# Testimony to the Pennsylvania Senate Environmental Resources & Energy and Consumer Protection & Professional Licensure Committees

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Chairmen Yaw, Stefano, Chairwomen Comitta, Boscola and members of the Senate Environmental Resources & Energy and Consumer Protection & Professional Licensure Committees, thank you for providing me with an opportunity to testify before you today. My name is Adrien Ford, and I am the Wholesale Market Development Director focused on PJM for Constellation Energy. Constellation is the nation's largest producer of reliable, clean, carbon-free electricity and a leading supplier of energy products and services, including sustainable energy solutions to millions of homes, institutional customers, the public sector, community aggregations and businesses, including three fourths of Fortune 100. Here in Pennsylvania Constellation operates four nuclear reactors at two sites, Peach Bottom in York County and Limerick in Montgomery County, and we are currently working to restart TMI Unit 1 as the Crane Clean Energy Center in Dauphin County. In addition to our nuclear assets, we are also proud to operate the Muddy Run Pumped Hydro Station in Lancaster County and nearly 1 GW total of smaller combustion turbines in the Commonwealth. Constellation has more than 2,500 employees in Pennsylvania and provides over $88 million in state and local taxes.

Electricity is essential to modern life, and ensuring reliability and affordability is crucial. Pennsylvania, with its large, diverse generation fleet, is in a strong position compared to other PJM member states. Pennsylvania is the third-largest producer of electricity in the U.S.,[1] regularly exceeding its power consumption and acting as a net exporter.[2] We at Constellation are proud to be a part of Pennsylvania's diverse fleet of power producers and are actively engaged in increasing our output to meet the grid's growing demand, including the notable investment in Constellation's Crane Clean Energy Center in Londonderry Township.

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[1] U.S. EIA, *Electric Power Annual*, Table 3.7 (Utility Scale Facility Net Generation), https://www.eia.gov/electricity/annual/table.php?t=epa_03_07.html.

[2] U.S. EIA, *State Electricity Profiles 2023*, https://www.eia.gov/electricity/state/; PJM, *2023 Pennsylvania State Infrastructure Report*, at 24 (June 2024), https://www.pjm.com/-/media/DotCom/library/reports-notices/state-specific-reports/2023/pennsylvania.pdf (depicting net energy import/export trend).

Our primary message today is competitive markets are working. PJM's wholesale markets incentivize the development of new resources and the retention of existing ones through competitive price signals. These markets have been successful at attracting new, privately financed investment in generation, shifting the risk inherent in large-scale projects to private capital rather than captive ratepayers. And the markets have delivered reliable service despite resource retirements, severe weather, load growth, and other challenges. PJM has consistently delivered robust resource reserve margins, including an 18.5% reserve margin for the 2025/2026 delivery year.[3]

Many have expressed concern about higher prices in the most recent capacity auction in PJM. But the higher prices in the last auction do not mean PJM's capacity market is broken or structural changes to resource adequacy are needed. Constellation respectfully encourages all parties to zoom out from this single auction to consider the bigger picture.

The capacity market previously cleared at historic lows, sending an unmistakable signal for resources to exit the market rather than expanding. It is understandable states and consumers were not complaining about prices being too low to incent generation. But now the supply/demand fundamentals have changed, and it is clear we need to retain and expand resources instead of retiring them, it should come as no surprise that capacity market outcomes have reversed. This is the way the capacity market – and indeed any market – is designed to operate. Recent capacity prices reflect tightening supply/demand fundamentals after many years of an over-supplied market, and these price signals attract the necessary investment to meet demand.

It is also important to keep in mind that capacity makes up only a small portion of customer bills for electric generation, and focusing solely on capacity market costs presents an incomplete picture of what consumers actually pay over time. When factoring in energy and ancillary service costs, the overall cost for generation in PJM has remained stable and has even seen a decrease in recent years. When adjusted for inflation, the all-in prices for energy and capacity for the delivery year 2025/2026 are expected to be lower than they were 15 years ago and align with the generation costs observed over the past 15 years.[4]

