

**BEFORE THE
PUBLIC UTILITIES COMMITTEE
OF THE OHIO HOUSE OF REPRESENTATIVES**

REP. PETER STAUTBERG, CHAIRMAN

**TESTIMONY
OF
OHIO MANUFACTURERS' ASSOCIATION
BY**

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Chairman Stautberg, Vice Chair Roegner, Ranking Minority Member Williams, and members of the Committee:

I thank you for the opportunity to testify today on behalf of The Ohio Manufacturers' Association (OMA).

In addition to working with OMA as a technical consultant, I am also the CEO of Go Sustainable Energy, an independent energy-efficiency consulting firm. I have a Masters' Degree in Mechanical Engineering with a concentration in thermo and fluid dynamics from the University of Dayton. I am a licensed Professional Engineer in Ohio, and a pumping systems' energy expert for the US Department of Energy.

It is my opinion that SB 310 creates an uneven playing field for manufacturers in regards to energy efficiency, and most alarmingly it reduces price-reducing competitive resources in wholesale electricity markets.

In my testimony, I focus on the following topics:

1. Does SB 310 provide an even playing field for large Ohio manufacturers?
2. Does SB 310 encourage competition in wholesale electric markets?
3. Do definition changes to "efficiency" under SB 310 deliver value to Ohio manufacturers?
4. Do future electricity prices warrant reducing or eliminating energy-efficiency in Ohio?

1. Does SB 310 provide an even playing field for large Ohio manufacturers?

No. SB 310 creates the ability for large electricity users to "opt-out" of the efficiency program costs, and incentives. However, the opt-out provision may not be consistently applied throughout the state. For the next two years, only where utilities file an amended efficiency plan would large manufacturers be able to opt-out. Utilities which decide to extend their already approved plans would have no opt-out available to large manufacturers. Thus, in the next two years SB 310 would create an industrial opt-out, but one applied perhaps unevenly at the utilities' sole discretion.

2. Do changes to the definition of “efficiency” under SB 310 deliver value to Ohio manufacturers?

No. Instead, they could unwittingly create unprecedented costs. For example, under SB 310, energy savings that result from federal appliance standards and building codes would count toward utility compliance with their efficiency benchmarks. Savings from these federal standards already occur with no influence of utility efficiency programs.

With this provision, utilities could meet their annual benchmark requirement with little effort. In doing so, they would provide no value to ratepayers, but they would not be precluded from taking profit. This would create unprecedented costs to consumers.

Put another way, this provision would allow utilities to count “savings”, and take profit, from even the least efficient choice a consumer can make for most appliances.

3. Does SB 310 encourage competition in wholesale electric markets?

No. Wholesale electricity prices are set in structured markets and auctions operated by the Pennsylvania-Jersey-Maryland (PJM) Regional Transmission Organization (RTO). To maintain system reliability, PJM counts several types of capacity resources while also planning transmission:

- Traditional generation – Coal and gas fired power plants, nuclear plants
- Renewable and advanced energy generation – Wind, solar, hydropower, fuel cells
- Demand response
- Energy efficiency

PJM considers capacity from energy efficiency equal to that of any other resource for purposes of the capacity auctions and transmission planning. In fact, these resources compete against each other to the benefit of consumers. PJM states that their model has “...reduced costs by fostering competition.” PJM also gives energy efficiency special mention in presentations, stating that the market has produced a

“generally level playing field [that] has reduced costs by attracting investments in low-cost supplies from demand response, efficiency and uprates.”¹

By eliminating or reducing energy-efficiency programs, SB 310 takes away an important capacity resource which consumers use to minimize increasing prices in the wholesale electric markets.

4. Do future electricity prices in Ohio warrant increased attention to efficiency?

Yes. Wholesale electricity prices in the capacity and energy markets have recently undergone volatile spikes. Consider the following: Ohio ratepayers in FirstEnergy territories are facing dramatic increases in electricity costs, as wholesale capacity costs increase from today’s \$27.73 /MW-day to \$357 /MW-day beginning in June of next year – over a 10-fold increase. This high increase could have been partially avoided, and efficiency program costs significantly reduced, if FirstEnergy had bid the capacity reduction from their efficiency programs into the PJM market. At their sole discretion, they did not. This could cost their ratepayers hundreds of millions of dollars.

For these reasons, SB 310 significantly worsens the ability of consumers to provide a check to increasing electricity prices in competitive markets, reducing consumer market participation in favor of utility’s sole discretion.

PJM’s chief economist, Dr. Paul Sotkiewicz wrote:

“[The] Capacity Market monetizes the value of demand response and energy efficiency...[the] value in the energy market is in the form of avoided energy costs.”²

Thank you for your time today, and I am happy to answer any questions.

¹ Slide 11, http://www.aiso.com/Documents/Presentation-AndyOtt_PJM.pdf

² “Demand Response Opportunities Facilitated by Smart Grid Technologies in PJM”, Paul Sotkiewicz, Ph.D.