

# THE PENNSYLVANIA



ELECTRIC POWER GENERATION ASSOCIATION

# Introduction

- Thank you. This is the first public hearing held on the Alternative Energy Portfolio Standards Act – both before its enactment in 2004 and since it has been in place
- AEPS is a far reaching law that impacts electric prices, the development of other non “preferred” electric generation sources, and the reliable management of the electric grid
- Laws that impact consumers deserve the scrutiny of public policy makers

# Electric Power Generation Association

- PA based statewide trade association representing generators
- Members own and operate every kind of generation, including many different forms of renewable energy
- Members participate in PJM wholesale market:
  - Developed based on least-cost dispatch system
  - Competitive markets produce the best result at most competitive price
- Members do not oppose alternative energy but have consistently opposed efforts that threaten the proper functioning of competitive wholesale markets:
  - New Jersey out-of-market subsidization of gas-fired generation
  - Maryland efforts to subsidize in state generation
  - Expansion of renewable standards that skew market risks and rewards and create “preferred” technologies without respect to cost or need

# House Bill 1580

- House Bill 1580:
  - Designed to further subsidize existing developers, projects and owners, who have seen value of renewable energy credits decline:
    - Increases current demand in law to reflect current supply
    - Restricts marketplace where credits can be purchased to PA only
- EPGA opposes HB 1580 :
  - **Markets must be left to work out supply and demand issues**
  - **Restricting marketplace is not in best interest of consumers**
  - **Jobs argument is overstated**

## House Bill 1580 (cont.)

- **Markets must be left to work out supply and demand issues**
  - Dramatic increase in solar supply is a direct result of the subsidization of solar through federal tax credits and grants, state grants as well as renewable energy credits:
    - PA Sunshine Program and Federal Stimulus Act
    - HB 1580 signals the willingness of state government to financially mitigate market risk for this specific technology over other competitive technologies:
      - After electric restructuring in 1996, the entire generation industry became overbuilt, wholesale prices significantly declined, and generators suffered - including EPGA members - two of which went bankrupt
      - In 2009, wholesale electric prices dropped 45%. EPGA members and their investors had to navigate those difficult market conditions without ratepayer or taxpayer assistance

## House Bill 1580 (cont.)

- **Restricting marketplace not in best interest of consumers**
  - A “PA only” requirement will increase SREC prices and, in turn, consumers’ electric bills
  - In state requirement was debated when AEPS was originally passed and when regulations at PUC were developed – was rejected because such a requirement inflates prices
  - State protectionism is detrimental to developers who need to participate in a broader regional market for long-term profitability and sustainability

## House Bill 1580 (cont.)

- **Jobs argument is overstated**
  - Once a solar PV panel is in place, there's no need for a large number of workers to keep it operational
  - Most "green jobs" studies do not include loss of traditional electric generation jobs through "crowding out" factor
  - There has been no accounting for the impact of higher electricity prices to consumers, particularly commercial and industrial customers
  - Subsidized jobs are not created – *they are funded* – and as soon as the funding runs out, the jobs no longer exist

# Conclusion

- **Markets must be left to work out supply and demand issues**
  - HB 1580 is an attempt to directly intervene in the laws of supply and demand in order to increase current value of SRECs
- **Restricting marketplace is not in best interest of consumers**
  - HB 1580 artificially inflates value of SRECs by restricting marketplace to "PA only," resulting in higher costs to consumers
- **Jobs argument is overstated**
  - HB 1580 fails to account for economic impact of higher electricity prices and displacement of other more cost-effective generation

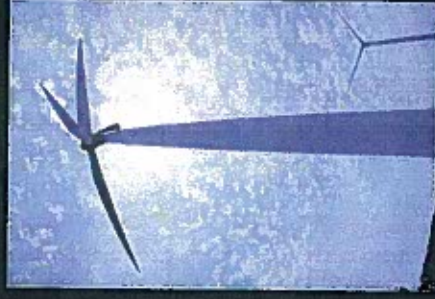
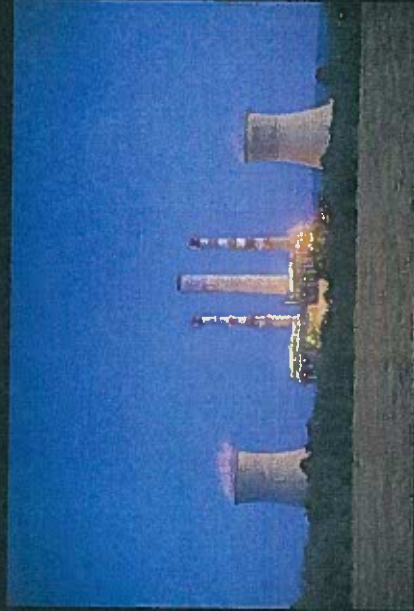
# Thank You

- EPGA appreciates the opportunity to express our views on HB 1580
- We believe PA can be a “powerhouse” of electric generation without unnecessary intrusion into the competitive markets – all generation is important to the growth the industry
- We encourage a continued and respectful dialogue on the impacts of AEPS

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*WORKING TO POWER PENNSYLVANIA'S FUTURE*



Douglas L. Biden, President



Jacob G. Smeltz, Vice President