ADVANCED ENERGY ECONOMY

FERC EXPANDS MINIMUM PRICE RULE, HURTING ADVANCED ENERGY AND CONSUMERS IN NATION'S LARGEST MARKET

In December 2019, FERC ordered PJM to raise the price for power resources that receive support under state policies.

PJM, the regional grid operator serving 13 states, operates a $10 billion-a-year capacity auction to ensure that the region has enough resources for reliability purposes. Since its inception, PJM's capacity market has included a Minimum Price Offer Rule (MOPR), which sets a price floor for new generation resources.

The MOPR was originally intended to prevent market manipulation by market participants that bought and sold capacity in the market. In March 2016, incumbent generators (chiefly natural gas and coal) filed a complaint at FERC claiming that the MOPR failed to deal with "price suppression" allegedly caused by state support for certain resources.

After years of back and forth between PJM and FERC, the Commission issued an order that dramatically expands the MOPR and forces advanced energy technologies to submit offers at mandated artificially high price floors, effectively pricing them out of PJM's capacity market and steering higher payments to existing coal and natural gas plants that may not be needed.

FERC'S MOPR ORDER AT A GLANCE

- The order expands the MOPR to all new and some existing resources that *receive or are eligible to receive* a *state* subsidy. **This artificially and unfairly makes advanced energy technologies less competitive in the market, and gives preference to older, less efficient generators.**

- The order defines subsidies broadly as a direct or indirect payment "or other financial benefit" provided by a state policy that could impact wholesale market prices. **This expansive definition sweeps in nearly all state policies developed to encourage deployment of advanced energy technologies.**

- The order exempts most *existing* resources (except for nuclear) but applies to all new resources and even emerging technologies that enter the market going forward. **This subjects nearly 100 gigawatts of renewable energy generation in advanced stages of development to the MOPR, effectively barring them from the market.**

- FERC gave PJM 90 days to comply. Auction timelines will be established upon compliance.

FERC'S PRICE CONTROL PLAN WOULD HARM CUSTOMERS, STATES, AND INDUSTRY BY:

Hindering competition by preventing advanced energy technologies from participating in PJM's capacity market:

Requiring artificial minimum bids from advanced energy resources will unfairly price them out of the market. This price control scheme harms competition and stifles innovation.

Increasing energy costs for 65 million customers in 13 states:

The lack of competition drives up costs. Excluding advanced energy through MOPR also requires customers to purchase additional expensive capacity from inefficient, outdated power plants that are not needed for reliability. Recent analysis shows that this could waste billions of customers dollars each year.

Canceling out clean energy policies supported by a majority of states in the PJM region:

The Federal Power Act gives states the right to choose their own electricity generation mix. The broad MOPR counteracts state initiatives – making state goals more difficult and expensive to reach.

Interfering with the voluntary procurement of clean energy by large consumers.

This order creates uncertainty and will likely impose price increases for customers who want clean energy.

HOW THE MOPR WILL APPLY TO ADVANCED ENERGY TECHNOLOGIES

The December Order directs PJM to establish floor prices for these capacity resources:

Wind and Solar: FERC directs PJM to set a price floor for new wind and solar resources, requiring them to offer their capacity at prices expected to be more than four times higher than recent market clearing prices. Failing to clear the auction will deprive wind and solar from capacity revenues. To offset the loss of capacity revenues, a **typical wind or solar project will need to increase its prices by 9%-20% and 14%-25%** respectively. Such a price increase would result in projects not moving forward or buyers, such as utilities, having to pay more for renewable energy. **Nearly 100 GW of renewable projects already in development are impacted, along with future renewable projects.**

Demand Response, Energy Efficiency, and Energy Storage: In a stark departure from its earlier position, FERC expanded the MOPR to include demand response, energy efficiency, and energy storage resources. Like wind and solar, artificial MOPR offer floors risk exclusion of these existing and emerging resources that provide important reliability benefits and increased flexibility that is not provided by the inefficient, outdated power plants that will take their place.

"Emerging Technologies": FERC expanded the MOPR even further to require PJM to develop and file price floors for "new technologies as they emerge."

About Advanced Energy Economy

Advanced Energy Economy (AEE) is a business association that works to ensure that wholesale markets are technology neutral so that all resources can compete based on price and performance.