

IN THE MATTER OF WHETHER NEW  
GENERATING FACILITIES ARE NEEDED  
TO MEET LONG-TERM DEMAND  
FOR STANDARD OFFER SERVICE

\* BEFORE THE  
\* PUBLIC SERVICE COMMISSION  
\* OF MARYLAND

\* CASE NO. 9214  
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**COMMENTS OF THE PJM POWER PROVIDERS GROUP  
REGARDING THE COMMISSION'S REQUEST FOR AND REVIEW OF PROPOSALS**

The PJM Power Providers Group ("P3"), by its undersigned counsel, offers the following in response to the Commission's October 15, 2009 order requesting comments from parties regarding the scope of proposals solicited by the Commission in this proceeding.

Upon review of Order No. 82936 ("Order") establishing the above-referenced proceeding, the PJM Power Providers Group ("P3")<sup>1</sup> is concerned that the Commission is about to embark upon a troubling exercise that is inconsistent with Commission precedent, is likely to produce an incomplete basis upon which the Commission can render its decision, will compound the regulatory uncertainty that currently burdens the Maryland electricity market and may not benefit Maryland consumers. P3 has consistently stated before this Commission and the Maryland General Assembly that the powers granted to the PSC under 7-510(c)(4) should be used as a "tool of last resort" to be employed only after a reliability shortfall has been identified and after all other options to address the shortfall have been exhausted. Calling for proposals for new Maryland-based generation projects without such an evaluation sets up a classic "cart before the horse" scenario that is difficult to consider as in the public interest.

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<sup>1</sup> 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. Combined, P3's eleven member companies own over 75,000 megawatts of power and over 51,000 miles of transmission lines in the PJM region, serve nearly 12.2 million customers and employ over 55,000 people in the 13-state and District of Columbia PJM region. The views expressed in this letter do not necessarily reflect the views of individual P3 members. For more information on P3, visit [www.p3powergroup.com](http://www.p3powergroup.com).

As guidance, the Commission should look no further than its experience in the Gap RFP proceeding. In that matter, after carefully evaluating Maryland's supply/demand balance over the course of 18 months, the Commission ultimately decided that it was appropriate for the utilities to acquire additional demand response resources as insurance against a forecasted shortfall. Perhaps the strongest argument in favor of the Gap RFP process is to look back one year later and compare the result had an alternative process and order been issued. Had the Commission skipped its careful consideration of whether it was necessary to act and leapt to ordering a procurement of a new in-state generation facility, Maryland ratepayers would now be saddle with capacity that could have been much more economically procured via other means.

Since the Gap RFP proceeding, the supply/demand balance has improved dramatically as proposed transmission projects are coming to fruition, as RPM has retained sufficient incremental capacity and as demand response has become more robust in Maryland and the entire PJM region.<sup>2</sup> Capacity and energy prices have fallen sharply in PJM and there is every reason to believe that a new generation facility supported by a long-term commitment from Maryland consumers is unnecessary for reliability purposes.<sup>3</sup> Yet, the Order seems to skip over this first step in the analysis and jumps to calling for proposals, which it limits to new facilities located in Maryland. Should the Commission jump to the conclusion that there is a reliability need for the state by forgoing a considered process, the "insurance" represented by state-ordered

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<sup>2</sup> As outlined in P3's prior filing in 9117, the most recent capacity auctions for the PJM region, including Maryland, yielded a 20% reserve margin with an additional 800 MW's in "uncleared" capacity available to maintain reliability if needed. See 2012/2013 RPM Base Residual Auction Results at page 21 (<http://www.pjm.com/markets-and-operations/rpm/~media/markets-ops/rpm/rpm-auction-info/2012-13-base-residual-auction-report-document-pdf.ashx>). Indeed the PSC has even questioned before FERC whether too much capacity has been procured for Maryland. See *Complaint of Maryland Public Service Commission et al v. PJM Interconnection, LLC* at p. 59, Docket No. EL08-67 (May 30, 2008).

<sup>3</sup> See PJM Summer 2009 Reliability Assessment presented by Michael J. Kormos, S.V.P., Operations, PJM to Maryland Public Service Commission at 10 (June 2, 2009).

construction of new generation would result in a far greater premium for what appears to be a much smaller risk.

The Order asks for proposals for new generation in Maryland, without any evaluation of whether new generation is Maryland is needed, without any determination of whether new Maryland -located generation is the best means of addressing the need, and without any guidance to bidders as to what they are being asked to bid on. Furthermore, the Order does not ask, much less answer, several crucial questions: Why is existing generation being prohibited from competing with new generation to serve Maryland consumers? Why is out of state generation being discriminated against in favor of in state generation? Why are developers being asked to submit bids when the Commission has not issued a RFP? Will the proposal for mandated generation or a market-based, fully competitive approach to generation supply result in better outcomes for the citizens of Maryland?

P3 respectfully submits that the GAP RFP proceeding provided a far superior procedural mechanism by which the Commission can evaluate whether and how to exercise its authority under section 7-510(c)(4). The Commission should not abandon this approach in favor of a dramatically inferior process simply because CPV filed a motion asking the Commission to saddle Maryland consumers with an uneconomic power plant. P3 urges this Commission not to allow the unsupported and universally opposed CPV motion to cause the Commission to divert from its precedent, but rather consider its 7-510(c)(4) authority appropriately – after an open evidentiary proceeding that establishes a reliability shortfall in Maryland, which can only be

solved by the exercise of the Commission's 7-510(c)(4) authority.<sup>4</sup>

Respectfully submitted,

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<sup>4</sup> P3 feels very strongly that the Commission should establish a reliability need and determine the narrowest means to address that need prior to any consideration of proposals for new generation. If in the event the Commission decides to move forward without such an evaluation, P3 has many concerns with the comments filed by Staff on October 9 and would urge the Commission to establish a separate proceeding to receive testimony on the numerous procedural and substantive issues associated with receiving and evaluating bids for new generation.