order from FERC in this matter. Both consumers and suppliers have been harmed by this delay. P3 and the PJM Industrial Customer Coalition sent a letter to the PJM Board in September underscoring the value of capacity markets noting that, as a result of this delay in the 2019 auction, PJM's large industrial consumers have been denied "the ability to manage energy costs and make appropriate business decisions knowing the magnitude of future

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<sup>1</sup> <https://www.pjm.com/-/media/markets-ops/rpm/rpm-auction-info/2021-2022/2021-2022-base-residual-auction-report.ashx> at p. 20.

<sup>2</sup> <https://www.pjm.com/-/media/about-pjm/newsroom/fact-sheets/the-value-of-pjm-markets.ashx>

<sup>3</sup> <https://www.pjm.com/-/media/markets-ops/rpm/rpm-auction-info/2021-2022/2021-2022-base-residual-auction-report.ashx> at 13-14.

<sup>4</sup> *Id.*

capacity costs,” and PJM’s largest capacity suppliers have been forced to delay critical “decisions related to construction, activation or deactivation of a capacity resource.”<sup>5</sup>

P3 understands and appreciates the many challenging issues that must be addressed as a result of today’s FERC decision. Nevertheless, regulatory direction related to the impact of state policy decisions on wholesale markets has been sorely missing and P3 is optimistic that today’s order will provide that direction. P3 looks forward to working collaboratively with PJM, PJM Stakeholders and the States to reestablish PJM’s capacity markets so that the market can resume providing value to consumers and suppliers in the PJM region.

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P3 is a non-profit organization that supports the development of properly designed and well-functioning markets in the PJM region. PJM is a regional transmission organization that manages the supply and movement of power in 13 states and the District of Columbia. Combined, P3 members own over 65,000 megawatts of generation assets and produce enough power to supply over 50 million homes in the PJM region covering 13 states and the District of Columbia. Collectively, P3 members have invested tens of billions of dollars into facilities in the PJM market place without any regulatory guarantee of a return of or on that investment. Combined, P3 members own and operate virtually all forms of electricity generation, provide demand response services in certain markets and serve end use consumers through retail affiliates. The view expressed in this press release are those of P3 the organization and do not necessarily represent the views of individual P3 members. For more information visit: [www.p3powergroup.com](http://www.p3powergroup.com)

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<sup>5</sup> <https://www.pjm.com/-/media/about-pjm/who-we-are/public-disclosures/20191025-pjm-industrial-customer-coalition-and-p3-letter-re-the-pjm-capacity-market.ashx?la=en>

