



**PENNSYLVANIA PUBLIC UTILITY COMMISSION
TECHNICAL CONFERENCE ON RESOURCE ADEQUACY
Docket No. [M-2024-3051988](#)**

COMMENTS OF THE ELECTRIC POWER SUPPLY ASSOCIATION

The Electric Power Supply Association (“EPSA”) appreciates this opportunity to comment on the Pennsylvania Public Utility Commission’s (“PUC”) November 25, 2024 Technical Conference on resource adequacy. Resource adequacy and reliability are of paramount importance to EPSA and its member companies, and EPSA commends the PUC for engaging in a productive dialogue on the critical issues facing both Pennsylvania and the broader PJM region.

EPSA is the national trade association representing leading competitive power suppliers participating in power markets across the United States, including PJM Interconnection LLC (“PJM”), the Regional Transmission Organization (“RTO”) which serves the commonwealth of Pennsylvania.¹ EPSA members provide reliable and competitively priced electricity from environmentally responsible facilities using a diverse mix of fuels and technologies, including natural gas, nuclear, coal, and renewables. Our member companies own, operate, and develop critical assets in Pennsylvania and the PJM Interconnection footprint, including over 24,000 MW of electric power generation located in Pennsylvania and nearly 70,000 MW across the

¹ These comments represent the position of EPSA as an organization, but not necessarily the views of any particular member with respect to any issue.

PJM footprint. Unlike vertically integrated utilities, EPSA's power producers have invested billions of dollars in Pennsylvania and the PJM region at their own risk, without the guaranteed financial support of consumers. These generators are able to do so thanks to the voluntary decisions of Pennsylvania and other PJM states to depend on competitive markets to deliver safe, reliable electricity at the most efficient cost to consumers rather than relying on the cost-of-service regulation model. EPSA members rely on this competitive model to provide power to Pennsylvania customers and invest in the continued maintenance and operation of these resources which support operational, maintenance, and management jobs, local and state tax revenues, and other aspects of the local communities where these assets are located.

A. Competitive Power Markets Have Delivered Enormous Benefits for Pennsylvania

In the years since Pennsylvania restructured its electric system, competitive markets have delivered extraordinary benefits while improving system reliability. In fact, PJM operations, markets, and planning result in annual savings of \$3.2–4 billion for the region.² In addition, market forces yielded significant environmental benefits, with carbon emissions in the PJM footprint dropping 43% since 2005.³ Adding to those benefits, a recent study conducted by FTI found that, from 2013 to 2022, restructured states had more reliable electric service than fully regulated states in nearly every year across multiple reliability metrics.⁴

² PJM Interconnection, *PJM Value Proposition*, (2019), <https://www.pjm.com/-/media/DotCom/about-pjm/pjm-value-proposition.pdf>.

³ PJM Interconnection, *Emission Rates in PJM Reach All-Time Low*, (March 28, 2024). Available at: <https://insidelines.pjm.com/emission-rates-in-pjm-reach-all-time-low/>.

⁴ FTI Consulting, *An Evaluation of Regulated and Restructured Electricity Markets*, (November 2024), pp.26-27.

As the November 25th technical conference made clear, Pennsylvania and the PJM region have entered an era in which large load growth is expected in the near future. This is supported by PJM's recently released *2024 Load Forecast Report*, which doubled its projection of load growth rates compared to the forecast from the prior year.⁵ The North American Electric Reliability Corporation's ("NERC") recently released *Long Term Reliability Assessment* buttresses PJM's findings as well.⁶ It is clear that new generation will be needed to meet demand – and based on these updated projections, far more generation is needed than anticipated in just the last year or two. At the conference, several commenters noted that they are optimistic that new generation will be developed with multiple generation developers stating that they are actively exploring adding additional generation capacity.⁷ Given the rapidly moving dynamics around load growth and the ongoing energy expansion, any new investment in generation is likely to come with substantial risk. To mitigate this risk, regulators and legislators should continue to support competitive electricity markets, which have consistently generated the commitment of billions of dollars of private capital across the PJM footprint, with the associated risk borne by resource developers and operators, not consumers or taxpayers.

⁵ PJM Interconnection, *PJM Load Forecast Report*, (January 2024).

⁶ North American Electric Reliability Corporation, *2024 Long-Term Reliability Assessment*, (December 2024).

⁷ Recording of Technical Conference on Resource Adequacy in Pennsylvania: Session 1, ("Conference Recording: Session 1"), comments of Marji Philips at 29:05.

See also comments of Adrian Ford at 46:30.

Recording of Technical Conference on Resource Adequacy in Pennsylvania: Session 2, ("Conference Recording: Session 2"), comments of Joe Kerecman at 5:25.

As noted by panelist Glen Thomas, markets also tend to be cyclical.⁸ While prices in PJM's last capacity auction were higher than previous levels, they were preceded by a number of years of historically low prices.⁹ Assuming that markets are allowed to work as intended, elevated prices will trigger a wave of new investment in the PJM region, bringing efficient, cost-effective new resources onto the grid. Mr. Thomas also highlighted a critical point in citing several examples of the damaging impact of state out-of-market actions;¹⁰ while such actions may seem like a protective hedge in the immediate term, they often turn into an expensive albatross over the long term. In addition, allowing utilities to get back into constructing and operating rate-based generation could have disastrous impacts for Pennsylvania ratepayers who could be saddled with unnecessary costs from imprudent investments. Pennsylvania is best served by letting markets continue to work and keep the costs associated with investment risks with investors and developers – not with ratepayers or taxpayers.

