
MEMORANDUM

TO South Carolina Electricity Market Reform Measures Study Committee
FROM Jimmy Bagley, PMPA
SUBJECT **EMRM Initial Comments**
DATE July 6, 2022

As requested by the Advisory Board, we are providing a template that contains questions to help you develop your written communication with the Study Committee. However, please feel free to structure your written feedback in whatever way you would like.

1. Do you have initial thoughts or opinions about the various market reform options listed in Act 187?

The Brattle Group and Study Committee should consider and review reforms that demonstrate savings for all rate classes. We truly expect the best values would be a wholesale market. Organized wholesale markets or joint dispatch processes have the best chance of providing such successful opportunities. This study must consider all possible costs associated with the market's operations and must address future transmission and management costs. A wholesale market will need to be a regional market to provide true savings.

2. Are there other market reform options, not listed in Act 187, which your organization believes the Study Committee should consider?

No.

3. What does your organization see as the potential benefits of market reform?

Wholesale markets can provide cost savings to utilities and customers; however, in the process, reliability must be maintained while identifying additional transmission costs such that all market costs are transparent. A market contained solely within a state's boarder may create reliability concerns and likely additional costs.

4. What does your organization see as the potential costs or risks of market reform?

The costs to operate a market can be large and future transmission costs may be hard to project. Market reform can also reduce local control of resource planning. This loss of planning oversight should not occur.

5. What are the most important issues or concerns your organization when considering market reform?

Any reform should not increase our overall cost and must not reduce local control nor reliability.

6. Is there anything else you want to communicate to the Study Committee?

We see a value of giving the SEEM market an opportunity to grow and develop. In addition, market reform should start small and be developed thru proven successful operations, such as growing with SEEMS. Any path forward must not reduce the current local and state processes for resource planning. Any future market reform must create an acceptable market governance structure that gives all parties equal voice and opportunities.

MEMORANDUM

TO South Carolina Electricity Market Reform Measures Study Committee
FROM Lee Xanthakos
SUBJECT **Dominion Energy, Director – Electric Transmission**
DATE July 6, 2021

As requested by the Advisory Board, we are providing a template that contains questions to help you develop your written communication with the Study Committee. However, please feel free to structure your written feedback in whatever way you would like.

1. Do you have initial thoughts or opinions about the various market reform options listed in Act 187?

“Spectrum” is a term often used to describe the variety of markets that currently exist in the US, and I believe this characterization accurately describes the variety of study options set forth in the Act. Some of the options, like Energy Imbalance and JDA, are lower risk and realistic improvements that could be implemented should the study analysis show benefits. Other options, like joining an RTO or forming an SC RTO, are not realistic for South Carolina given the geographically large and multistate nature of RTOs. The remaining options (regulatory framework & other beneficial changes) are nebulous and non-specific, and the option to study redesign of the distribution operator role is an unfamiliar concept. Lastly, the options of divestiture and retail choice are the most extreme and concerning given the past chaos we have seen in California and Texas.

2. Are there other market reform options, not listed in Act 187, which your organization believes the Study Committee should consider?

DESC believes the study should further evaluate the newly formed Southeast Energy Exchange Market (SEEM) and how its possible future evolution could benefit SC. Duke, DESC, Central, and Santee Cooper are already participants in SEEM and expect to see benefits, when the market goes live in late 2022, that will be passed on to customers. SEEM is not exclusive and allows any load or generator to participate if they

have the technical ability to do so. This is a low hurdle capability that virtually all independent generators and market participants either have or can easily acquire. We believe the study should consider the potential benefits to SC if SEEM evolves into an EIM. This option is far better than creating an SC only EIM because SEEM is substantially more diverse in generation and geography.

3. What does your organization see as the potential benefits of market reform?

Answer combined with question 4.

4. What does your organization see as the potential costs or risks of market reform?

DESC is focused on our commitment and obligation to deliver safe, reliable and affordable electricity to all customers in South Carolina. Changes to the existing model should only be considered if improvements to cost and reliability are achievable.

Reliability – As Brattle has demonstrated, market choice has little impact on overall system reliability as most outages occur at the distribution service level and are not due to issues with transmission or generation. DESC agrees this assessment is accurate when measured over long periods; however, DESC recognizes market choice can have significant short-term impacts on customer service during extreme situations. The markets could not prevent wildfires, price spikes, or outages and even fatalities in California and Texas last year. The market in MISO has not prevented forecasted shortfalls later this summer due to capacity shortages. In fact, these markets can cause harm when existing and functioning reliability and capacity incentives are replaced with concepts that “should” work theoretically. DESC is concerned that broad and generalized analysis will gloss over very real risks that affect customer service at the granular operating levels.