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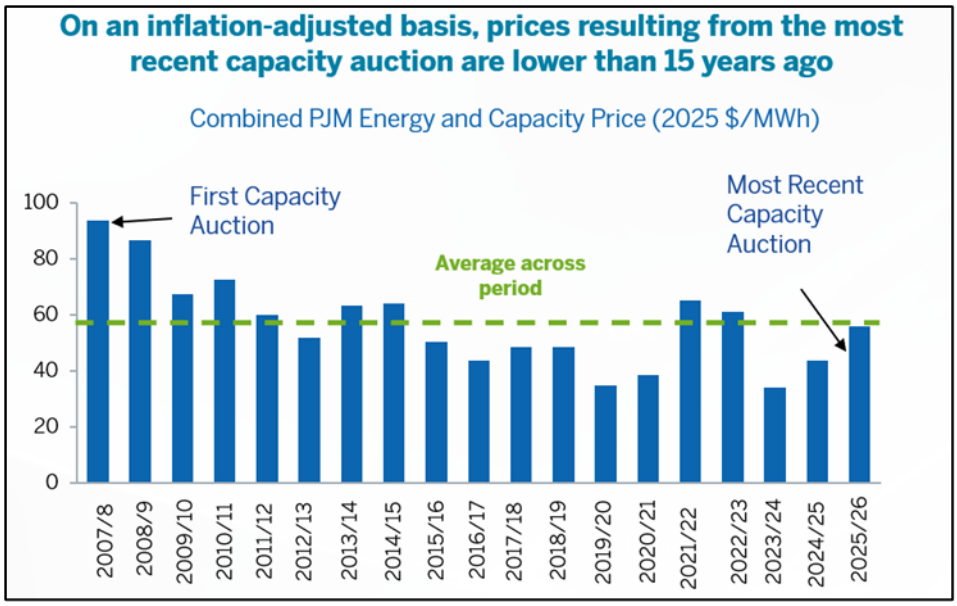
[3] PJM, *2025/2026 Base Residual Auction Report* at 4 (July 30, 2024), https://www.pjm.com/-/media/DotCom/markets-ops/rpm/rpm-auction-info/2025-2026/2025-2026-base-residual-auction-report.ashx.

[4] Energy prices based on day-ahead annual average prices reported by PJM with 2024/25 and 2025/26 based on forward energy prices. Capacity prices based on average price resulting from Reliability Pricing Model auctions. Inflation adjustment using GPD deflator, with 2.5% inflation assumed for 2024-26.




Concerns have been raised about the slow pace of interconnecting new generation. PJM has made substantial progress in clearing its queue: 48 GWs have completed studies and can move forward to construction when ready, and 98 GWs of speculative projects (without financing or site control) have exited the queue. PJM expects to be back on schedule processing interconnection requests within a year.

PJM has also taken steps to spur the development of highly reliable resources through the "Reliability Resource Initiative" (RRI), a one-time opportunity for shovel-ready resources to receive expedited interconnection and ensure continued grid reliability. PJM recently selected 51 projects representing a combined 12,085 MW of installed capacity for expedited interconnection, including over 1,200 MW in the Commonwealth.[5] This total includes the Crane Clean Energy Center, enabling Constellation to restart the project faster and bringing almost 1 GW of new nuclear capacity to the Commonwealth ahead of schedule.

Speaking of Crane, we are well underway in our $1.6 billion investment to return the former Three Mile Island Unit 1 and its 835 MWs of clean, firm, reliable energy to the grid. The project is creating more than 3,400 jobs including 650+ permanent jobs at the plant. In addition to the improved grid reliability and significant job opportunities, once

[5] PJM, Reliability Resource Initiative Additional Summaries, *available at* 20250506-rri-addendum---post-meeting.pdf

completed, the Crane Clean Energy Center will add $16 billion in state GDP and $3.5 billion of estimated state and local tax revenues over the next twenty years.[6]

Constellation encourages the legislature to use a fact-based and market-driven approach as it considers how to address concerns over reliability and affordability. The markets are already responding to the call for needed new generation, and we encourage the legislature to support market consistency and certainty. If the Commonwealth is concerned about customer exposure to price volatility, it can direct its utilities to hedge market risk through long-term purchase agreements with available generation. This could be accomplished through technology-neutral competitive procurements locking in delivered power prices to stabilize costs for consumers as the market undergoes this period of transition from retirement to expansion.

As load growth accelerates in the coming years, maintaining current nuclear generation and investing in new technologies will be vital for price stability and resource adequacy. Long-term, market-based contracts can ensure the Commonwealth's nuclear resources remain in operation for decades to come and potentially expand through uprates where technically and economically feasible. In terms of new technologies, Constellation encourages Pennsylvania to follow the lead of states like Texas[7] and New York[8] in the pursuit of advanced nuclear technologies. Cooperation among states, including Pennsylvania, the federal government, and private sector partners, will be needed to resolve some of the challenges facing new nuclear projects.

In sum, rather than taking drastic measures that could undermine functioning markets, it is important the Legislature review and understand the data over time, and consider steps that will achieve complementary state goals in both the near- and long-term: preserving and expanding sources of clean, reliable energy without interfering with well-functioning competitive markets. Constellation stands ready to work with the Commonwealth as we collectively explore these opportunities.

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[6] Brattle, Economic Impacts of Establishing the Crane Clean Energy Center, https://www.pabuildingtrades.org/ULWSiteResources/pabctc/Resources/file/News-Events/CCEC/CCEC-Brattle-Report-Complete.pdf (2024).

[7] *See, e.g.*, Public Utility Commission of Texas, Case 55421-5 (establishing the Texas Advanced Nuclear Reactor Working Group, as directed by Texas Governor Abbott).

[8] N.Y. State Energy Research and Dev. Auth., *Draft Blueprint for Consideration of Advanced Nuclear Technologies* at 3 (2024), https://www.nyserda.ny.gov/-/media/Project/Nyserda/Files/ny/Draft-Blueprint-for-Consideration-of-Advanced-Nuclear-Technologies.pdf.