



PSERC WEBINAR

Capacity Markets and the Energy Transition

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Owing to policy action as well as continued cost declines, solar and wind resources are projected to play a central role in many future electricity systems. Since the technological characteristics and cost structures of these resources differ significantly from traditional thermal technologies, many have questioned how market designs will need to adapt to support such a system. While the core theory of electricity market design is compatible with variable output and low marginal costs, the growth of solar and wind has exposed flaws in the way the theoretical design is implemented in most markets. This talk discusses two areas of potential reform. First, simplifications made in current short-term market clearing models suppress price volatility, leading to missing incentives for flexible resources. Second, current capacity markets preferentially facilitate the financing of resources with lower fixed costs and higher operating costs. Efficient integration of solar and wind will therefore depend on improvements to both short-term price formation and long-term resource adequacy mechanisms.

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[LINK TO WEBINAR](#)

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