Cost – DESC believes most studies overestimate the benefit and underestimate the costs of market reforms. Assumptions on benefits are usually academic and optimistic, while assumptions related to cost are incomplete and underestimated. This is a reality that DESC has observed in other studies (including ones that it has conducted on its own).

Making smaller, incremental changes over a longer period can help mitigate both reliability and cost risks; yet making reactionary, sweeping changes unnecessarily exacerbate risk and can be difficult to reverse.

5. What are the most important issues or concerns your organization when considering market reform?

The risk of making a well-intentioned change that results in limited benefits while exposing customers to potential cost and reliability issues repeatedly demonstrated in other parts of the country is a primary concern for DESC. All RTOs, without exception, constantly tweak and change their rules to mitigate flaws that are discovered after the market is established. RTOs compensate with Market Monitors; however, the existence of Market Monitors demonstrates the constant care and oversight required to function properly.

DESC is concerned with potentially turning over responsibility to operating entities and regulators that are not in South Carolina. Today, DESC regulators and system operators make decisions on South Carolina's best course of action. That is not the case with federally regulated RTOs and Markets, nor is it the case with system operators that could likely reside in Indiana or Pennsylvania.

Lastly, the inability to participate in a market like SEEM is concerning. Should South Carolina adopt a market reform that prevents membership in SEEM, like an RTO, DESC would not be able to realize any of the benefits expected from participation in SEEM.

6. Is there anything else you want to communicate to the Study Committee?

DESC recognizes the various market complexities before the Committee and the difficult task before Brattle in studying the proposed reforms. DESC believes resources and efforts should focus on the realistic options within the Act that are incremental improvements to existing processes. The more radical, unrealistic options should be avoided or saved for a later date. For example, we know that SEEM exists and can be improved. We also know that a JDA can be set up with relative ease and low cost should an analysis show it to be beneficial. At the same time, we know that other options such as RTOs are far more complex and require broader adoption by neighboring states. We also know that a single state RTO for SC cannot have the scope necessary to create efficiency.

If executed poorly, several of the study options, like a state RTO, a distant RTO or divestiture, could introduce risks that do not exist today and lead SC into unforeseen reliability or capacity consequences similar to Texas or California.

MEMORANDUM

TO South Carolina Electricity Market Reform Measures Study Committee
FROM AARP South Carolina
SUBJECT RTO Comments
DATE July 6, 2022

As requested by the Advisory Board, we are providing a template that contains questions to help you develop your written communication with the Study Committee. However, please feel free to structure your written feedback in whatever way you would like.

1. Do you have initial thoughts or opinions about the various market reform options listed in Act 187?

Yes. See our attached list of concerns. We feel Act 187 has been made moot by the development of the Southeast Exchange Energy Market (SEEM). South Carolina should let the SEEM develop and, if it provides benefits, could eventually grow into a full-blown Energy Imbalance Market or an RTO.

Further, Brattle's over-reliance on modeling is not productive. What is needed is a frank assessment of the full benefits and costs of RTO membership as well as an analysis of the lessons learned in the last 22 years since RTOs started. This includes the recent power shortages in MISO, ERCOT, and CAL ISO. Decentralized resource adequacy and reliability decision-making are problematic for consumers who cannot risk the power being shut off due to decentralized decision-making under an RTO. MISO is currently warning of rolling blackouts in all the states it serves. This is a troubling new development. South Carolina need not embrace such a model.

2. Are there other market reform options, not listed in Act 187, which your organization believes the Study Committee should consider?

Yes. The status quo. It is unclear what problem would be solved and why an RTO is needed in the first place. The Palmetto State has not had one for the last 22 years. Why is one needed now?

3. What does your organization see as the potential benefits of market reform?

Lower rates and improved reliability should be the goal. However, in other regions of the country, the “RTO savings” promised never materialized as utilities went on a transmission building spree and rates soared. Wisconsin comes to mind. Once having the lowest rates, it now has among the highest. Ditto for Kansas. Ratepayers in both states are forced to pay for expensive transmission development in other states under the RTO socialized-cost paradigm. South Carolina should be wary of a similar fate.

4. What does your organization see as the potential costs or risks of market reform?

The costs of market reform include loss of state control over its energy policy, the potential cost impacts on consumers of excessive transmission spending, higher FERC returns and other generous policies that drive rates up, the lack of focus of RTOs, and FERC on retail rate impacts, and more.

5. What are the most important issues or concerns of your organization when considering market reform?

That there be clear benefits (lower retail rates, improved reliability, better ability to meet South Carolina energy policy goals) than the status quo.

6. Is there anything else you want to communicate to the Study Committee?

Yes, the Brattle Group has RTOs as clients. They are conflicted out here. Please see our attached backgrounder. Also, Duke already operates an integrated system for the Carolinas. It is unclear what benefit another level of bureaucracy via an RTO would bring.

