Policy Matters Ohio

TESTIMONY

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Proponent testimony on HB 427 before the House Energy Committee, 136th General Assembly

Chairman Holmes, Vice-Chair Mathews, Ranking Member Rader, and members of the House Energy Committee, thank you for the opportunity to submit proponent testimony on behalf of House Bill 427 (HB 427), which would enable distribution utilities to design voluntary demand response programs for residential and small commercial ratepayers. Since meeting Ohioans' energy needs involves increasing in-state generation and moderating demand, the content of this testimony is similar to testimony previously submitted for HB 303, a bill that addresses the supply side of Ohio's energy landscape. My name is Molly Bryden, and I am the Climate & Sustainability Researcher with Policy Matters Ohio, a nonprofit research institute working to build a more vibrant, equitable, inclusive, and sustainable Ohio.

HB 427 enables voluntary demand response programs designed to mitigate grid stress during periods of peak demand, improving reliability for all ratepayers while lowering costs for participating residential and small commercial customers. Distribution utilities' demand response programs must be approved by the Public Utilities Commission of Ohio (PUCO), ensuring their implementation is cost-effective and offers long-term savings to the grid.

HB 427 allows utilities to temporarily reduce Ohio households' and small businesses' electricity use to lower overall demand during peak times that overwhelm the grid, while customers are compensated for their participation. HB 427 additionally allows participating customers to override their service providers' demand response interventions. As Ohio advances efforts to modernize the grid, demand response programs maximize the efficiency and reliability of the existing grid to prevent service disruptions.

Ohio lawmakers must develop a comprehensive strategy to ensure adequate electricity supply as the skyrocketing demand driven by data center development and industrial electrification continues to shift costs onto everyday ratepayers. While Ohio is the fourth-largest electricity consumer in the United States, we rank eighth in electricity production.[1] Electricity demand outweighs in-state supply, and consequently, Ohio imports around 20-25% of its electricity from other states via the regional transmission grid managed and operated by PJM Interconnection. Insufficient supply across PJM's service territory, which spans 12 other states and Washington D.C., was the driving force behind the historic increase in electricity

[1] Ohio State Energy Profile, Analysis: Electricity, U.S. Energy Information Administration, 2024.

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rates that took effect in June of 2025. As a result, utility rates increased between 10% to 36%, varying by ratepayers' utility provider.

Every year, PJM holds a capacity market auction, a competitive bidding system designed to ensure there is enough power supply available to meet peak demand, based on forecasted load growth within PJM's territory. The prices that clear PJM's capacity auction are based on the relationship between supply and demand in PJM's territory. Utility companies that deliver electricity to end-use customers pay for power generators' energy resources to ensure adequate capacity levels within their distribution territories.

The capacity prices resulting from the 2024 auction increased by 800% from the previous year's auction, largely due to the imbalance between existing capacity levels and the surge in load growth – the majority of which was represented by existing and proposed data center projects' electricity needs.[2] Electricity prices are expected to increase again next year, though at a lower rate than in 2025, thanks to the price cap PJM set in response to the historic price increase resulting from the 2024 auction.

Ohio's resource adequacy challenges – or the growing risk of outages due to energy supply shortfalls – are largely produced by PJM's poor interconnection planning, slowing down the approval of large-scale generation projects in the interconnection queue. However, HB 427 offers an opportunity to insulate Ohio ratepayers from the rapid rise in energy costs accelerated by the data center buildout. HB 427 would reduce overall demand when the grid needs it most, buffering residential and small commercial customers from the impacts of the increasing strain put on the grid by resource-intensive data centers.

HB 427 is a critical component of a broader energy plan to ensure adequate supply to meet projected load growth and mitigate grid stress, while driving down utility costs for Ohio's working families. Demand response presents Ohioans with an opportunity to unlock savings on their electricity bills while enjoying a more resilient, reliable electricity grid. Leveraging the existing grid is critical to ensuring Ohio families don't face greater energy insecurity as the data center boom accelerates. After the results from PJM's 2024 capacity went into effect, the average residential electricity bill in July 2025 was $214, a 23.3% increase from the previous year – the third largest increase in the country.[3]

A family's energy burden, or the percentage of household income spent on home energy costs, is considered high if their utility bills make up 6% or more of their income. Considering the average residential electricity bill in July of 2025, electricity was unaffordable for households with a monthly income of $3,563 or less (or an annual income of $42,761). In 2024, however, 26.2% of Ohio households made less

[2] "PJM, Facing Capacity Shortage as Early as 2026/2027 Delivery Year, Agrees to Lower Auction Price Cap," by Sonal Patel, Power Magazine, January 2025.
[3] Electric Power Monthly, Electricity sales to ultimate customer by state and sector (number of customers, average price, revenue, and megawatt hours of sales), Energy Information Administration.

than $35,000, suggesting recent rate hikes have generated high to severe energy burdens for more than a quarter of Ohio families.[4] Before the rate increase took effect, keeping up with rising energy costs was already a significant challenge for a large share of Ohio households. In 2024, 25.4% of Ohio households were unable to pay an energy bill in full, slightly higher than the national average of 23.4%.[5]

Though access to electricity is critical for sustaining the health and well-being of our communities, Ohio's regulated electric utilities reported approximately 281 thousand service disconnections due to nonpayment between June 2023 and May 2024. At the same time, electric utilities accounted for 74% of service restorations for participants in Ohio's Home Energy Assistance Program (HEAP), which serves households with undue energy burdens. HEAP is a critical program that helps Ohio families keep the lights on, maintain a safe and healthy indoor temperature at home, and keep food fresh. With the uncertainty caused by ongoing threats to the federal Low-Income Home Energy Assistance Program, Ohio lawmakers must take action to ensure Ohio families can access affordable, reliable energy services.

Ohio lawmakers must advance a comprehensive energy policy agenda that centers Ohioans' needs over those of profit-driven corporations. Expanding access to affordable, reliable energy assets is good for the state, for business, and for Ohio's working families. The most economical and sustainable form of energy is the energy we don't use: Demand response participants would enjoy lower energy costs, while all ratepayers would see the benefits of a more reliable, resilient electricity grid as power demand continues to surge.

Thank you for the opportunity to provide proponent testimony on behalf of HB 427. I am happy to answer your questions.

[4] "Income in the Past 12 Months (in 2024 Inflation-Adjusted Dollars)," American Community Survey, ACS 1-Year Estimates Subject Tables, Table S1901, U.S. Census Bureau.
[5] "Federal cuts put energy assistance at risk," by Molly Bryden, Policy Matters Ohio, April 2025.