September 13th, 2019

Chairman Neil Chatterjee
Federal Energy Regulatory Commission
888 First Street, NE
Washington, DC 20426

Commissioner Bernard L. McNamee
Federal Energy Regulatory Commission
888 First Street, NE
Washington, DC 20426

Commissioner Richard Glick
Federal Energy Regulatory Commission
888 First Street, NE
Washington, DC 20426

Dear Chairman Chatterjee, Commissioner Glick, and Commissioner McNamee:

As associations representing commercial, industrial, and residential consumers and public interest groups, we write to express our concern about Federal Energy Regulatory Commission (FERC) actions intended to address state policies that raise costs for consumers. We recognize the growing tension among states, market operators, and federal policymakers related to the design and operation of wholesale electricity markets, but artificially forcing consumers to pay—potentially twice—for redundant capacity is not a sustainable solution.

Fundamentally, wholesale electricity markets exist to meet customer power needs in a reliable, resilient, and cost-effective manner. Markets correctly place risk, including policy risk, on investors rather than consumers. Regional Transmission Organizations and Independent System Operator (RTO and ISO) proposals should not shift risk—and higher prices—onto customers in response to states exercising their policy authority over their generation mix.

We are increasingly concerned that some recent RTO and ISO proposals intended to reconcile market rules with state policies will instead raise electricity prices for a wide swath of electricity consumers and put the future of markets at risk. Specifically, broad indiscriminate application of a "Minimum Offer Price Rule" and "Buyer-Side Market Power" rules only serve to raise costs without addressing the core cause of market distortion or achieving any benefit to markets. RTOs and ISOs should not be in the role of deciding which state policies are acceptable and which should be mitigated. We believe that FERC actions should be aligned with consumers on this principle; to act otherwise would be unjust and unreasonable.

As described in multiple public comments to FERC, the rules and operations of RTOs and ISOs have grown in complexity, sometimes with a damaging effect. Some elements of capacity constructs intended to address resource adequacy in RTOs and ISOs often have the unintended consequences of limiting consumer choice, raising costs by effectively forcing consumers to pay twice for power, and leading to the over-procurement of generation resources (for which consumers have also been forced to pay).[1] Complex RTO and ISO rules have also increased industry transaction costs and given traction to political efforts seeking to justify technology and fuel-specific policies that undermine the efficiency of competition in a manner inconsistent with FERC's neutral approach.

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[1] [1] Michael Goggin and Rob Gramlich, *Consumer Impacts of FERC Interference with State Policies: An Analysis of the PJM Region,* (Washington, DC: Grid Strategies LLC, August 2019),

Most recently, overly broad administrative interventions (such as those in New England and proposed by PJM) undermine efficient resource entry and exit (a core purpose of capacity markets) and raise costs while deterring innovation. While wholesale electricity markets continue to provide numerous benefits to consumers, “[t]he value of markets is under attack, from those who think energy prices are too low and from those who think market outcomes do not favor their preferred technology, whether it is nuclear, coal, wind or solar.”[2]

FERC should not enable policies that promote administrative intervention over market outcomes. Instead, FERC should ensure that prices, driven by market forces, provide appropriate compensation to dispatched resources for the value of services they provide. FERC should avoid supporting any complex changes in market design that create new uncertainty and risk that will in turn increase costs for consumers.

As you consider options to address the growing tension among states, market operators, and Federal policymakers, we urge you to:

- Ensure consumers can choose the resources they desire.

- Limit the application of administrative interventions only to issues that fundamentally impair market performance and only to the extent necessary to address those impairments.

- Consider how organized markets can better serve as the engine for bilateral markets—a critical element in the market ecosystem—and protect the ability of wholesale customers and suppliers to come together and transact according to their needs.

- Continue the state policy dialogue that FERC began in 2017 and consider a technical conference or other forum to ensure consumer voices on market design issues are fully heard and understood by FERC.

Consumer-focused markets should enable grid operators to ensure reliability and efficiency, while states advance their policy objectives and investors have clarity and certainty about the risks involved for various resources. We stand ready to work with the Commission to find appropriate and effective ways to ensure competitive markets can continue to deliver just and reasonable electricity rates for consumers well into the future.

Sincerely,

American Chemistry Council
American Forest and Paper Association
Electricity Consumers Resource Council
National Retail Federation
PJM Industrial Customer Coalition

Public Citizen
R Street Institute
Small Business & Entrepreneurship Council
Retail Industry Leaders Association
TechNet

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[2] Monitoring Analytics, LLC, *State of the Market Report for PJM: January through June*, (Eagleville, PA: Monitoring Analytics, LCC, August 8, 2019),