The PJM Power Providers (P3)

Before the House Economic Matters Committee

Testimony of the PJM Power Providers Group

House Bill 363 - – Clean and Renewable Energy Standard (CARES)

February 28, 2020

The PJM Power Providers Group (P3) respectfully submits these comments on House Bill 363. P3 is a non-profit organization made up of power providers whose mission is to promote properly designed and well-functioning competitive wholesale electricity markets in the 13-state region and the District of Columbia served by PJM Interconnection.[1] Combined, P3 members own more than 65,000 megawatts of generation assets in PJM and produce enough power to supply over 55 million homes. P3 members own generation facilities in Maryland and serve Maryland consumers as competitive retailer providers.

P3 supports the efforts of Maryland and other states to reduce carbon emissions from energy generation, provided the appropriate means are employed to pursue those goals. Specifically, P3 supports market-based and technology-neutral strategies to achieve carbon reductions. Unfortunately, House Bill 363 is not consistent with such an approach and will likely result in Maryland consumers paying more than they otherwise should for carbon reductions.

House Bill 363 unnecessarily limits the technologies that can pave the way for further carbon reductions in Maryland. The legislation, as drafted,

[1] The views expressed in these comments represent the views of P3 the organization and do not necessarily reflect the views of individual P3 members with respect to any issue. For more information on P3: www.p3powergroup.com.

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accepts the current Renewable Portfolio Standards (RPS) requirements as a given and then adds on additional requirements for "clean energy resources." The bill increases the amount of credits that must be derived from "clean and renewable energy resources" through 2040 to 100% with at least 30% of those credits coming specifically from "clean energy resources" and derived in Maryland.

House Bill 363 defines "clean energy resources" as either combined heat and power, nuclear power that commences operations after 2020 or natural gas/biomass with carbon sequestration. The bill also provides a process by which, "other emerging net–zero carbon technologies," could be qualified as "clean energy resources" through commission regulation. While the ability to add technologies to this list of "clean energy resources" is a positive addition, P3 is still troubled that the policy is not technology-neutral and, therefore, closes the door to the most efficient means of achieving carbon reductions.

Technology-neutral means that Maryland should not detail, list or otherwise dictate the resources eligible to provide electricity to consumers. By listing eligible resources, House Bill 363 presumes the most economic technologies available and restricts the possibility of new, more efficient technologies becoming available to meet Maryland's clean and renewable energy goals - even with the PSC process in place to add "net-zero carbon technologies."

A better approach is for Maryland to clearly define its environmental target – in this case, 100% carbon neutral energy by 2040, and allow market forces to determine how best to meet those goals. Maryland can achieve its energy goals through existing market-based constructs, which allows consumers to enjoy the economic and reliability benefits of markets, while still receiving the benefits of the stated environmental goals. Rather than selecting specific resources and carbon reduction methods in statute, Maryland should clearly define the environmental goals, determine the market-consistent, regulatory means to achieve the goals, and then allow the market to determine which resources are best equipped to meet those goals.

Consistent with this market-based approach, P3 strongly believes that the most appropriate means to achieve environmental goals is through environmental regulation. If Maryland is interested in reducing its carbon emissions it should regulate carbon through regulatory tools such as cap and trade or a price on carbon. Such a regulatory construct has worked effectively for other pollutants such as NOx and SOx and it could easily work for carbon as well.

However, if Maryland is committed to mandating the electric generation choices for its citizens, as outlined in House Bill 363, there should, at minimum, be a means for carbon emitting resources to be part of the mix provided their participation is carbon neutral. It is more than likely that some forms of fossil generation will be necessary in order to preserve reliability in Maryland and the PJM footprint. Allowing those resources, a means to participate in the market in a carbon-neutral way, through the purchase of offsets or allowances, will allow Maryland to take some comfort that reliability will be preserved, although likely at a higher cost than necessary.