**Testimony of the PJM Power Providers Group**

**Before the Maryland Senate Finance Committee**

**Senate Bill 516 - Oppposed**

**March 5, 2019**

The PJM Power Providers Group (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. Combined, P3 members own more than 84,000 megawatts of generation assets in Maryland and PJM, produce enough power to supply over 20 million homes and employ over 40,000 people.[[1]](#footnote-1)

P3 supports competitive generation markets and believes that consumers benefit when generators compete to serve the needs of consumers. Consumers empowered by choice will drive innovation as they force the market place to respond to their preferences. P3 does not support efforts that mandate that consumers purchase energy from specific technologies. Senate Bill 516, if enacted as currently written, would significant impinge on the ability of Maryland consumers to choose their electric generation while eroding many of the benefits that competitive markets have created for Maryland.

Maryland’s electricity rates are high compared to neighboring states such as Pennsylvania and Virginia. In fact, average retail electricity rates in Maryland were 30% higher than Virginia and 20% higher than Pennsylvania in 2017.[[2]](#footnote-2) Efforts to limit market opportunities for consumers by expanded RPS policies will only further increase costs to consumers and further separate Maryland’s electricity rates from its regional competitors.

For example, Senate Bill 516 would expand Maryland’s Off Shore Wind program at a time when the exorbitant cost of the program is about to arrive on consumer bills. In 2017, the Maryland Public Service Commission, pursuant to Maryland Off Shore Wind Act of 2013, approved two off shore wind projects that combined for 366 MW of capacity at a total cost to ratepayers of nearly $2.1 billion.[[3]](#footnote-3) The Commission, at the time, called its approval a “premium investment” – a spot on understatement.

Contrast the Maryland Off Shore Wind expenditure to a natural gas plant in Pennsylvania that opened in January of 2019. Invenergy began operations on its Lackawanna Energy Center in Jessup, Pennsylvania, which was constructed at a cost of $1.25 billion and capable of producing 1500 MW’s of electricity.[[4]](#footnote-4) When capacity factors are considered, the new plants in PA will produce 5-6 times the amount of electricity for about a quarter of the capital cost. Moreover, the Pennsylvania plant was built with 100% at risk merchant capital, whereas Maryland ratepayers will be paying above market rates for this “premium investment” into 2043.

Senate Bill 516, as written, would require the Public Service Commission to approve 1200 MW of additional offshore wind projects. If current prices hold that would be over $8 billion for what is close to what just was built in Pennsylvania for $1.5 billion. While, in theory, the price for offshore wind should have declined since 2017, offshore wind is still a very expensive proposition when analyzed on a per megawatt basis.[[5]](#footnote-5) Senate Bill could lock Maryland consumers into paying these expensive power prices until 2050 further widening the gap between Maryland energy prices and other mid-Atlantic states. P3 urges the Committee to tread carefully before making such a commitment on behalf of Maryland’s homes and businesses.

Beyond the expanded off shore wind requirement, P3 would urge Maryland to resist calls to further expand the state’s energy mandates and instead allow empowered consumers to force power generators to respond to their desires to purchase alternative energy. Where permitted by state law, communities, homes and businesses across the country are making the decision to purchase 100% renewable power.[[6]](#footnote-6) Power companies are responding to these new consumer desires.[[7]](#footnote-7) Fortunately, Maryland law and policy allows for consumers to decide where they get their power from. Senate Bill 516 would erode that ability.

P3 urges the Committee to reject Senate Bill 516.

1. The comments contained in this filing represent the position of P3 as an organization, but not necessarily the views of any particular member with respect to any issue. For more information on P3, visit www.p3powergroup.com [↑](#footnote-ref-1)
2. http://www.neo.ne.gov/statshtml/204.htm [↑](#footnote-ref-2)
3. https://www.psc.state.md.us/wp-content/uploads/PSC-Awards-ORECs-to-US-Wind-Skipjack.pdf [↑](#footnote-ref-3)
4. https://www.prnewswire.com/news-releases/state-of-the-art-lackawanna-energy-center-goes-online-outside-of-the-electric-city-300778567.html [↑](#footnote-ref-4)
5. Note that the New Jersey Board of Public Utilities recently rejected an offshore wind application due to its high costs, among other things. <https://www.njspotlight.com/stories/18/12/18/state-rejects-atlantic-city-offshore-wind-project-for-third-time-too-pricey/>. Also of note, the Virginia State Corporation Commission recently approved an offshore wind project that it did not consider prudent due, in part, to the high cost of offshore wind relative to other resources such as onshore wind, solar, demand response and new natural gas fired generation. The Commission, however, approved the project citing the “public policy declarations of the General Assembly.” See, http://www.scc.virginia.gov/docketsearch/DOCS/4c%24z01!.PDF [↑](#footnote-ref-5)
6. As an example, <https://www.businesswire.com/news/home/20190227006082/en/3M-Announces-100-Global-Renewable-Electricity-Goal> or <https://philly.curbed.com/2017/6/21/15846138/paris-agreement-philadelphia-climate-change-renewable-energy-clean-power>. [↑](#footnote-ref-6)
7. https://www.nrg.com/about/newsroom/2018/nrg-s-customer-driven-power-pivot--3-things-you-need-to-know.html [↑](#footnote-ref-7)