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**Written Testimony for the Ohio Senate Energy and Public Utilities Committee of  
Advanced Energy Management Alliance – June 18, 2019**

The Advanced Energy Management Alliance (“AEMA”)<sup>1</sup> thanks the members of the Senate Energy and Public Utilities Committee for the opportunity to submit this written testimony. AEMA is a trade association under Section 501(c)(6) of the Federal tax code whose members include national distributed energy resource (“DER”), demand response (“DR”), and advanced energy management service and technology providers, as well as some of the nation’s largest consumer resources, who support advanced energy management solutions due to the electricity cost savings those solutions provide to their businesses. This filing represents the opinions of AEMA as an organization rather than those of any individual association members.

AEMA members have a significant presence in Ohio, with approximately 2,300 Ohio businesses, local governments, and institutions participating in the PJM emergency demand response programs, totaling approximately 1,600 MW.<sup>2</sup> The PJM Independent Market Monitor reported that this demand response program has saved PJM customers as much as \$11.8 Billion in a single year, while participating customers receive tens of millions of dollars in payments

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<sup>1</sup> For additional information, see AEMA website: <http://aem-alliance.org>

<sup>2</sup> PJM Demand Side Response Operations, *2019 Demand Response Operations Market Activity Report: April 2019*, at 3, (April 10, 2019), <https://www.pjm.com/-/media/markets-ops/dsr/2019-demand-response-activity-report.ashx?la=en>

each year.<sup>3</sup> Moreover, PJM credited demand response with helping keep the lights on during the Polar Vortex.<sup>4</sup> AEMA members are proud of their role in strengthening grid reliability and the competitiveness of the Ohio economy.

**Currently, demand response in Ohio requires zero state or federal subsidies to be successful.** Demand response's success in Ohio is attributed to competition, and the PJM wholesale capacity market sending a competitive price signal that allows the most cost-effective resources to provide capacity.

**HB 6 has the potential to have a strong negative impact on demand response in Ohio.** Instead of allowing the competitive market to thrive, HB 6 subsidizes a specific set of resources at a specific dollar amount without those resources having to justify why they need that dollar amount. By providing approximately \$200 million/year in subsidies to a specific set of resources, resources that do not receive those subsidies are disadvantaged. These subsidies will distort wholesale market outcomes, as those resources receiving subsidies can offer below their true costs. Ultimately, this erodes the competitive price signal that has allowed demand response to thrive in Ohio. Indeed, Ohio customers will not only face a monthly charge on their bill to pay for the subsidies required in HB 6, but they would also suffer a diminished ability to offset their total energy costs through participation in demand response.

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<sup>3</sup> Monitoring Analytics, *Analysis of the 2013/2014 PJM Base Residual Auction Revised and Updated*, at 52 (September 20, 2010), [http://www.monitoringanalytics.com/reports/Reports/2010/Analysis\\_of\\_2013\\_2014\\_RPM\\_Base\\_Residual\\_Auction\\_20090920.pdf](http://www.monitoringanalytics.com/reports/Reports/2010/Analysis_of_2013_2014_RPM_Base_Residual_Auction_20090920.pdf). Savings vary from year to year, but are consistently in the billions of dollars. For the most recent year, the PJM Independent Market Monitor reported that demand response saved PJM customers as much as \$1.7 Billion in the latest Base Residual Auction, a 16% reduction in costs to customers relative to if they had not participated. Monitoring Analytics, *Analysis of the 2021/2022 PJM Base Residual Auction Revised and Updated*, at 70 (August 24, 2018), [http://www.monitoringanalytics.com/reports/Reports/2018/IMM\\_Analysis\\_of\\_the\\_20212022\\_RPM\\_BRA\\_Revised\\_20180824.pdf](http://www.monitoringanalytics.com/reports/Reports/2018/IMM_Analysis_of_the_20212022_RPM_BRA_Revised_20180824.pdf)

<sup>4</sup> Petition For Rehearing En Banc Of PJM Interconnection, L.L.C., *Electric Power Supply Ass'n v. FERC* at 10-11, No. 11-1486 (D.C. Cir. July 7, 2014).

As such, AEMA recommends that the Senate not pass HB 6. However, if the Senate decides to move forward with HB 6, it must take clear and decisive action to protect the ability of these 2,300 Ohio businesses, local governments, and institutions to participate in demand response.<sup>5</sup> Section 4928.46 (B) (2) offers to protect demand response and must be included if legislation advances.

Thank you for this opportunity to submit testimony on this important issue for Ohio consumers and the economy.

Respectfully submitted,



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