

December 10, 2012

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
P.O. Box 3265
Harrisburg, Pennsylvania 17105-3265

RE: Docket ID No. I-2011-2237952

Dear Secretary Chiavetta:

The PJM Power Providers Group (P3) appreciates the opportunity to submit the attached comments on the Commission's Tentative Order dated November 8, 2012, addressing the end state of default service, resulting from the Commission's pending Investigation of Pennsylvania's Retail Electricity Market Investigation.

Respectfully,

/s/ Glen Thomas

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cc: Office of Competitive Market Oversight Retail Markets Investigation at
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**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

INVESTIGATION OF :
PENNSYLVANIA’S RETAIL : **DOCKET NO. I-2011-2237952**
ELECTRICITY MARKET :

**COMMENTS OF THE PJM POWER PROVIDERS GROUP
TO THE NOVEMBER 8, 2012 TENTATIVE ORDER**

I. Introduction

The PJM Power Providers Group (“P3”)¹ respectfully submits these comments in response to the Pennsylvania Public Utility Commission’s (“Commission”) November 8, 2012 Tentative Order (“Tentative Order”). P3 commends this Commission for its support of competitive wholesale and retail electricity markets, and particularly for initiating this proceeding to enhance electric competition in Pennsylvania. Overall, P3 believes that the recommendations offered in the Tentative Order are consistent with a properly designed and well-functioning market. P3 and its member companies, as

¹ 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 member companies own over 87,000 megawatts of generation assets and over 51,000 miles of transmission lines in the PJM Interconnection, L.L.C. (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 these comments 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, please visit www.p3powergroup.com.

wholesale suppliers in Pennsylvania and the entire PJM footprint, stand ready to support the proposed changes to the market and provide reliable, competitively priced power to the load serving entities in the Commonwealth.

While P3 supports the overall vision presented by Tentative Order to enhance competition in Pennsylvania, Section M of the Tentative Order appears to veer from the Commission's otherwise steady and vocal support for fully competitive markets. P3 offers the following comments on that specific section.

The name and address of the person to be served with communications concerning this submission and matters relating to this docket is:

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II. Comments

In Section M of its Tentative Order the Commission seeks comments regarding the procurement of alternative energy credits ("AECs") to ensure that the Commonwealth's alternative energy portfolio standards ("AEPS") goals are reached. Among the proposals offered by the Commission is procurement for long-term AEC contracts by the default service provider ("DSP") for shopping and non-shopping customers, payable through a non-bypassable mechanism.² The Commission specifically states it believes such a proposal will "help facilitate a successful capacity build-out of AEPS-qualified generation facilities by mitigating long-term cash flow risks for relevant

² Tentative Order at p. 37.

generation owners or financiers.”³ It is this specific proposal and conclusion that P3 opposes. If implemented, the proposal leads to anti-competitive subsidized long-term contracts for uneconomic generation that can be more effectively procured through competitive means. The fact that it is intended to further Pennsylvania’s AEPS goals does not make the proposal any less anti-competitive. Perhaps more importantly, however, is the fact that Pennsylvania does not need the Commission’s help meeting the AEPS goals and this proposal to subsidize renewable generation would actually do more harm than good.

The need for new renewable generation to meet the AEPS goals, particularly ratepayer-subsidized, uneconomic generation, has not been established. In fact, the Commission itself has acknowledged that there is currently an oversupply of Tier I and Tier II AECs to satisfy the AEPS goals through at least the next three years.⁴ There is no evidence in this record, or otherwise, that suggests the competitive market will not work to send proper price signals for energy, capacity and AECs when new renewable generation is needed. Current AEC prices are particularly low because of the excess supply of renewable generation in PJM (evidence that the market is sending proper price signals right now). Those prices will rise as demand increases and eventually support the economic development of renewable generation when it is in fact needed.

Providing subsidies through long-term contracts with guaranteed payments from shopping and non-shopping customers is ill-conceived public policy which ultimately will only hurt Pennsylvania consumers by driving competitive entry away. State-subsidized generation undermines investments in competitively built generation and

³ Tentative Order at p. 37.

⁴ 2011 Annual Report Alternative Energy Portfolio Standards Act of 2004 at p. ii.

sends a strong signal not to invest. Competitive market-based solutions will build new renewable generation in PJM when it is necessary to meet AEPS goals, if they are allowed to work without inappropriate interference from this Commission or any other entity.

P3 has consistently questioned the merits of state-mandated ratepayer support for new electric generation facilities that are unneeded and uneconomic. P3 has been actively involved in legislative and regulatory proceedings in other states, including New Jersey, Maryland, Ohio and Virginia opposing similar policy proposals for anti-competitive development of generation. It has filed testimony at the Federal Energy Regulatory Commission (“FERC”), as has this Commission, in support of PJM rules that mitigate the harm to PJM’s capacity market caused by state’s anti-competitive policies subsidizing unneeded new generation.

In those state proceedings P3 has consistently urged policymakers to look for ways to reduce barriers for consumers who want to realize the benefits of competitive markets as opposed to imposing charges on them for generation that’s not needed. This Commission has been a leader on that front, particularly with the initiation of this proceeding specifically intended to enhance competitive markets. All of the recommendations in the Tentative Order that have been thoughtfully worked through in eighteen months of stakeholder meetings and specifically designed to enhance the competitive market would be undermined by the anti-competitive proposal to subsidize unneeded renewable generation.

P3 urges this Commission to stay the course to move Pennsylvania to a fully competitive retail market, where all forms of generation are driven by competition and consumer choice. Renewable generation already has an advantage over traditional forms of

generation because of the legislatively-mandated AEPS requirements. Allowing the AEC market to function competitively, however, allows all forms of generation to compete against each other on as level a playing field as possible. Interfering with that market will undermine not only non-qualifying AEPS generation, but competitively built renewable generation as well - ultimately making it more difficult to meet the growing AEPS demand in Pennsylvania.

For all the foregoing reasons, P3 urges the Commission not to interfere with the AEC market and continue to allow market forces to send proper price signals to drive the development of renewable generation when needed.