



TESTIMONY OF THE ELECTRIC POWER SUPPLY ASSOCIATION IN SUPPORT OF SENATE BILL 2

The Electric Power Supply Association (EPSA) appreciates this opportunity to provide testimony in support of Senate Bill 2 (SB 2). EPSA strongly supports SB 2 as this legislation would enhance competition and choice for Ohio energy customers and shift risk away from captive ratepayers.

EPSA is the national trade association representing leading competitive power suppliers participating in power markets across the United States, including the PJM Regional Transmission Organization ("RTO") which serves the state of Ohio.¹ EPSA members provide reliable and competitively priced electricity from environmentally responsible facilities using a diverse mix of fuels and technologies, including natural gas, nuclear, coal, and renewables. Our member companies own, operate, and develop critical assets in Ohio and the PJM Interconnection footprint, including over 13,000 MW of electric power generation located in Ohio and nearly 70,000 MW across the PJM footprint. Unlike vertically integrated utilities, EPSA's power producers have invested billions of dollars in Ohio and the PJM region at their own risk, without the guaranteed rate of return shouldered by captive customers. These generators can do so thanks to the voluntary decisions of Ohio and other PJM states to depend on competitive markets.

¹ These comments represent the position of EPSA as an organization, but not necessarily the views of any particular member with respect to any issue.

to deliver safe, reliable electricity at the lowest cost to consumers rather than relying on the cost-of-service regulation model for generation resources. EPSA members rely on this competitive model to provide power to Ohio customers and the broader PJM region, and invest in the continued maintenance and operation of these resources which support operational, maintenance, and management jobs, local and state tax revenues, and other aspects of the local communities where those assets are located.

A. The opportunities for Ohio to benefit from investment are significant and can be optimized for the benefit of all.

The United States is set to experience load growth in the electric power sector at a sustained level that has not been seen in decades. Reports from PJM Interconnection, NERC, incumbent utilities, and other third parties all suggest that demand on the power system will grow by significant amounts over the next decade.² These projects are being made, at least in part, due to the expected and announced development of data centers, reshoring of manufacturing, crypto mining, and electrification of the economy.

Based on these projections, the entire electric sector – competitive power suppliers, incumbent electric distribution utilities, and retail suppliers are all positioned to help meet the moment during this remarkable period of energy expansion. Additionally, natural gas exploration and production and pipeline operators will also need to be appropriately integrated with the electric system to meet the growing demands of

² PJM Interconnection, PJM Load Forecast Report, (January 2024).
North American Electric Reliability Corporation, 2024 Long-Term Reliability Assessment, (December 2024).
FTI Consulting, An Evaluation of Regulated and Restructured Electricity Markets, (November 2024) (“FTI ACP Study”)

families and businesses operating in Ohio. Because of these generational opportunities, it is even more important that Ohio be best positioned to win the race for investment in the state and to ensure it receives the benefits that come with that investment.

Because of the incredible opportunities that exist, all parts of the energy value chain need to recognize that this chance to secure meaningful wins for Ohio means there is enough value to go around to all sectors of the energy value chain, and to protect consumers from unnecessarily high costs while delivering a highly reliable system. Each segment of the energy value chain would do well to excel in our respective area of responsibility rather than try and vacuum up ever greater benefits that accrue to one link in the chain at the expense of others and specifically at the expense of consumers who will be forced to pay the bill. SB 2 aims to ensure that specific outcome.

B. SB 2 Builds on the Enormous Benefits that Competitive Power Markets Have Delivered for Ohio

In the years since Ohio restructured its electric system, competitive markets have delivered extraordinary benefits while improving system reliability. In fact, PJM operations, markets, and planning result in annual savings of \$3.2–4 billion for the region.³ In addition, market forces yielded significant environmental benefits, with carbon emissions in the PJM footprint dropping 43% since 2005.⁴ Adding to those benefits, a recent study conducted by FTI found that, from 2013 to 2022, restructured

³ PJM Interconnection, PJM Value Proposition, 2019. <https://www.pjm.com/-/media/DotCom/about-pjm/pjm-value-proposition.pdf>

⁴ PJM Inside Lines: “Emission Rates in PJM Reach All-Time Low,” (March 28, 2024). Available at: <https://insidelines.pjm.com/emission-rates-in-pjm-reach-all-time-low/>

states had more reliable electric service than fully regulated states in nearly every year across multiple reliability metrics.⁵

