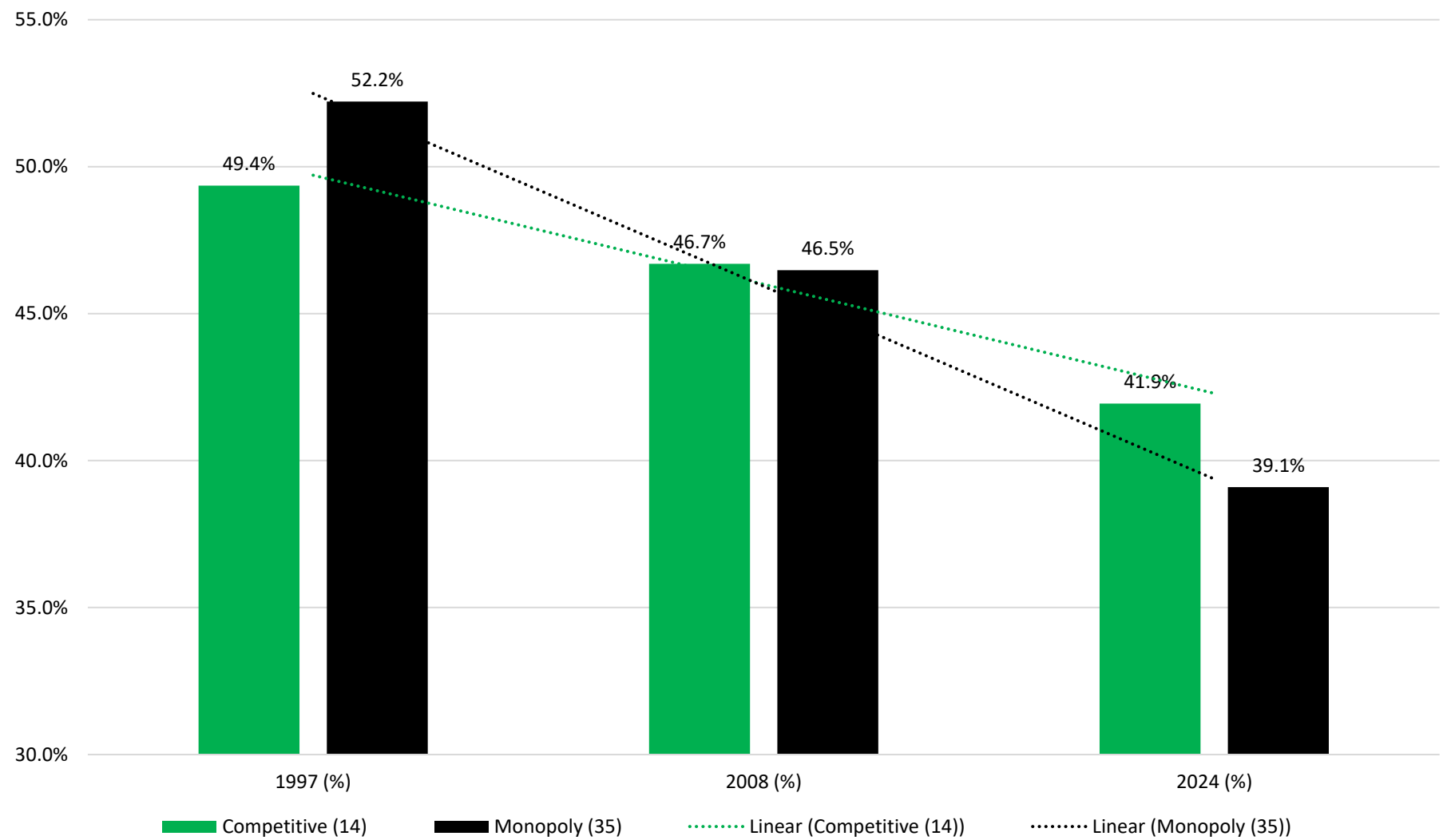


Change in Capacity Factor, 1997, 2008 & 2024 (Generation Output/Potential Output)

Figure 12 of The Great Divergence

Source: EIA-860, EIA-923



The “Capacity Factor” refers to the measurement of how often plants are operated at maximum output. In part, the explanation of the Great Divergence in price performance between the monopoly states and competitive jurisdictions is found in trend lines seen on this figure. While the capacity factors of both state groupings show a decline in capacity factor (due primarily to the deployment of renewable generation assets), the competitive jurisdictions have responded to this trend more cost effectively than have the monopoly states. The decline in the power plant portfolio capacity factor has been larger, both nominally and proportionally, in the 35 monopoly states than in the 14 competitive states/jurisdictions, as shown in this figure (note however, the increased negative slope of the black dotted line compared to the green dotted line).

The Capacity Factor in the 35 monopoly states declined from 52.2% in 1997 to **39.1%** in 2023 (**13.1% change**). That is a much more significant decrease in capacity factor compared to the much more modest decline in the 14 competitive states/jurisdictions from 49.4% in 1997 to **41.9%** in 2022 (**7.5% change**). Plant utilization, as measured by the Capacity Factor, has declined in far greater proportion in the group of monopoly states than in competitive states/jurisdictions due largely to the shift from coal toward gas, and to the deployment of renewables. However, as long as rate-based generation assets are considered “used and useful”—even if underutilized— full cost recovery is accorded in the Monopoly States, with consumers absorbing those costs; in contrast, underutilized or uneconomic generation assets in the 14 competitive states/jurisdictions will tend to experience adverse financial consequences under the same conditions. The difference is that investors, not customers, bear the risk of changing market fundamentals.