B. Market Reforms Bring Improvement, But Core Market Elements Should be Retained

As detailed above, while PJM's markets have delivered real and meaningful benefits to Pennsylvania and the broader PJM footprint, EPSA recognizes that challenges expected over the next five to twenty years may require some refinement of PJM's market rules. However, any reform efforts must retain and build on the existing fundamental competitive market structure, including elements like the single clearing

⁸ Recording of Technical Conference on Resource Adequacy in Pennsylvania: Session 3 ("Conference Recording: Session 3"), at 41:35.

⁹ PJM Interconnection, *2025/2026 Base Residual Auction Report*. (July 30, 2024), p. 4. As the chart indicates, the three previous Base Residual Auctions cleared at prices between \$28.92 and \$50.00.

¹⁰ Conference Recording: Session 3, at 43:00. As Mr. Thomas noted, New Jersey entered into contracts with three power plants that, had the program not been deemed unconstitutional, would have resulted in New Jersey ratepayers providing over a billion dollars in additional subsidies to three power plants within the state.

price mechanism that helps ensure energy generators are dispatched economically in order to meet demand, and the “pay for performance” capacity market model. These elements help to facilitate the lowest prices for customers while securing and retaining sufficient resources to meet demand in a clear and effective manner. Outside of these foundational elements, Pennsylvania and other states would be well served to investigate the actions that have hampered the ability of capacity markets to provide accurate signals to energy producers. These actions, which include out-of-market subsidies and other regulatory interventions, have hampered the market’s ability to send sustainable price signals and adequately compensate generators for the resources needed to maintain reliability.

In addition, Pennsylvania should join EPSA in advocating for changes to PJM’s reliability planning parameters and other metrics to accurately reflect the changing resource mix and more frequent extreme weather events. These changes could include adjustments to NERC’s “50/50” standard, which accounts for a 50% probability that actual demand will be higher than the forecast midpoint and a 50% probability that it will be lower.¹¹ Regulatory and policy decisions have allowed intermittent resources to bid into the capacity market with substantially reduced prices that don’t account for their availability or inability to be dispatched during moments of peak demand and extreme weather. Notably, the planning parameters used by system operators have not changed in decades, and thus do not reflect today’s resource mix or weather expectations.

Pennsylvania can also work to ensure that sufficient infrastructure is available to meet peak demand and extreme, long-duration emergencies. In particular, market

¹¹ North American Electric Reliability Corporation, Standard BAL-502-RF-03.

reforms should address pathways to ensure that sufficient dispatchable resources are readily available. Although natural gas is currently the fuel of choice for dispatchable generation, in the future, new technologies could fill this role, and markets should be prepared to adapt without a major overhaul.

C. Permitting and Interconnection Reforms are Critical to New Resource Development

While market reforms can help to expedite new investment and strengthen grid reliability, the hurdles around permitting, siting, and interconnection remain intractable roadblocks to the rapid deployment of new resources. While EPSA continues to advocate for appropriate permitting and siting reform at the federal level, the PUC and other state regulators should continue to create a streamlined regulatory regime in Pennsylvania that will foster the development and construction of new resources and associated energy infrastructure needed to support reliability. In addition, Pennsylvania can continue to work with PJM to optimize its interconnection queue and support PJM's efforts to expedite the interconnection process for critical reliability resources. These and other aforementioned refinements will help to create a stable regulatory environment that will help to spur investment in both Pennsylvania and the broader PJM footprint.

D. Competitive Suppliers are Best Suited to Manage the Growth in Data Centers

A primary driver for the increased forecasts for load growth in the PJM region is the rapid development of energy intensive data centers. As EPSA has recently outlined,¹² the emergence of co-location arrangements is a promising and innovative

¹² Electric Power Supply Association, *EPSA Principles for Data Centers and Co-Location*, (November 5, 2024), <https://epsa.org/epsa-principles-for-data-centers-and-co-location/>.

solution to address this category of customer but requires careful consideration of several policy questions. EPSA's recently released principles on co-location¹³ offer a roadmap to ensure that Pennsylvania and the region support innovative approaches to meet this large source of demand cost-effectively, efficiently, and rapidly – while ensuring that investors, not customers, bear the risks of this shift.

Critically, any new co-location arrangements must preserve open access to the transmission system without impeding competitive markets or reliability. Competitive suppliers are best suited to respond nimbly and efficiently to this new market need and deploy reliable, dispatchable generation resources which are not being fully valued in the regional market due to aspirational policy demands. Competitive suppliers and data center customers can avoid longstanding interconnection queue logjams, socialized utility grid upgrade requirements, and transmission buildout by entering into co-location arrangements directly and should be supported in doing so.

¹³ *Id.*

E. Conclusion

EPSA appreciates the opportunity to weigh in on these critical issues and commends the Commission for convening this proceeding. The PUC should continue these discussions; productive conversations like those at the technical conference benefit all stakeholders and will help to ensure that Pennsylvania and PJM efficiently and effectively meet the challenges ahead.

Respectfully Submitted,



Todd Snitchler, President and CEO
Bill Zuretti, Director, Regulatory Affairs & Counsel
Electric Power Supply Association
1401 New York Avenue, NW, Suite 950
Washington, DC 20005
(202) 628-8200
tsnitchler@epsa.org

Dated: January 9, 2025