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EPSA ISSUES EXPERT PAPER ON URGENCY OF ENERGY PRICE FORMATION REFORMS

WASHINGTON, DC – The Electric Power Supply Association (EPSA) today issued a research paper by Dr. Susan L. Pope, a Managing Director of FTI Consulting, entitled, Price Formation In ISOs And RTOs: Principles and Improvements. Dr. Pope is a leading economic expert on wholesale electricity market design who participated in the Federal Energy Regulatory Commission’s (FERC) inaugural price formation workshop on September 8, 2014.

“EPSA again commends FERC for launching the series of three energy price formation workshops that began last month, continues this week, and concludes in early December,” said EPSA President and CEO John E. Shelk. “Dr. Pope’s paper contains substantive recommendations and practical suggestions around the principle of dispatch-based pricing to help better inform these on-going discussions so that they lead to timely reforms to improve wholesale power markets,” Shelk continued.

Dr. Pope begins the paper by stressing that, “Assessment of concerns about price formation and prompt action to address the underlying problems identified should be an urgent priority for regulators, Independent System Operators (ISOs) and Regional Transmission Organizations (RTOs) in order to preserve and strengthen competitive electricity markets.”

The paper underscores the importance of energy and ancillary services price formation to operational and investment decisions to achieve and maintain efficient, reliable markets. The paper describes ways in which price formation presently does not reflect key grid operator actions, as well as problems with out of market payments known as uplift, develops five substantive recommendations, and outlines six practical suggestions on how to implement these improvements.

“Price signals are the navigational beacons in any market. Given electricity’s unique physical and economic characteristics, getting price signals right is always important, but never more so than now with so many challenges facing the power sector. EPSA looks forward to continuing to advocate reforms across all of the organized markets within FERC’s jurisdiction,” Shelk concluded.


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EPSA is the national trade association representing competitive power suppliers, including generators and marketers. Competitive suppliers, which collectively account for 40 percent of the installed generating capacity in the United States, provide reliable and competitively priced electricity from environmentally responsible facilities. EPSA seeks to bring the benefits of competition to all power customers.