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January 9, 2025

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street, 2nd Floor
Harrisburg, PA 17120

VIA ELECTRONIC FILING

RE: Technical Conference on Resource Adequacy in Pennsylvania; Docket No. M-2024-3051988

Dear Secretary Chiavetta:

Attached for filing with the Pennsylvania Public Utility Commission are the Comments of Pennsylvania Energy Consumer Alliance ("PECA") and Industrial Energy Consumers of Pennsylvania ("IECPA") in the above-referenced proceeding.

Sincerely,

A handwritten signature in black ink that reads 'Susan E. Bruce'.

Susan E. Bruce
MCNEES WALLACE & NURICK LLC

Counsel to the Pennsylvania Energy Consumer Alliance

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Technical Conference on Resource Adequacy in Pennsylvania : **Docket No. M-2024-3051988**
:

**COMMENTS OF PENNSYLVANIA ENERGY CONSUMER ALLIANCE AND
INDUSTRIAL ENERGY CONSUMERS OF PENNSYLVANIA**

On November 25, 2024, the Pennsylvania Public Utility Commission ("PUC" or "Commission") convened a Technical Conference regarding resource adequacy. The Technical Conference was comprised of three panels of diverse interests across the energy industry that addressed resource adequacy within the Commonwealth to support daily life and economic growth. A Secretarial Letter was issued on November 15, 2024, establishing a comment period, which the Commission extended to January 9, 2025.

Pennsylvania Energy Consumer Alliance ("PECA"), a coalition of energy-intensive businesses and manufacturers doing business in Pennsylvania, and Industrial Energy Consumers of Pennsylvania ("IECPA"), a trade organization formed in 1982 by large, energy-intensive customers with one or more facilities in the Commonwealth of Pennsylvania (collectively, "Large Consumers"), offer these comments to provide unified high-level considerations for the Commission on the vital resource adequacy question, urge the PUC to adopt a statewide approach to interconnecting large loads that seek service from the Commonwealth's electric distribution and transmission grid, and encourage the PUC to develop an ongoing comprehensive energy strategy.

As the Commission is aware, a confluence of factors, including public policies and economic drivers, has led once healthy reserve margins within the PJM regional transmission organization to shrink. Prices for capacity, the PJM product designed to support resource adequacy, sharply increased in the most recent auction and will result in markedly higher costs

beginning on June 1, 2025, and likely beyond. At the same time, well-documented challenges are occurring for new generation resources being processed through the interconnection queue to respond to the high prices due, at least in part, to public policy incentives favoring development of renewable generation, while headwinds exist for demand resources to respond to the high price signals. While higher prices may be viewed by some as appropriately reflecting market fundamentals, when those higher prices can do nothing to spur a market response, reasonable questions result about whether changes are necessary to advance sound public policy. To add to the complexity of meeting the resource adequacy challenge is the phenomenon of large load growth driven by data center growth to support the modern economy, national security concerns, and electrification.

To be clear, Large Consumers support harnessing the benefits of the economies of scale of a broad, regional market and competition at the whole and retail level and believe that retail choice in Pennsylvania continues to provide concrete benefits to energy-intensive customers as well as the state's economic growth.

1. Large Consumers Have Significant Concerns About Resource Adequacy.

Large Consumers are acutely concerned about ensuring resource adequacy. Large Consumers' members are energy-intensive and trade-exposed businesses that require electricity to produce their products and provide goods and services. As such, not only do Large Consumers require electricity, but the cost of such electricity must be at a level that enables Large Consumers' members to continue to do business – if not expand their operations - within the Commonwealth. However, more fundamentally, adequate resources for reliable electric service are crucial to a well-functioning society. A priority issue for Large Consumers is ensuring grid reliability during the fuel transition as intermittent resources are added to the grid and older thermal resources consider

retirement. Large Consumers support market-based approaches to ensuring reliability, with the risk of generator performance not being shifted to retail customers.

