

Pennsylvania Senate Democratic Policy Committee

Thursday, January 23, 2025

**Written Testimony submitted by
Industrial Energy Consumers of Pennsylvania**

Chairman Nick Miller and Members of the Senate Democratic Policy Committee, members of the 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 Committee regarding addressing energy reliability and costs for consumers.

Last week, IECPA in conjunction with the Pennsylvania Energy Consumer Alliance (“PECA”) submitted a comprehensive filing to the Public Utility Commission (PUC) to offer solutions for addressing resource adequacy. Since this Committee is also examining the same concern at this hearing, this testimony highlights key points shared in that joint filing, which is attached. The three main points for the Commonwealth to address are:

1. Specific considerations when addressing resource adequacy.
2. The adoption of a statewide approach to interconnecting large loads.
3. The development of an ongoing comprehensive energy strategy.

Large Consumers Have Significant Concerns About Resource Adequacy.

Large Consumers require electricity to produce their products and so they are deeply concerned about both electricity supply reliability and cost competitive supply. As a matter of fact, Large Consumers require so much energy that small changes in the price of electricity translate

into large changes in costs. This is why Large Consumers have also been focused on putting energy efficient measure into place to reduce their energy consumption and carbon emissions.

Large Consumers appreciate the Committees interest, early in the session, to examine ways to guarantee energy reliability for all consumers. To that end, Large Consumers encourage Pennsylvania lawmakers, 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 support for 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 concerns 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.

Statewide Approach to Integrate Large Loads Purchasing

The Large Consumers filing advocates for a statewide approach to integrate large loads purchasing power from the grid. This approach would include a standard set of rules across the jurisdictional Electric Distribution Companies (EDC) for those large loads that seek to become retail customers, such as data centers and hydrolyzer. As noted in the filing, these huge loads 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. Connecting such resources to the grid adequately and efficiently requires a thoughtful approach. The rules should include entry criteria and a uniform grid customer onboarding process implemented statewide to set the tone for this new era of load growth. More details on the reasons for these rules can be found in the attached filing.

Implementing uniform registration rules for data centers will provide PJM with necessary accurate load forecasting rather than predictions. This uniform system can coexist with forum shopping, allowing customers within the state to maintain their flexibility to shop for electricity.

Large Consumers Support Pennsylvania Undertaking a Comprehensive Energy Strategy.

In our filing with the PUC, Large Consumers support the Commission initiating a comprehensive energy strategy to identify load forecasts, demand response capabilities, and a supply profile. The PUC 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.

Paramount to energy reliability and resource adequacy is maintaining customer confidence and this requires:

1. **Cost allocation:** It's essential that Pennsylvania customers are not burdened by the energy policies of other states. Cost-causation principles should be strictly followed to ensure that the financial impacts of state policies and decisions are allocated fairly.
2. **Risk Management:** Diversification, independent assessments, and shifting the risk of generation development away from customers will all help to facilitate a desirable outcome for customers.
3. **Investment Approach:** A shift in the overall approach to investment. When making large investments, especially of significant load growth (like data centers), it is vital to protect customers from shouldering unnecessary costs. Establishing uniform statewide rules can ensure that if expected load does not materialize, the up-front investment costs are managed, in such a way that consumers are not bearing that ultimate costs in out years.

Large Consumers appreciate the Senate Democratic Policy Committee's interest in holding this hearing to learn from consumers of the possible ways to address energy reliability and manage costs for consumers. We stand ready to assist the members to improve the energy landscape in the Commonwealth. For further information or to answer any questions, please contact Rod Williamson, Executive Director of the Industrial Energy Consumers of Pennsylvania, and on behalf of the Pennsylvania Energy Consumer Alliance, at rwilliamson@clarkhill.