

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE DISTRICT OF COLUMBIA

Testimony of the PJM Power Providers Group

Formal Case 1064

Submitted by Glen Thomas, President

October 1, 2008

On behalf of the PJM Power Providers Group (“P3”), thank you for the opportunity to testify today in response to Formal Case 1064 in the investigation of the near and medium term electric reliability and power supply adequacy in the District of Columbia. P3 appreciates the opportunity to comment and looks forward to working cooperatively with the Public Service Commission of the District of Columbia (“Commission”) throughout this proceeding.

P3 is a non-profit organization dedicated to advancing federal, state and regional policies that promote properly designed and well-functioning electricity markets in the PJM region.¹ Combined, P3 members own over 75,000 megawatts of power and over 51,000 miles of transmission lines, serve nearly 12.2 million customers and employ over 55,000 people in the PJM region. P3 members are active market participants in the District of Columbia market and are well positioned to assist in the effort to bring reliable, competitively-priced power to the consumers of the District of Columbia. P3 firmly believes that properly designed and well functioning wholesale markets provide the most effective long term means of giving the District of Columbia access to a reliable supply of power at the lowest available costs.

The Commission is appropriately concerned about ensuring an adequate supply of power for the District of Columbia. The District will require sufficient generation, transmission and demand response to meet the needs of its consumers and the Commission must be vigilant to ensure that there are adequate resources to meet the demand. P3 believes that a competitive market, with accurate and transparent price signals, will allow the necessary investments to occur in an economically efficient and rational manner that will serve the District of Columbia

¹ The views expressed in these comments are those of the PJM Power Providers Group and do not necessarily reflect the views on any individual P3 member on any individual issue. For more information on the P3 Group visit: www.p3powergroup.com.

consumers' long-term interests. P3 members understand the importance of an adequate supply of power and enthusiastically support appropriate market-based tools that achieve reliability.

Along these lines, P3 encourages the Commission to work very closely with PJM to determine the existence and magnitude of any reliability shortfall facing the District of Columbia understanding that reliability is a regional issue that demands a regional solution. For example, even if certain transmission projects are not in service in 2011, PJM has many tools available to address reliability issues that should be considered prior to other mechanisms. Most notably, PJM is exploring the use of incremental capacity auctions to reflect changed parameters, such as the unavailability of planned transmission capability. PJM also may have system operator tools that could be employed, such as voltage adjustments and system reconfigurations.

Looking beyond the 2011-12 delivery year, there are reasons to believe that the capacity auctions for the 2012-13 delivery year will contain materially different parameters that are not known at this time. For example, PJM has not yet completed a Regional Transmission Expansion Plan ("RTEP") "retool" for the 2012-2013 Delivery Year reflecting the most recent capacity auction results and other system updates – both resources and transmission topology. Such a "retool" may or may not show a need for the "PATH" (Amos-Kemptown) transmission line in 2012 and, even if such a need were to be shown, the retool may identify transmission alternatives for any reliability violations that the PATH line is designed to address.

Moreover, PJM has established a Capacity Market Evolution Committee (CMEC) to explore enhancements to the PJM capacity market that could materially impact resource adequacy beyond the 2011-12 delivery year. Following the CMEC stakeholder process, it is anticipated that PJM will file tariff revisions impacting the Base Residual Auction ("BRA") for the 2012-2013 Delivery Year. Since these changes are unknown at this time, it is difficult to predict their impact and it is conceivable that the auction for 2012-13 will show no need for additional resources. Accordingly, the Commission should carefully consider the duration of any projected shortfall and understand that there are potential changes being considered regarding both transmission and generation that could significantly impact reliability in the District and surrounding region.

In summary, P3 believes in the importance of regional solutions and the need to carefully consider all options to meet generation needs. We encourage the Commission to work with PJM and to use PJM's tools to address any short term shortfalls. If indeed a resource shortfall is projected in the 2011-12 delivery year, the Commission should work very closely with neighboring states and PJM to develop a regional solution that preserves the integrity of the PJM marketplace while addressing any reliability issues in a narrow and surgical manner.

Again, P3 thanks the Commission for the opportunity to testify today and looks forward to working cooperatively with the Commission on meeting the important reliability needs of the District of Columbia and the entire PJM region.