Large Consumers commend the Commission for its inquiry into resource adequacy in the Commonwealth. As part of the PJM RTO footprint, Pennsylvania customers depend on PJM Interconnection, L.L.C., a FERC-regulated public utility, and its market construct and planning function for resource adequacy. That said, Large Consumers believe that Pennsylvania can and should play an essential role in supporting and fostering resource adequacy. To that end, Large Consumers encourage this Commission, along with Pennsylvania, to consider the following:

- Retail choice has significantly benefited large energy users and must be maintained at a minimum for large, energy-intensive customers (*e.g.*, industrial, manufacturing, institutional customers) in Pennsylvania. Any regulatory or legislative changes to address resource adequacy should not impact or shift costs to large commercial or industrial customers taking retail choice service. Maintaining a robust retail choice market to drive innovation and efficiencies is paramount to Large Consumers' members.
- Large Consumers encourage the Commission to lend its voice in support of advancing natural gas industry reform and regulatory oversight to ensure the availability of necessary gas infrastructure to support reliable electric industry and manufacturing operations.
- Bulk power system reliability is within the jurisdiction of FERC and NERC, and Pennsylvania should continue to engage in those forums. Large Consumers' members value Pennsylvania's leadership in supporting policies that benefit customers in the short and long terms.
- Large Consumers continue to embrace harnessing the benefit of competitive forces for the procurement of new, and retention of existing, generation resources that are sufficiently diverse to enable PJM's efficient, cost-effective, and reliable operation of the grid. Large Consumers are concerned that the vast majority of projects in the PJM interconnection queue are not dispatchable.
- Large Consumers encourage a thoughtful review of existing regulatory approval processes to reduce costs and improve timing for independent developers to build new generation. Large Consumers urge the Commonwealth to advance permitting reform to enable new generation and battery projects to come online with all due deliberate speed.
- As many retail customers consider investing in behind-the-meter applications, such as batteries and combined heat and power systems, the Commission should ensure that

the electric distribution companies ("EDCs") are prepared to facilitate customers' demand response engagement, including through clear interconnection rules.

- PJM capacity market rules have changed to allocate more risk to the winter period. While Large Consumers remain concerned with this re-allocation, Large Consumers understand that very little, if any, of this risk is driven by industrial customer demand. Any change to the current customer capacity cost allocation rules that could flow out of this re-allocation should be consistent with cost causation principles. Industrial customers should not be cost burdened by this change in PJM rules.
- Large Consumers support removing barriers that would prevent generators' on-site storage of alternative fuels.
- Any decision to join RGGI or implement a Pennsylvania-specific carbon cost program should be revisited to incorporate the changed conditions of the current and projected resource adequacy challenge.

2. Large Consumers Support a Statewide Approach to Integrate Large Loads Purchasing Power from Grid.

Large Consumers believe it would benefit the Commission to work proactively on a standard set of rules across the jurisdictional EDCs for those large loads that seek to become retail customers. These huge loads, such as data centers and hydrolyzers, are distinguishable from existing large industrial users due to electricity demands generally a quantum factor above conventional industrial applications, and with a demand and price sensitivity profile that does not appear to align with historic large customer patterns. Adequately and efficiently connecting such resources to the grid requires a thoughtful approach. The Commission can and should create additional guardrails for how such new loads are incorporated to the extent that they seek to become retail customers of the Commonwealth's jurisdictional EDCs.

There are different business models for large loads to receive electricity supply, including power purchased from the grid, collocated with a grid-connected generator, and service by on-site generation without the load being synchronized to the grid (*i.e.*, islanded large loads). The Commission has different jurisdictional authority depending on the individual circumstances. However, there is no dispute that a large load synchronized to the grid, receiving service via an

EDC's distribution lines, is subject to the PUC's jurisdiction as a retail customer (referred to herein as a "grid customer"). Large Consumers' focus in these comments is the latter type of large load customer (*i.e.*, the grid customers), and not collocated load or "islanded large loads" that are not synchronized to the grid.

For these "grid customers," the Commission could start by designing a certification process with a shared set of rules across different EDCs. Such a process would create predictable and reliable outcomes, impact the broader PJM market, and set the tone for this new era of load growth. Conversely, authorizing a piecemeal process subject to the nuances of each EDC leaves too much room for uncertainty, both in operation and outcome. Such uncertainty can be avoided with a uniform grid customer onboarding process implemented statewide.

