THE P^3 GROUP

Comments of the PJM Power Providers Group

2019 GGRA Draft Plan

November 12, 2019

The PJM Power Providers Group (P3) respectfully submits these comments on the draft Greenhouse Gas Emissions Reduction Act Plan of 2019 (GGRA). P3 is a non-profit organization made up of power providers whose mission it is to promote properly designed and well-functioning competitive wholesale electricity markets in the 13-state region and the District of Columbia served by PJM Interconnection.[1] Combined, P3 members own more than 75,000 megawatts of generation assets in PJM, and produce enough power to supply over 55 million homes. P3 members own generation facilities in Maryland and serve Maryland consumers as competitive retailer providers.

P3 supports the efforts of Maryland and other states to reduce carbon emissions in energy generation, provided the appropriate means are employed in pursuit of those goals. P3 supports market-based and technology-neutral strategies to achieve carbon reductions, and is pleased the draft GGRA recognizes that market-based and technology-neutral are important tenets of the Governor's Clean and Renewable Energy Standards (CARES) legislation.

However, due to the lack of detail included in the draft GGRA, P3 remains concerned about how the CARES proposal will meet the reduction goals though market-based and technology-neutral methods. Technology-neutral means that Maryland should not detail, list or otherwise dictate the resources eligible to provide electricity to consumers. By listing eligible resources, as done in the draft GGRA, Maryland presumes the most economic technologies available and forecloses the possibility of new, more efficient technologies becoming available to meet Maryland's clean and renewable energy goals.

A better approach is for Maryland to clearly define its environmental target – in this case, 100% carbon free energy, and allow market forces to determine how best to meet those goals. Maryland can achieve its energy goals through existing market-based constructs, which allows consumers to enjoy the economic and reliability benefits of markets, while still receiving the

[1] The views expressed in these comments represent the views of P3 the organization and do not necessarily reflect the views of individual P3 members with respect to any issue. For more information on P3: www.p3powergroup.com.

benefits of the stated environmental goals. Rather than specify specific resources and carbon-reduction methods in statute, Maryland should clearly define the environmental goals, determine the market-consistent, regulatory means to achieve the goals, and then allow the market to determine which resources are best equipped to meet those goals.

Specifically, Maryland should set targets for reducing carbon by a specified number of tons by certain milestone dates, instead of mandating the construction of 2000 Megawatts (MWs) of offshore wind or mandating that a specific percentage of electricity from solar be consumed in Maryland. By pre-selecting the specific resources to be used to meet Maryland's carbon reduction goals and then providing those resources with out-of-market subsidies (as is the current case for new offshore wind facilities), consumers are locked into energy choices that are likely less efficient, more expensive and extend for decades. Furthermore, carbon-reducing energy technologies are stifled by the lack of economic incentive to innovate, because a rigid, technology-specific policy artificially shrinks their market opportunity.

Maryland's current path of dictating the use of specific technologies to achieve its carbon free goal could prove to be costly. The currently approved offshore wind contracts will cost at least $2.1 billion for a mere 366 MWs of installed capacity that will likely have a capacity factor below 50%. Meanwhile, the St. Charles Energy Center in Charles County will produce 725 MW of power at a cost of $775 million with a capacity factor of 95%. Of note, the St Charles plant is funded by 100% at-risk capital, while the offshore wind facility's revenue is guaranteed by a rate payer subsidy extending to 2043.[2] Senate Bill 516 from the 2019 Legislative Session, which recently took effect, will extend Maryland's offshore wind commitment to 2000 MW, further burdening Maryland consumer's to above market commitments until at least 2050.

These policy decisions can have broader consequences beyond the increased cost to consumers. By pursuing high cost means of achieving environmental objectives, Maryland will render itself less competitive compared to its neighbors. Maryland can ill afford to separate itself from neighboring states when it comes to the cost of electricity. According to EIA data, Maryland's electricity rates are already 20% higher than Pennsylvania and Ohio and 30% higher than Virginia.[3] Continuing to drive Maryland's electricity rates higher through these long-term technology-specific mandates could result in broad economic impacts to the state.

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[2] Importantly, according to the PSC's consultant, the Maryland offshore wind projects are projected to avoid 19,000 tons of carbon per year (MD PSC ORDER NO. 88192 at 4) while the CPV St. Charles Energy Center is expected to cut carbon emissions in PJM by 500,000 tons per year (see, http://www.cpv.com/our-projects/cpv-st-charles/).

[3] https://www.eia.gov/electricity/state/

P3 urges that the GGRA and the underlying CARES proposal be amended to be consistent with the discussion above. P3 is pleased that the draft GGRA recognizes the carbon contributions of other sectors – specifically the transportation sector which has not reduced carbon emissions to the degree that the electricity generation sector has. P3 looks forward to working with the Maryland Department of the Environment and other stakeholders to help Maryland achieve its goals.