

August 20, 2018

Secretary Patrick McDonnell
Commonwealth of Pennsylvania
Department of Environmental Protection
Room 308, Main Capitol Building
Harrisburg, PA 17120

RE: Pennsylvania's Solar Future Plan, Public Review Draft July 7, 2018

Dear Secretary McDonnell:

The PJM Power Providers Group (P3)¹ offers these comments regarding the Pennsylvania Solar Future Plan ("PA Solar Plan") issued by the Pennsylvania Department of Environmental Protection ("DEP" or "Department") on July 7, 2018.² P3 thanks the Department for the opportunity to provide comment and applauds the draft PA Solar Plan for providing an insightful look at the current state of solar penetration in Pennsylvania. While P3 appreciates the

¹The PJM Power Providers Group (P3)¹ 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. Combined, P3 members own more than 84,000 megawatts of generation assets in PJM, produce enough power to supply over 20 million homes and employ over 40,000 people. The views expressed in these comments represent the views of P3 as an organization and not necessarily the views of individual members with respect to any issue. For more information, visit www.p3powergroup.com.

² *Pennsylvania's Solar Future Plan*, Public Review Draft, July 7, 2018 at <http://files.dep.state.pa.us/Energy/Office%20of%20Energy%20and%20Technology/OETDPortalFiles/Pollution%20prevention%20and%20Energy%20assistance/SolarFuture/Pennsylvania%27s%20Solar%20Future%20Plan.pdf> ("PA Solar Plan").

draft PA Solar Plan and takes no issue with the goal of the Plan, P3 is very troubled by some of the strategies set forth by the Plan.

As the Department is well aware, Pennsylvania restructured its electricity markets in 1996 following the passage of the Electric Competition and Customer Choice Act. Prior to 1996, decisions about the location and financial support for power generation were made by the Public Utility Commission after a lengthy planning process and extensive regulatory proceedings. Following the passage of the Act, the decision to build or not build a generation facility was shifted to the marketplace allowing consumers to effectively shed the risks associated with power generation construction and financing.

Pennsylvania is rightfully proud of the numerous benefits that restructured electricity markets have brought to the Commonwealth. Two decades of bipartisan regulatory and legislative support for electric competition has placed Pennsylvania in an envious position.³ As the current chair of the Pennsylvania Commission, Gladys Brown, appropriately observed, “...Pennsylvania has stood on the national forefront of electric competition, putting the power of choice in the hands of consumers and giving them greater control of their electric bills.....As a result of this historic legislation, millions of electricity customers have made choices and saved money, purchased renewable products and explored innovative new offers and plans.”⁴

³ See, <https://www.youtube.com/watch?v=vocwpS17CsQ&feature=youtu.be>. Remarks from Governor Wolf at 59:00 and remarks from Governor Ridge at 1:02.

⁴ See, http://www.puc.pa.gov/about_puc/press_releases.aspx?ShowPR=3794

It is critical that this success continue. Unfortunately, certain proposed strategies set forth in the PA Solar Plan, if enacted as currently written, are inconsistent with the competitive electricity market that Pennsylvania has nurtured for two decades and would represent a significant step backward for the Commonwealth's efforts to allow Pennsylvania's homes and business to enjoy the benefits of competitive markets.

1. Utility Ownership of Solar Generation

The PA Solar Plan recommends considering utility ownership of solar generation especially in cases where market-driven deployment may be insufficient to achieve public goals and/or address reliability concerns.⁵ P3 urges the DEP to remove this proposed strategy from any further consideration in the PA Solar Plan. The PA Solar Plan further states that “[a]t present, the ability of Pennsylvania utilities to own solar generation is not expressly provided for in legislation and has not been directly addressed by the PUC or the courts.”⁶ This statement is simply incorrect as utilities have no authority under Pennsylvania law to own and rate-base generation.

