

Chairman Fred Upton
Energy Subcommittee, House Energy and Commerce Committee
2125 Rayburn House Office Building
Washington, DC 20515

Dear Chairman Upton,

Thank you for your question regarding our thoughts on technology-neutral policy at the federal and state level. Please note that Arvin Ganesan is no longer with Advanced Energy Economy. As AEE's Head of Congressional Affairs, I will answer the question addressed to him. For reference, I have included your question below.

1. You testified that electricity policy at the Federal level should be technology-neutral. However, you are aware that several of the RTO and ISO markets are currently considering market changes to accommodate certain State policies that favor specific types of generating resources. What are your thoughts on this issue?

As stated in AEE's written and oral testimony to the Committee, we believe that the federal government should encourage technology-neutral markets. Markets that allow for competition between all technologies benefit both the grid and consumers by allowing all energy resources to provide valuable grid services based on price and performance, rather than by characteristics of any particular resource. Markets should value resources based on what they provide, not what fuel or technology they utilize. Policies, such as the Department of Energy's proposed rulemaking on grid resilience, written to favor one or two resource types based on arbitrary characteristics, like on-site fuel supply, should be opposed by Congress and rejected by the Federal Energy Regulation Commission (FERC).

We are aware of RTO and ISO markets that are considering market rule changes to accommodate certain state policies. First, we support a state's right to enact policies within its lawful authority. While we do not always agree with a particular policy, we do believe that a state has the right to enact policies within their traditional authorities, including with respect to generation resources used to serve customers and the environmental impacts of energy production. Second, we generally support efforts by RTOs and ISOs to reform their markets to address the rapid transformation of the energy system, namely increased usage of advanced energy resources, including demand response, natural gas, wind, solar, and storage, among others. We strongly support efforts by RTOs/ISOs and FERC that seek to reduce market barriers to advanced energy resources, such as energy storage and aggregated distributed energy resources.

Any market rule changes proposed by an RTO/ISO to address changing conditions on the grid should not preclude technologies from competing to provide a grid service. For example, in response to the Polar Vortex, PJM enacted a "Capacity Performance" market construct that essentially requires *all* capacity resources to be available on a continuous basis year-round (or face potentially significant non-performance penalties). While we applaud the efforts of PJM and other RTOs to continually address risks to grid reliability, this rule effectively precludes many

advanced energy resources, particularly seasonal demand response resources, from participating in the PJM market and providing reliability benefits to the grid. Ironically, demand response was relied upon by PJM during the Polar Vortex to maintain reliable service and was credited – along with wind energy – with keeping the lights on.

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