



File OVEC

June 15, 2017

Hon. William Seitz
The Ohio House of Representatives Public Utilities Committee
77 S. High St
13th Floor
Columbus, OH 43215

RE: Harmonizing State Public Policy Objectives with Wholesale Electricity Markets

Dear Chairman Seitz,

Thank you for the productive June 7th conversation discussing HB 239. That bill, co-sponsored by Representatives Carfagna and Smith, is under consideration in the Ohio House Public Utilities Committee.

PJM appreciates you explaining the factors motivating the legislature's efforts around HB 239. It is clear that the Ohio policy motivating this bill is materially different than the policy underpinning other electricity bills pending before the legislature. We better understand the uniqueness of the OVEC unit ownership and power purchase agreements with utilities in Ohio and other neighboring states. PJM does not intend to oppose the proposed legislation but we believe our markets may need to accommodate this policy.

Some bill supporters have stated their explicit belief that, despite merchant affiliates owning a significant share of the units, no impacts to the wholesale market could occur as the result of HB 239. However, PJM believes that just as is the case with any supplemental payment to resources that would otherwise be uneconomic, there is potential for market impacts. The bill therefore underscores the importance of our on-going initiatives to accommodate public policy inside the wholesale market design.

As discussed during our conversation, PJM has proposed a mechanism – the Capacity Market Repricing Proposal – to assure that the investment signal sent by the capacity market continues to ensure reliability for the region. The proposal intends to ensure competitive market prices and the resulting investment signal's ability to assure long term resource adequacy. Likewise, the proposal intends to absorb the state policy into the market without frustrating the policy goals.

In the coming days PJM will reach out to the Ohio Public Utilities Commission and the Ohio Governor's Office to share our thinking about how the PJM markets could accommodate state public policies. We look forward to continuing to work with the General Assembly as you consider the evolution of energy policy in the State of Ohio.

Sincerely,

Kerry Stroup

cc: Representative Rick Carfagna; Representative Ryan Smith