

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Investigations into Default Service : **Docket No. M-2019-3007101**
And PJM Interconnection, L.L.C. :
Settlement Reforms :

Comments of the PJM Power Providers Group (P3)

The PJM Power Providers Group (“P3”) appreciates the opportunity to submit comments regarding the Pennsylvania Public Utility Commission’s (“PA PUC”) Investigations into Default Service and PJM Interconnection, L.L.C. Settlement Reforms. P3 is a non-profit organization dedicated to promoting properly designed and well-functioning competitive wholesale electricity markets in the 13-state and Washington, DC region served by PJM Interconnection, L.L.C. (“PJM”). Combined P3 members own more than 65,000 megawatts of generation assets in PJM, produce enough power to supply over 16 million homes.¹ P3 member companies are active in Pennsylvania's electricity market and participate in Provider of Last Resort (“POLR”) auctions, serve consumers as competitive suppliers, and own generation assets in the Commonwealth.

In these comments, P3 addresses a few of the issues put forth by the PA PUC in its January 17, 2019 Order on Investigations into Default Service and PJM Interconnection, L.L.C. Settlement Reforms Docket No. M-2019-3007101 (“January 2019 Order:”). In general, while P3

¹ 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 see www.p3powergroup.com

appreciates that improved metering technology has created new opportunities to examine important details of Pennsylvania’s default procurement policies, P3 encourages the Commission, as part of this proceeding, to embark on a broader conversation focused on how the Commonwealth’s default service structure can enhance the power of competitive markets that have served the Commonwealth so well to date.

Pennsylvania Competitive Markets are a Success Story.

As this Commission is aware, Pennsylvania restructured its electricity markets in 1996 following the passage of the Electric Competition and Customer Choice Act (“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.² As the current chair of the Pennsylvania Commission, Gladys Brown Dutrieuille, 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

² 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.

choices and saved money, purchased renewable products and explored innovative new offers and plans.”³ It is critical that this success continue.

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, consumers in Pennsylvania have reaped the benefits of historically low power prices, unprecedented reliability, reduced emissions and greater choice. Moving forward, P3 encourages Pennsylvania to pursue its goals through means that do not undermine the benefits of competitive markets.

Pennsylvania's POLR Policies and Procurements Are Primed to Evolve.

POLR procurements have aided the transition from a regulated state to Pennsylvania's current competitive electricity market. As Pennsylvania's competitive electric market evolves, it is important that Pennsylvania's POLR policy evolves, too. While POLR auctions to date have successfully attracted numerous bidders and the competition for default supply has been robust, this process has known limitations. In particular, the service is limited by selling to only one buyer, the relevant monopoly Electric Distribution Company (“EDC”). While each utility has certain unique aspects in its approach to POLR procurement, all Pennsylvania EDC's have relied on POLR's processes to procure default power for residential consumers – leaving some consumers with the impression that they still receive generation service from their utility.

³ See, http://www.puc.pa.gov/about_puc/press_releases.aspx?ShowPR=3794

Now is an opportune time for the Commission to consider alternative approaches to default service that move away from the utility-centric POLR mode. In 1996, the legislature realized the default service was not the exclusive domain of the EDC and provided a process by which an alternative supplier could petition the Public Utility Commission to provide default service.⁴ To date, no alternative supplier has petitioned the Commission to provide, default service, however, the Commission has never actively promoted the idea of a default supplier other than the utility.

The current process in which the EDC is the sole supplier of default service is worthy of reexamination. Competitive markets are best served when many buyers and many sellers can transact in the market. Seeking ways to enhance competition for default service and expanding opportunities for buyers and sellers will better serve Pennsylvania consumers and the goals of the Choice Act. The Commission should expand this proceeding to include a fundamental review into the default service model and how to best modify its design to support a proper and robust competitive market with specific consideration given to non-utility suppliers providing default service.

Flexibility is Required to Respond to Changing Market Conditions.

A competitive electricity market is, by its nature, dynamic while regulations, by their nature, tend to be static. The Commission should strike an effective balance between providing sufficient direction to the regulated community while retaining the flexibility to respond to a

⁴ See 66 Pa. C.S. § 2803. A “Default service provider” is defined as “An electric distribution company within its certified service territory or an *alternative supplier approved by the commission* that provides generation service to retail electric customers who: (1) contract for electric power, including energy and capacity, and the chosen electric generation supplier does service not supply the; or (2) do not choose an alternative electric generation supplier.” (emphasis added)

changing market. P3 urges the Commission to err on the side of flexibility. In the over twenty years since the passage of the Electric Generation Customer Choice and Competition Act, the Commission has seen firsthand how quickly the market can change. Hurricanes, recessions, terrorist attacks and other global conditions have dramatically impacted Pennsylvania's power markets. The Commission should retain the ability to respond quickly, if necessary, to any unforeseen circumstances.

Accordingly, the Commission should not dictate a specific percentage of default load that should be procured from spot purchases, long term contracts, etc., as the Commission has questioned in the January 2019 Order. Default service regulations in Pennsylvania should not attempt to “guess the market” with a prescribed percentage of purchase of differing lengths. Instead, default service providers and the Commission should allow flexibility to determine a “prudent mix” at the time. A flexible regulatory platform for default service combined with the Commonwealth’s vision of competitive retail opportunities will yield a market structure in which both shopping and non-shopping consumers benefit from competition.

P3 believes that retail rates that reflect wholesale rates will encourage consumers to appropriately respond to market conditions. Consumers have the ability to pursue their own hedging strategy – they should be allowed to do so on their own behalf. If a consumer wants to lock in a long-term supply arrangement for renewable energy or any energy, that consumer can do so and there is no need for the PUC to impose such a condition via the default structure. P3 would discourage the use of the long-term contracts for default service and instead encourage default rates that are designed to mirror current wholesale rates.

P3 Encourages a “Go Slow” Approach to Other Proposed Reforms.

P3 would urge caution in introducing concepts such as “seasonal cost allocators for capacity” or broad changes to wholesale cost allocation at PJM. While P3 does not in any way want to discourage discussion, the organization does not believe there is a sense of urgency that demands quick action and any changes should be approached incrementally. P3 appreciates the opportunity to offer these initial comments and would be happy to participate in any further discussions.

Conclusion

P3 appreciates the opportunity to submit these comments and welcomes the opportunity to work with the PA PUC to accomplish its goals while preserving the benefits of electric competition and wholesale markets for Pennsylvania homes and businesses.

Respectfully submitted,

On behalf of the PJM Power Providers Group

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July 26, 2019