

Written Testimony of Advanced Energy Management Alliance for the Pennsylvania House Consumer Affairs Committee–May 6, 2019

The Advanced Energy Management Alliance (“AEMA”)¹ thanks Co-Chairs Roae and Matzie and the members of the House Consumer Affairs Committee for the opportunity to submit this written testimony. AEMA is a trade association under Section 501(c)(6) of the Federal tax code whose members include national distributed energy resource (“DER”), demand response (“DR”), and advanced energy management service and technology providers, as well as some of the nation’s largest consumer resources, who support advanced energy management solutions due to the electricity cost savings those solutions provide to their businesses. This testimony represents the opinions of AEMA as an organization rather than those of any individual association members.

AEMA members have a significant presence in Pennsylvania, with approximately 3,900 Pennsylvania businesses, local governments, and institutions participating in the PJM emergency demand response programs, totaling approximately 1,700 MW.²

The Independent Market Monitor reported that the emergency demand response program has saved PJM customers as much as \$11.8 Billion in a single year, while participating Pennsylvania electric customers receive tens of millions of dollars in payments each year.³

¹ For additional information, see AEMA website: <http://aem-alliance.org>

² PJM Demand Side Response Operations, *2019 Demand Response Operations Market Activity Report: April 2019*, at 3, (April 10, 2019), <https://www.pjm.com/-/media/markets-ops/dsr/2019-demand-response-activity-report.ashx?la=en>

³ Monitoring Analytics, *Analysis of the 2013/2014 PJM Base Residual Auction Revised and Updated*, at 52 (September 20, 2010), http://www.monitoringanalytics.com/reports/Reports/2010/Analysis_of_2013_2014_RPM_Base_Residual_Auction_20090920.pdf. Savings vary from year to year, but are consistently in the billions of dollars. For the current delivery year, the PJM Independent Market Monitor reported that demand response saved PJM customers as much as \$3.2 Billion in the Base Residual Auction. Monitoring Analytics, *Analysis of the 2018/2019 PJM Base Residual Auction Revised* (July 5, 2016), http://www.monitoringanalytics.com/reports/Reports/2016/IMM_Analysis_of_the_20182019_RPM_Base_Residual_Auction_20160706.pdf

Moreover, PJM credited demand response with helping to keep the lights on during the Polar Vortex.⁴ AEMA members are proud of their role in strengthening grid reliability and the competitiveness of the Pennsylvania economy.

Currently, PJM demand response requires zero state or federal subsidies to be successful. The success of demand response in Pennsylvania can be attributed to (1) access to the PJM wholesale capacity market, which sends a clear price signal to aggregators of customers to participate; and (2) open competition among aggregators of demand response pushing down the costs in the marketplace and driving more customers to participate.

As drafted, however, HB 11 threatens the continued participation of Pennsylvania customers in the PJM demand response program, and the benefits that every Pennsylvania electric ratepayer realizes from this participation. Instead of allowing the competitive market to thrive, HB 11 subsidizes a specific set of resources with roughly \$500 million/year. Those other resources that do not receive subsidies, including demand response, are disadvantaged. Resources receiving subsidies can offer below their true costs, driving down capacity market clearing prices. Ultimately, this erodes the competitive price signal that has allowed demand response to thrive in Pennsylvania. Indeed, Pennsylvania customers will not only face an additional charge on their bill to pay for the subsidies required in HB 11, but they would also suffer a diminished ability to offset their total energy costs through participation in demand response.

As such, AEMA recommends that the General Assembly not pass HB 11. However, if the Assembly decides to move forward with HB 11, it must take clear and decisive action to protect the ability of these 3,900 Pennsylvania businesses, local governments, and institutions to

⁴ Petition For Rehearing En Banc Of PJM Interconnection, L.L.C., *Electric Power Supply Ass'n v. FERC* at 10-11, No. 11-1486 (D.C. Cir. July 7, 2014).

participate in demand response. AEMA offers itself as a resource to members and their staff on how such legislation could be crafted.

Thank you for this opportunity to submit testimony on this important issue for Pennsylvania consumers and the economy.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Katherine Hamilton". The signature is fluid and cursive, with a long horizontal stroke at the end.

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