While competitive markets continue to serve Ohio and its ratepayers well, SB 2 recognizes that more work can be done to further unleash the benefits of competition within the state. Critically, SB 2 would require electric distribution utilities (EDU's) standard service offer (SSO) to be established only as a market-rate offer (MRO) by eliminating the electric security plan (ESP) option and making the MRO mandatory. The ESP process has become a vehicle to avoid regular rate cases that ensure appropriate reconciliation of utility spending and costs charged to captive customers, allowing EDUs to essentially sidestep traditional rate cases and saddle Ohio customers with additional costs that would not likely be authorized under the traditional rate case process.⁶ This legislation corrects that overreach and increases transparency and accuracy of charges authorized and paid by customers. By requiring that MROs be the only source of SSO supply going forward, SB 2 will help to limit the myriad non-bypassable charges that EDUs have been able to levy on Ohio customers ensure that Ohio benefits from a more transparent, cost-effective regulatory regime going forward.

In addition, SB 2 recognizes that Ohio is best served with EDUs staying out of the generation business. Ohio made the affirmative decision to separate the generation component from the wires portion of the business more than 20 years ago and it has served the state well. Investment in new generating resources has come to Ohio in the

⁵ FTI ACP study, p.26-27

⁶ ESPs have also permitted some EDUs to operate for extraordinary periods between filing base rate cases and avoid the accountability that accompanies base rate proceedings, with FirstEnergy being the most recent EDU to illustrate this trend. FirstEnergy filed its first base rate case in 14 years in May of 2024. (24-0468-EL-AIR)
<https://dis.puc.state.oh.us/ViewImage.aspx?CMID=A1001001A24E31B34601H03959>

way of thousands of megawatts (MWs) of new generating resources without any cost being assigned to captive customers. This risk shift is one of the most significant benefits that accrues to Ohio families and businesses; the parties best situated to bear the risk are the shareholders and investors of competitive power suppliers and not captive customers who would otherwise be required to pay for those same resources via a non-bypassable charge on their monthly bill for decades.

Additionally, there remains uncertainty around the exact amount of load growth, new data center investment, and impacts to the system. For example, the issue of “double counting” of projects being shopped by developers to multiple service territories requires that each utility plan as if they succeed in locating that new customer in their service territory. For example, if a large data center requires 1,000 MW of generation and inquires of 3 utilities to determine where best to locate, the load forecast could suggest 3,000 MW of generation are needed when only one-third of that amount is needed. Under the competitive supplier model, if more plants get built than are actually needed, the investors in those projects are the ones who lose their investment; in a utility ratebased generation model, those costs would be borne by captive customers via a non-bypassable charge, directly raising consumer costs. This example highlights the important distinction between the models and equally importantly who is required to pay the bill.

Where a primary driver for the increased forecasts for load growth in Ohio and the broader PJM region is the rapid development of energy intensive data centers, providing a clear, brightline around which entities perform which function in Ohio provides incrementally greater certainty for entities to make investments in new

generating resources. At the same time, however, it is important to recognize that a healthy transmission and distribution utility sector is also vital to delivering reliable power to customers. SB 2 wisely acknowledges that competitive suppliers are best suited to respond nimbly and efficiently to this new market need and deploy reliable, dispatchable generation resources which are not being fully valued in the regional market due to aspirational policy choices in other states. Through innovative approaches and longstanding expertise in developing and building generation, competitive suppliers and data center customers can avoid longstanding interconnection queue logjams, socialized utility grid upgrade requirements, and transmission buildout by entering into co-location arrangements directly and should be supported in doing so. With respect to co-location, EPSA recently outlined a series of principles⁷ that offer a roadmap to ensure that Ohio and the PJM region support innovative approaches to meet these new large sources of demand cost-effectively, efficiently, and rapidly – while ensuring that investors, not customers, bear the risks of this shift.

C. Conclusion

EPSA appreciates the opportunity to provide support for SB 2. As this bill would greatly benefit Ohio residents and businesses, EPSA urges the Ohio House to expeditiously pass this measure. The reforms contained in this bill will enhance competitive markets in Ohio, increase transparency and protect ratepayers from incurring any further unnecessary non-supply related charges.

⁷ Electric Power Supply Association, EPSA Principles for Data Centers and Co-Location, (November 5, 2024), <https://epsa.org/epsa-principles-for-data-centers-and-co-location/>.