As currently written, the PA Solar Plan would allow Pennsylvania's utility companies to own generation assets – in direct contravention to the Electric Competition on Customer Choice Act of 1996. Utilities owning and rate basing solar generation would have the ability to participate in the regional wholesale market and compete against the very assets that the General

⁵ PA Solar Plan, at pg. xv.

⁶ PA Solar Plan, at pg. 72.

Assembly moved out of cost of service regulation in 1996. Allowing utilities with regulated revenue streams to compete against competitive providers that do not enjoy similar revenue guarantees distorts the competitive market place and discourages at risk capital from entering the market. Such a change in policy would be a significant and misguided one for the Commonwealth that should not be pursued.

Allowing Pennsylvania's regulated utilities to own and recover the costs associated with generation, is inconsistent with Pennsylvania's longstanding policy of promoting competition for electricity generation and runs contrary to Pennsylvania law. The PA Solar Plan should be amended to remove this troublesome provision and allow the Commonwealth to promote solar in a manner that enhances the benefits of competitive electric markets rather than in a manner that undermines those benefits.

2. AEPS Solar PV Carve-Out

The PA Solar Plan proposes to increase the Alternative Energy Portfolio Standards ("AEPS") solar PV carve-out to between 4 to 8 percent by 2030 and ensure creditable SRECs are limited to those generated in Pennsylvania wherever possible.⁷ P3 encourages the DEP to reject this proposed strategy.

It is important at a time when solar is flourishing not to erect barriers but rather allow for the success of competitive markets, as explained above, to continue. Renewable energy portfolio

⁷ Pa Solar Plan, at pg. xiii.

standards are simply not necessary when consumers have a bevy of renewable options available to them and are increasingly making the decision to purchase 100% renewable energy.⁸ Instead of increasing the AEPS standards, it is time to repeal them and allow consumers to make the choice to consume renewable energy rather than have the state foist that decision upon them. Municipalities as diverse as the city of Pittsburgh and the borough of Kennett Square in Chester County have made the decision to purchase 100% renewable energy. Business such as Google, Johnson and Johnson and Comcast are also choosing a similar course.⁹ There is no reason to expect this trend to subside – provided that Pennsylvania consumers remain empowered to choose and not burdened by regulatory barriers.

Even the PA Solar Plan identifies that “Solar is now a mature international and national market with competent and competitively driven developers, solar manufacturers, financiers, installers, utilities and others ready to work in Pennsylvania.”¹⁰ Solar power has enormous potential and will play a significant role in Pennsylvania’s electricity market – particularly as costs continue to drop. However, ironically and unfortunately, REC payments provide a disincentive to innovation as they reduce the pressure for any resources to become cost competitive.

⁸ A quick review of residential offers on www.papowerswitch.com reveals many 100% renewable offers at, below or only slightly above the POLR rate. The website does not offer a Solar only option (it does offer a Wind only option).

⁹ See, <https://pennenvironment.org/programs/pae/100-renewable-energy-0> and <https://corporate.comcast.com/values/csr/2018/sustainable-excellence> .

¹⁰ PA Solar Plan, at pg. x.

The PA Solar Plan states that Pennsylvania is “an energy generation powerhouse.”¹¹ The PA Solar Plan further notes that, “Pennsylvania is one of the top three energy production states in the nation, as well as the top electricity exporting state in the nation.”¹² This is not an accident but in part due to thoughtful legislation enacted years ago allowing Pennsylvania to stand on the national forefront of electric competition.¹³

The PA Solar plan expands the cumbersome current AEPS program.¹⁴ It further compares Pennsylvania to surrounding AEPS/RPS standards to states such as Maryland, New Jersey, and Delaware as well as the District of Columbia.¹⁵ These surrounding states are not in the enviable “energy generation powerhouse” position as Pennsylvania, making such comparisons weak. Additionally, as the PAPUC explained to a federal court about New Jersey’s efforts to advance a state interest (subsidizing a new natural gas fired power plant) at the expense of the regional wholesale market: “State-sponsored subsidy programs . . . distort [] pricing signals and interfere with the proper functioning of the market.”¹⁶ As the PAPUC understands subsidies interfere and provide barriers to the market.

