

**PENNSYLVANIA PUBLIC UTILITY COMMISSION**

**Act 129 Energy Efficiency and Conservation Program Phase Two** : **Docket No. M-2012-2289411**  
: **M-2008-2069887**

**Comments of EMC Development Company, Inc**

**INTRODUCTION:**

EMC Development Company, Inc. (“EMC”) is a privately owned, small business which develops and invests in clean energy projects. Over the past two years, we have specifically focused on the energy efficiency sector. During that time we have partnered with 19 energy efficiency contractor companies across Pennsylvania - primarily lighting and mechanical system retrofit contractors to qualify energy efficiency projects as resources in the PJM capacity market. These 19 Pennsylvania companies are small businesses and collectively, employ approximately 500 persons who are involved with the design and installation of energy efficiency projects.

EMC is a member of the PJM Interconnection, LLC and as a member of PJM we have qualified approximately 1,650 energy efficiency (“EE”) projects completed by our Pennsylvania contractor partners as EE resources in the PJM RPM capacity market (“Capacity Auctions”). Bidding capacity in the market is generally only available for large-scale projects; however, working with our local PA partners we aggregate smaller projects to qualify them for participation in Capacity Auctions. We bid those projects into the Capacity Auction and provide a significant portion of the proceeds to the building owner and our EE contractor partners. We provide a cost effective means for Pennsylvania ratepayers who have completed energy efficiency projects to derive value in PJM’s market. We believe that this business model further incents the implementation of additional energy efficiency projects while also creating jobs consistent with the spirit and intent of Act 129.

**EDCs BIDDING EE RESOURCES INTO THE PJM CAPACITY MARKET:**

The Tentative Implementation Order (“Tentative Order”) proposes that electric distribution companies (“EDCs”) bid Energy Efficiency (“EE”) project demand savings into the PJM Capacity market when prudent. EMC opposes EDCs bidding EE capacity into Capacity Auctions because we believe it is not consistent with the spirit of Act 129. As previously stated in the introductory comments, EMC currently participates in the PJM capacity market on behalf of Pennsylvania ratepayers implementing the energy efficient measures. The PJM market is extremely efficient and produces a very competitive market construct. PJM business rules and processes provide a transparent framework for participation in the capacity market. There are many qualified

participants in PJM and if there is an economically viable opportunity to offer in the market then parties will seize this opportunity. There is already substantial participation within the EE sector in Capacity Auctions and there is no evidence to suggest that there is significant qualified EE being “left on the table”. PJM’s most recent Capacity Auction for Delivery Year (“DY”) 2015/2016 resulted in nearly 150% of the amount of MWs of EE resources cleared within the Pennsylvania zones compared to DY 2014/2015 which demonstrates the current market construct is not only working but thriving. Requiring EDCs to participate in Capacity Auctions presents a scenario that could upset an already efficient open market construct that rewards Pennsylvania ratepayers implementing EE projects.

Further, because the PJM RPM capacity market is a forward market, it presents a significant business challenge for small companies like EMC to participate in the market. The costs associated with qualifying and participating EE projects in Capacity Auctions are incurred now for future revenue which can be a challenging business model from a cash flow perspective. Consequently, we have made a significant up-front investment already to qualify EE projects to participate in Capacity Auctions under the premise that we will receive future payments to offset that investment. Any notion of requiring utilities to participate in the Capacity Auctions with Act 129 projects will significantly adversely impact that investment premise and represents a retroactive change to the EE&C Program which does not provide a level playing field for the Pennsylvania small business community, thereby adversely impacting our PA contractor partners and Pennsylvania ratepayers. Again, such an outcome is inconsistent with the spirit and intent of Act 129.

EMC is committed to the long term success of energy efficiency. It is the most environmentally benign source of electrical capacity; and we believe its provider’s (owners and contractors of energy efficiency projects) and other Pennsylvania ratepayers completing EE projects should continue to be incented to provide this most environmentally desirable electrical capacity. Additionally, small businesses have been a vital economic growth engine for Pennsylvania. As a small business, we, along with our more than 20 other small business partners strongly advocate implementation of Phase 2 of Act 129 to continue to fuel economic growth and job creation for Pennsylvania while providing the most environmentally desirable electrical capacity.

### **CONCLUSIONS:**

Pennsylvania is in a great position to ensure more EE projects are completed through the implementation of Phase II of the EE&C Program. The current business case of allowing facility owners and Pennsylvania ratepayers to retain the capacity rights to their EE projects is working as demonstrated by PJM’s most recent Capacity Auction. The notion of treating EE projects different from Demand Response projects done under the same EE&C Program is troubling and

inconsistent. Utilities aren't given blanket rights to the capacity value of Demand Response projects completed under the EE&C Program nor should that be the case with EE projects. Competitive aggregators like EMC need to be able to function without the fear of such game changing regulatory risks so we can continue to provide the benefits to our EE contractor partners, facility owners and Pennsylvania ratepayers derived through PJM's Capacity Auctions.