Central to that customer onboarding process should be the confirmation that EDCs have the tools, methods, and personnel to support such growth. These new types of customers create abnormally large load growth and prompt concern around forum shopping. If these new large loads can shop across forums and states, Pennsylvania could invest in significant planning and building for loads that do not materialize. This will inevitably impact residential, commercial, and industrial customers across the Commonwealth and the PJM market. Rather than allowing each EDC to make its own proposal for handling large load integration, the PUC could direct a beginning-to-end process. Part of that process should involve rules of entry.

Uniform registration rules will allow PJM to develop its load forecast better based on the actual footprint of the data centers, not just a prediction. Importantly, such a uniform system of data center registration can coexist with forum shopping as we know it for customers within the state and PJM markets broadly. This system could avoid double-counting long-term load

commitments and instill customer confidence while recognizing Pennsylvania's history of supporting competitive markets.

3. Large Consumers Support Pennsylvania Undertaking a Comprehensive Energy Strategy.

Large Consumers support the Commission initiating a comprehensive energy strategy to identify load forecasts, demand response capabilities, and a supply profile. As discussed, Large Consumers acknowledge that the Commission is vital in identifying ways to minimize impediments to new resource development and retain existing resources that support reliable grid operations. The Commission has a direct role in understanding and rationalizing load growth driven by data center development, industrialization, and electrification, as well as overseeing those jurisdictional investments in necessary energy infrastructure improvements in a way that is mindful of the many competing demands on ratepayer dollars. Large Consumers envision such strategic planning as vital to the Commonwealth maintaining its pivotal role in the nation's energy security and economic vitality.

Central to the issue of resource adequacy remains maintaining customer confidence. Ensuring credible investments requires learning from lessons of the past and understanding how generation, demand resources, and transmission planning fit together. The transmission option is often a "go-to" reaction, but historically, it has not always been the lowest-cost solution for customers. Transmission and supply-side resource adequacy (including DR) must be considered in tandem. Affordability for all customer groups should remain at the forefront. This requires minimizing the risk of Pennsylvania ratepayers shouldering the burden of both transmission costs and the impacts of surrounding states' actions. Cost-causation principles should govern the allocation of costs that emanate from state policy decisions, to the extent feasible. Pennsylvania customers should not bear the cost consequences of other states' energy policy decisions.

Diversification, independent assessments, and shifting the risk of generation development away from customers will all help to facilitate a desirable outcome for customers.

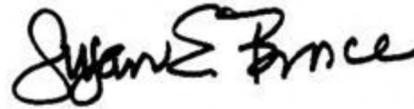
This process may also require a shift in the overall approach to investment. The existing PJM paradigm of "PJM will buy for you what PJM thinks you need" could transition to a more customer-oriented paradigm, centering instead on the principle that "the customer will buy what the customer needs." If large investments are made anticipating significant load growth coming online through data centers, it is essential to ensure customers are not stuck shouldering unnecessary costs. The Commission should ensure that the load will materialize or, if such load does not materialize, bear the cost responsibility for that up-front investment. This, too, supports the creation of uniform rules statewide.

Resource adequacy challenges are not unique to the PJM market and certainly not unique to Pennsylvania. As the market evolves, so will such challenges. With a thoughtful approach, consideration of all stakeholders, and an eye to lessons learned from the past, the Commission can create responsible and forward-looking solutions. With Pennsylvania's restructured electricity market, the tools that the PUC has available now are different than they were 30 years ago and different than what exists in certain other states in the PJM footprint, such as in Virginia and West Virginia. Using the Commission's current tools, Large Consumers perceive opportunities for the PUC to help close this reliability gap, but new tools may be necessary, too. Large Consumers submit that a top-down, uniform, and reasoned approach will allow Pennsylvania to actively participate in this new venture while shielding ratepayers from unwanted costs and consequences.

WHEREFORE, Pennsylvania Energy Consumers Alliance and Industrial Energy Consumers of Pennsylvania respectfully request that the Pennsylvania Public Utility Commission consider the issues addressed in these comments for purposes of its review of resource adequacy in Pennsylvania.

Respectfully submitted,

McNEES WALLACE & NURICK LLC



By _____

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