¹¹ PA Solar Plan, at pg. 2.

¹² *Id.*

¹³ See, http://www.puc.pa.gov/about_puc/press_releases.aspx?ShowPR=3794

¹⁴ PA Solar Plan, at pg. 23 - 24.

¹⁵ PA Solar Plan at pg. 25.

¹⁶ *Comments of the Pennsylvania Public Utility Commission*, Docket EL17-33-000, at pg. 6, citing PAPUC Amicus Brief at 13-14, 766 F.3d 241 (3rd Cir. 2014). Available at http://www.puc.state.pa.us/General/pdf/FERC/DN_EL16-33-000.pdf

As the PA Solar Plan admits, “There is a cost to ratepayers across the state for operating the AEPS program, who are essentially paying for the required purchase of the solar SRECs, as well as the Tier I and Tier II AECs.”¹⁷ It is time to rethink the AEPS program. “Further, declining costs for solar and wind resources mean that many of these resources now or in the near future will likely be financed and built without the need for any REC payments attributable to state-mandated programs”¹⁸ These comments are attributable to the Solar Energy Industries Association (among others) and speak to the point that RECs are no longer needed to promote renewable energy in Pennsylvania. At a time when the economics of solar generation are improving and consumers are increasingly choosing solar power, the conversation in Pennsylvania should be about freeing the market from unnecessary mandates - not increasing those competition-limiting mandates.

3. Virtual Net Metering

The PA Solar Plan proposes a strategy to expand customers’ ability to use net metering.¹⁹ The PA Solar Plan sets forth the different perspectives of some of the stakeholders that provided input in the formation of the PA Solar Plan. P3 strongly agrees with the groups that expressed that net-metered customers should be compensated at the wholesale price for the electricity they

¹⁷ PA Solar Plan, at pg. 25.

¹⁸ <http://pjm.com/-/media/committees-groups/committees/mrc/20180802-special/20180802-comments-of-clean-energy-advocates.ashx> at pg. 2.

¹⁹ PA Solar Plan at pg. xvi.

produce, like other electricity producers.²⁰

4. Tax Incentives

The PA Solar Plan proposes a strategy that evaluates state tax policy and consider exemptions that encourage the development of solar PV systems.²¹ Certain tax policies are also essentially subsidies and can interfere with the competitive market, therefore any tax incentives should be thoughtfully evaluated.

5. Carbon Pricing Program

The PA Solar Plan suggests a proposed strategy to implement a carbon pricing program and invest the proceeds in renewable energy and energy efficiency measures.²² When evaluating a carbon strategy, it is important that any environmental goals be achieved through market-based mechanisms. Entering an existing carbon market (RGGI) or creating a new PA specific one would require legislative action, and if Pennsylvania is concerned about carbon, the best way to address that concern is through a region wide, non-discriminatory market-based construct.

Conclusion

P3 supports competitive generation markets and believes that consumers benefit when generators compete to serve the needs of consumers. In 1996, the Commonwealth declared that competitive electricity markets were in the best interests of consumers and, since that time,

²⁰ PA Solar Plan, at pg. 75.

²¹ PA Solar Plan at pg. xiii.

²² *Id.*

consumers in Pennsylvania have reaped the benefits of historically low power prices, unprecedented reliability, reduced emissions and greater choice.

P3 urges the DEP to remove those aspects of the PA Solar Plan that undermine Pennsylvania's competitive market structure and thoughtfully consider the impact to these markets when reviewing other proposed strategies. The development of solar in Pennsylvania offers enormous potential and opportunity for the Commonwealth provided it is done consistent with the competitive electric generation markets that have served Pennsylvania so well. P3 welcomes the opportunity to work with the DEP to accomplish the goal of promoting solar while preserving the benefits of electric competition for Pennsylvania's homes and businesses.

Respectfully submitted,

On behalf of the PJM Power Providers Group

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