

AMP's Views on Monopsony and the Public Power Business Model

*An Argument for Exemption
from the MOPR*

Steven Lieberman
CIFP-MOPR Stage 2
5/17/2021



Monopsony

Three key characteristics of a monopsony:

- (1) A single firm buying all output in a market
- (2) No alternative buyers
- (3) Restrictions on entry into the industry

Source: <https://www.amosweb.com/> (full link: tinyurl.com/t5fxamju)

Monopsony

Single Buyer: The word monopsony actually translates as "one buyer." As the only buyer, a monopsony controls the demand-side of the market completely. If anyone wants to sell the good, they must sell to the monopoly.

No Alternatives: A monopsony achieves single-buyer status because sellers have no alternative buyers for their goods. This is the key characteristics that usually prevents monopsony from existing in the real world in its pure, ideal form. Sellers almost always have alternatives.

Barriers to Entry: A monopsony often acquires and generally maintains single buyer status due to restrictions on the entry of other buyers into the market. The key barriers to entry are much the same as those that exist for monopoly: (1) government license or franchise, (2) resource ownership, (3) patents and copyrights, (4) high start-up cost, and (5) decreasing average total cost.

Intent vs. Ability

- **Intent** - any new supply, including updates to existing resource or new resources, by any owner/operator (IPP, IOU, public power, etc.) can, or will, impact clearing price – consideration focus on “intent” as a test for MOPR application is a red-herring and irrelevant
 - (PJM should not be in the position of judging bad vs. pure intent)
- **Ability** – need to think about this in an economic manner. Does it make economic sense for one market participant to self-supply (purchase existing, build new) with the goal of lowering prices for all market participants for one delivery year over the life of the asset (e.g., 20-30 years)?

AMP Has Neither the Ability Nor Intent

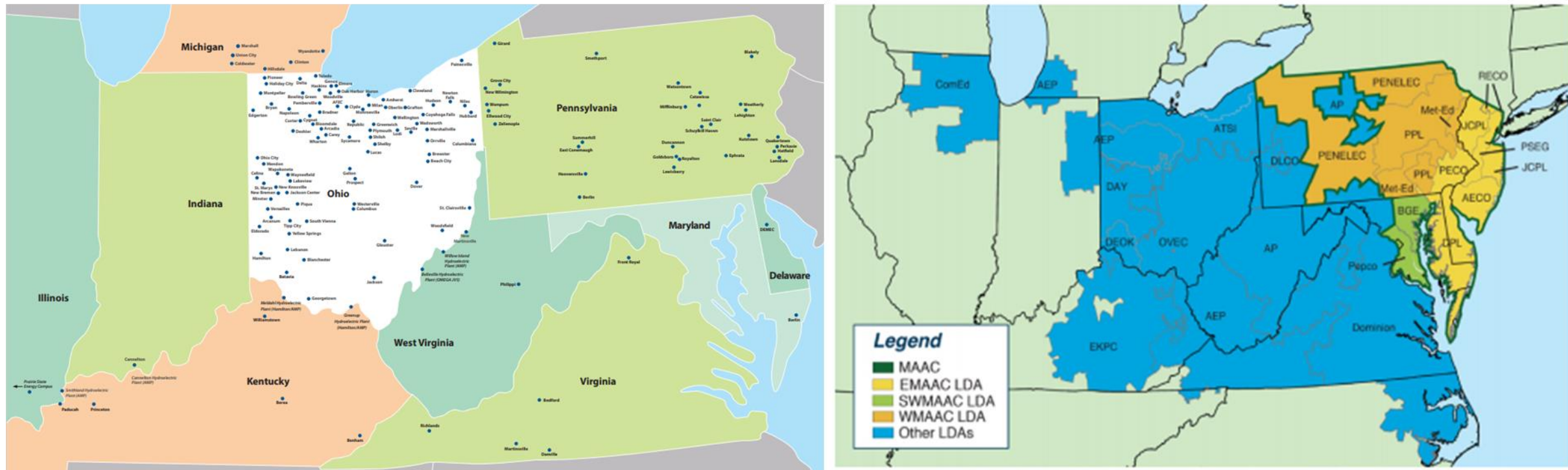
1. AMP is owned by its customers, governed at the local level and a nonprofit
 - Prohibition on speculating
 - Use tax-advantaged financing for projects
 - No private use
2. Different even from vertically integrated IOUs
 - No shareholders
 - Both capacity resource ownership and obligation to serve customers
3. Not an all-requirements provider
 - Variability of Capacity Obligations

Public Power does not have the **ABILITY** to exercise buyer-side market power

AMP simply does not possess the ability to exert buyer-side market power given:

1. Definition and characteristics of monopsony power
2. Diverse membership (members spread across multi-states, multi-LDAs);
3. The structure of asset ownership (individual members make their own decisions);
4. The business model: nonprofit, customer-owners, tax advantaged financing conditions, and no speculation policy; and,
5. AMP is but one of many participants in PJM that both owns supply and serves load.

AMP Members in and beyond PJM's Footprint



- AMP's members cover LDAs: Rest of RTO (blue), WMAAC (dark orange), EMAAC (light orange)
 - WMAAC and EMAAC are within the MAAC LDA

Public Power (and AMP specifically)

- For self-supply, AMP's 135 members can each chose which, if any, projects they wish to participate in as a co-owner with varying levels of ownership
 - 135 members = 135 different power supply arrangements
- AMP is strictly prohibited from entering into transactions (whether building, buying or selling generation) for the sole purpose of speculation.
 - Projects must be built to serve its members
 - Members cross LDA borders
- Public Power cannot use capacity for non-governmental purposes (Private Use = sales to a non-governmental entity) if supported with tax-advantaged financing
- Simply, there is absolutely no **ability** for AMP to pursue a self-supply option to exert buyer-side market power if that power even exists

Entire AMP Portfolio

The image shows a large, dense table representing the AMP Portfolio. The table is oriented vertically and contains numerous rows and columns of data. Many of the cells in the table are obscured by black redaction boxes, making the specific data points unreadable. The visible text includes various numbers, possibly representing financial metrics or asset identifiers, and some headers that are partially legible. The table appears to be a comprehensive list of assets or projects within the AMP portfolio.

Net-Short, Net-Long

- AMP opposes the proposed net-long and net-short thresholds because:
 1. They do not recognize that a self-supply project can serve member load in multiple LDAs
 2. AMP's members can leave at any time and take their load with them
 - Result: AMP's supply vs load position can move from one extreme to the other if members join or leave
 - No impact to the "market" as a result of member's actions, but MOPR could potentially apply based on TBD rules

Conclusions

- Original MOPR guaranteed that Public Power's self-supply resources would clear.
- PJM and others have said Public Power should not be captured by MOPR.
- In spite of words we're hearing from PJM and others, the proposals to date have the opposite effect of mitigating only offers from self-supply.
- Issue Charge includes that “an objective of PJM's is to accommodate self-supply business models.”
 - PJM's proposed solution simply does not meet this objective
- Any MOPR should make economic and practical sense.
- Applying the MOPR to Public Power does neither.



For more information, please contact:

Steven Lieberman

Assistant Vice President

Transmission & PJM Affairs

Email: slieberman@amppartners.org

Ph: 614-519-9168

