SENATE ENERGY & PUBLIC UTILITIES COMMITTEE

SENATE RESOLUTION 175

PROPONENT PARTY TESTIMONY

THE PJM POWER PROVIDERS GROUP[1]

September 14, 2021

Chairman McColley, Vice-Chair Schuring, Ranking Member Williams, and members of the Senate Energy and Public Utilities Committee. Thank you for the opportunity to submit written testimony on Senate Resolution 175. The PJM Power Providers Group ("P3") is a non-profit organization made up of power providers whose mission it is to promote properly designed and well-functioning competitive wholesale electricity markets in the 13-state region and the District of Columbia served by PJM Interconnection, L.L.C. ("PJM"). Combined, P3 members own more than 67,000 megawatts of generation assets in PJM. P3 member companies are active suppliers in the state of Ohio, either as generation suppliers or retail electric choice suppliers.

P3 supports S.R. 175 and urges the Committee to approve it as introduced. S.R. 175 urges PJM and the Federal Energy Regulatory Commission ("FERC") to protect PJM's competitive capacity market from the deleterious effects of the subsidization of uneconomic resources through the employment of a Minimum Offer Price Rule ("MOPR"). As S.R.175 notes, the MOPR was established by PJM to prevent state-subsidized generation resources from exercising market power and otherwise suppressing prices below competitive levels. The offering of uneconomic, yet subsidized, resources into the PJM capacity market at prices that are skewed by out-of-market subsidies will erode PJM's capacity market into a competition for subsidies, rather than a competition to provide power at the lowest price. To ensure that subsidized resources are competitively offered into PJM's capacity market, a rule is needed that requires these resources to bid at levels that are commensurate with what their offers would be without a subsidy.

The MOPR is a long-standing PJM rule that seeks to ensure that PJM's capacity market is a just, reasonable, and non-discriminatory market that does not place artificial preferences for certain generation resources that unfairly place higher costs on to consumers. This is a fundamental necessity, given that Ohio has operated in a restructured, competitive energy marketplace since 1999 and relies on PJM and FERC to ensure the operation of nondiscriminatory and competitively-neutral wholesale markets. Unfortunately, the proposal PJM offered to FERC removes all these long-standing market protections and, as the PJM Independent Market Monitor has said, "would effectively eliminate the MOPR while creating a confusing and inefficient

[1] The views expressed in this testimony represent the views of P3 as an organization and do not necessarily reflect the views of individual P3 member companies with respect to any issue. For more information on P3, visit www.p3powergroup.com

administrative process that effectively makes it both unnecessary and impossible to prove buyer side market power as PJM has defined it."[2]

Since 1999, Ohio has seen billions of dollars invested in new and cleaner generation resources while ensuring the necessary system reliability and reasonable customer costs. Per the federal Energy Information Administration's ("EIA") data, Ohio currently has the lowest average residential and industrial retail electric rates, and the second lowest commercial retail electric rates, in the Midwest region.[3] Unfortunately, this success story stands to be upended by PJM's recent decision to move away from a competitively-neutral and fairly administered MOPR in favor of a new construct that affirmatively supports state subsidized resources that will compete with other Ohio's unsubsidized resources.

Moreover, while other states tout their efforts to reduce greenhouse gas emissions, no state in the country has reduced its carbon emissions from energy sector since 2000 more than Ohio.[4] While there are multiple reasons for these reductions, it is significant that these reductions occurred while Ohio's prices for power generation fell, and its reliability increased.

Ohio is right to reject subsidies in favor of market competition as it relates to power generation. Subsidies shift risks from private investors and puts those risks directly on the ratepayer. The MOPR does not punish load, but maintains a role for private investment so that investment risk will not be shifted to captive customers over time. Subsidies encourage new subsidies while private capital will understanbly be discouraged due to lack of confidence in a market that can be manipulated by subsidies. Furthermore, a capacity market will not be able to produce the investment to secure load reliability if a subset of suppliers is allowed to bid noncompetitively to suppress market clearing prices.

P3 therefore fully supports S.R. 175's call for PJM and FERC to evaluate whether state-subsidized generation resources have a material impact on price formation in PJM's capacity market and whether such subsidization will result in states, such as Ohio, that have rejected such subsidization being forced to bear increased costs and adversely impact the market's ability to attract and retain commitments from the generation resources necessary to ensure regional reliability.

We appreciate the Senate Energy and Public Utilities Committee's focus on this important matter. P3 asks the Committee to support S.R. 175. We appreciate the opportunity to submit written testimony in support of S.R. 175. P3 is available for further questions or comments regarding this resolution.

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[2] See, https://www.monitoringanalytics.com/filings/2021/IMM_Protest_Docket_No_ER21-2582_20210820.pdf at 1

[3] Source, https://www.eia.gov/electricity/data/eia861m/xls/retail_sales_2020.xlsx, Current and Historical Monthly Retail Sales, Revenues, and Average Retail Price by State and By Sector (Form EIA-826).

[4] https://www.eia.gov/environment/emissions/state/