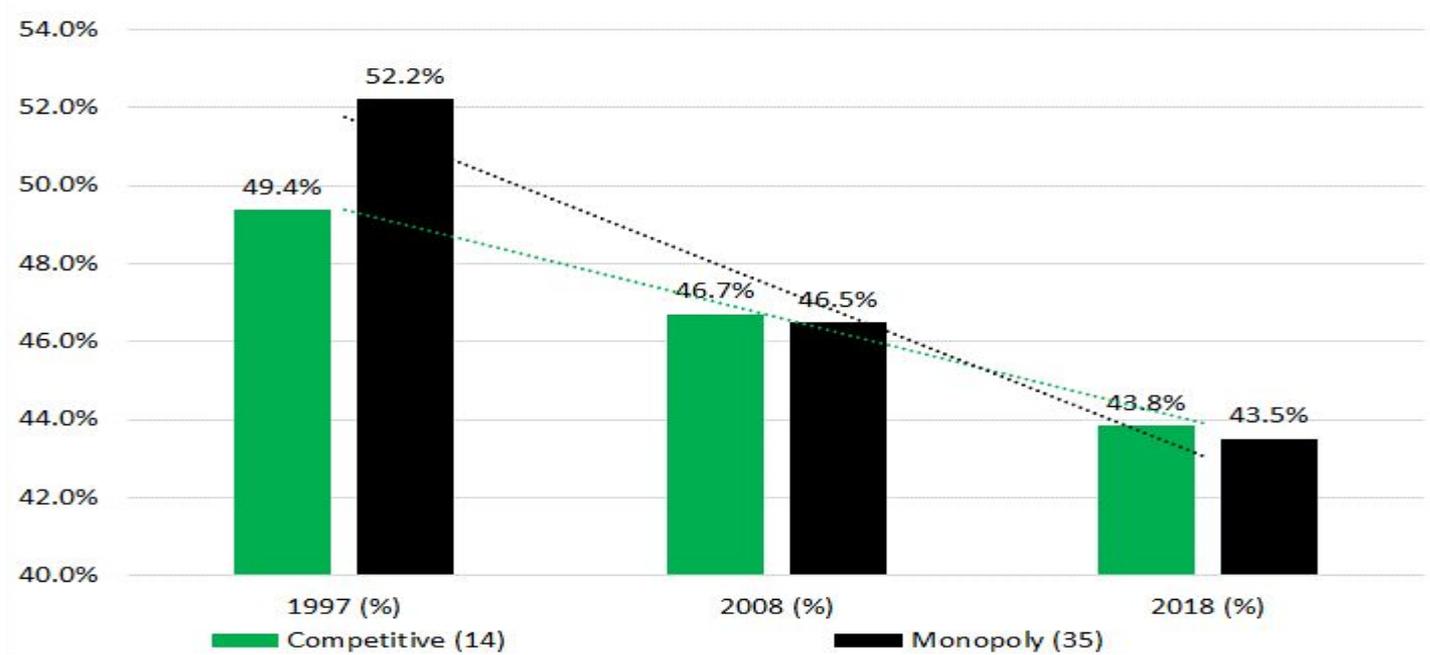


Change in Capacity Factor, 1997, 2008, and 2018 (Generation Output/Potential Output)

Source: EIA-860, EIA-923



The information presented in this document represent the views of RESA as an organization and may not necessarily reflect the views of any particular RESA member.

Figure 12 (page 8) of The Great Divergence and Figure 19 (page 22) of Restructuring Recharged – Updated through CY2018

The explanation of the Great Divergence between the monopoly states and competitive jurisdictions is not to be found in the similar trend lines moving from coal to gas and negligible differences in patterns of renewables and nuclear resources. There is, however, a knock-on effect that may partially explain the Great Divergence in price direction. Monopoly regulation and competitive markets accord fundamentally different treatment to power plant utilization. The decline in power plant portfolio capacity factor has been larger, both nominally and proportionally, in the monopoly states than in competitive jurisdictions as shown in this figure. The average capacity factor in the monopoly states declined from 52.2% in 1997 to 43.5% in 2018 (the most recent year for which EIA data are available). That is a one-fifth decrease (8.7%) compared to the much more modest decline in average capacity factor in the competitive markets from 49.4% in 1997 to 43.8% in 2016, a proportional decline of 5.6% or about one-fifteenth. Plant utilization, as measured by capacity factor, has declined in far greater proportion in the group of monopoly states than in competitive markets, due in great part to the shift from coal toward gas. However, as long as rate-based capacity is considered “used and useful”—even if underutilized—full cost recovery is accorded, with consumers absorbing those costs. In contrast, underutilized or uneconomic capacity in competitive markets will tend to experience adverse financial consequences under the same conditions. The difference is that investors, not customers, are the ones bearing the risk of changing market fundamentals.

More information is available regarding about specific energy source capacity factors. Please ask RESA for this information if interested.