



Free markets. Real solutions.

State Policies & Electric Capacity Markets

EUCI

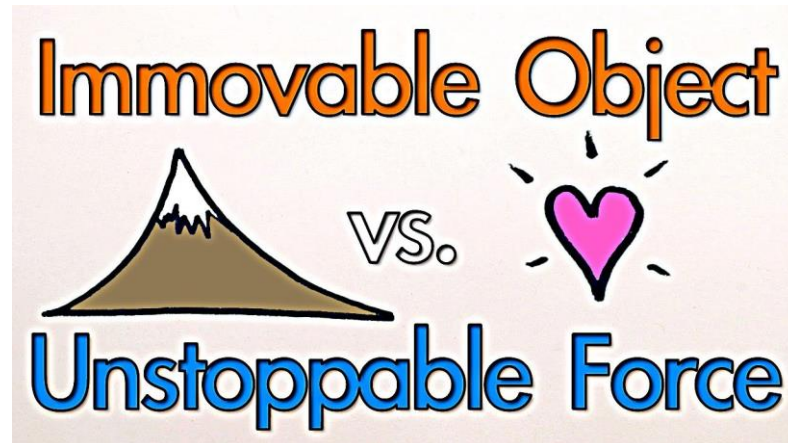
Capacity Markets Pricing and Policy Summit

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MOPR + Subsidies = Unsustainable



Leading Options to Break Impasse

1. States depart capacity markets
2. States alter clean energy or climate policies
3. MOPR revised (i.e., “workable”)
4. MOPR remanded

FERC & State Directions in Flux

Clear heads scenario

- MOPR remand
- RTOs ubiquitous
 - Capacity market expansion or
 - LSE requirement alignment with IRPs
- “Clean” direct access large loads

Chaos scenario

- Subsidy metastasis, MOPR binding
- RTO expansion stunted
 - Capacity planning downgrades to cost-of-service
- Disjointed IRPs, mass RMRs
- Messy large load departures

State Capacity Market Exodus

- Energy-only crowd rejoice?
- Likely result: inferior capacity planning



RTO Insider

**PJM Monitor Finds
Capacity Exit Costly for NJ**

Simple Facts

- High renewables outside RTO? (unfathomable)
- Best vs. actual IRP practices widening
- Most capacity market problems inherent to capacity planning
- Market advantage grows



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R STREET POLICY STUDY NO. 201

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**HOW VOLUNTARY ELECTRICITY
TRADING CAN HELP EFFICIENCY
IN THE SOUTHEAST**

By Jennifer Chen and Michael Bardee

Restructured Energy-Only

**Restructured with
Capacity Market**

**Competitive
Procurement**

“Indeed, it has been said that [capacity markets] are the worst form of [capacity planning] except for all those other forms that have been tried.”

- Winston “Edison” Churchill