MEMORANDUM

TO: South Carolina Electricity Market Reform Measures Study Committee
FROM: Coastal Conservation League
SUBJECT: Market Reform Analysis Recommendations
DATE: July 6, 2022

1. Do you have initial thoughts or opinions about the various market reform options listed in Act 187?

The first priority should be to produce credible estimates of the benefits and costs of two options: joining a Regional Transmission Organization (RTO) and forming an Energy Imbalance Market (EIM).

- Joining an independently-administered wholesale electricity market should save money for South Carolina customers and provide lower-cost reliability, in part by improving integration of renewable energy resources.
- Joining an existing RTO is less costly than creating a new one. Limited modeling resources should be applied to the following carefully chosen geographic footprints:
 - i. NC/SC joining PJM and
 - ii. The utilities in the existing SEEM footprint joining MISO.
- These footprints could include variations such as:
 - iii. Removing Duke territory for illustrative purposes
 - iv. Removing TVA from the SEEM footprint
 - v. Operating SEEM as a standalone RTO
- Given limited resources, Brattle should de-emphasize retail choice, community choice aggregation, and restructuring/divestment because these options either pre-suppose existence of a wholesale market or have been shown historically to be unnecessary to gain significant market benefits.

2. Are there other market reform options, not listed in Act 187, which your organization believes the Study Committee should consider?

Securitization of coal retirement costs (unrecovered plant balances).

- Senate floor debate indicated that the Study Committee will consider this issue.
- Outside the regulated utility arena, private businesses are not guaranteed recovery of all sunk costs, even when more cost-effective replacement resources exist. This practice incents costly re-investment in old facilities that do not add operational value, and is a disincentive to operational cost savings.
- Along with all-source procurement, securitization will help the SC utilities sector shift to new technology while more closely reflecting the operation of a market

Technology-neutral, all source procurement

- SC law allows, but does not require, all-source procurement. Broader adoption of technology-neutral, all-source, independently-administered resource procurement—particularly if fuel price risk is included or mitigated for ratepayers—is a cost saving reform within the state’s control.

- Even if Brattle is not performing original modeling on this topic, it should share expert reports and conclusions from other studies. Putting discipline on investors has a tremendous impact on costs that are passed through to customers. This has obviously been a problem in a few Southeastern states.

Allowing commercial and industrial customers to negotiate PPAs to self-supply renewable energy.

- This market-based option promotes industrial recruitment and business development, cost-reduction, and reliance on in-state resources.

3. What does your organization see as the potential benefits of market reform?

Benefits of market reform include cost reduction, greater reliability, improved integration of renewable energy, reduced risk that ratepayers will invest in stranded generation, and transparency.

- More efficient dispatch of existing resources such as combined cycle plants and pumped storage across a large footprint will avoid ratepayer over-investment in new resources that may become economically stranded in the next decade.
- The transparency provided by regulated wholesale markets is a benefit to all customers, industry participants, and regulators. Visible, real-time pricing at numerous locations and other information is a public source of system-wide operating characteristics, such as generator outages and congestion on the transmission system.
- This transparency provides a common basis of fact for all parties and price signals for market participants to develop and implement solutions, rather than relying on a single entity through central planning requiring government approval.
- RTOs also provide independent market monitoring and periodic operating reports that give insights that each vertically integrated utility cannot provide alone. This includes regional generation trends; monitoring of any suspicious market activities; and identification of persistent or emerging transmission congestion issues.
- An RTO also provides a formal structure to proactively plan transmission improvements that benefit the region, rather than each utility individually.

4. What does your organization see as the potential costs or risks of market reform?

The primary economic cost of operating a regional market include annual RTO operating costs, which, in practice, are greatly exceeded by the benefits.

Concerns about state jurisdiction can be addressed by including formal structures for state representation within RTO governance.

- States can represent their views through such structures. States also can *more* than they could have without a regional organization, such as help establish transmission linkages mutually beneficial to in-state and out-of-state utility customers and enhance access to low-cost power generation resource across state lines.
- The Southeast region is the largest load in the US without an organized wholesale market and its potential participation is of enormous value to RTOs. SC could negotiate conditions of joining an RTO, including transition and governance conditions.

Brattle should responsibly address suggestions that market reform will lead to events such as those in Texas and California.

- Brattle should provide factual explanation for the Study Committee to ensure that historic events such as the California wildfires, the Texas freeze, or Enron-style market manipulation are not taken out of context.
- California and Texas did not incur problems because they embraced wholesale markets subject to FERC oversight. Notably, they “went it alone” with single-state solutions, which proved inadequate in the face of unprecedented storms and wildfires.
- These examples highlight the market-monitoring, resource-sharing, and resource adequacy functions of existing RTOs and should be used to understand how South Carolina could maximize reliability, flexibility, and transparency, while minimizing cost.

5. What are the most important issues or concerns for your organization when considering market reform?

The Study Committee must be presented a reasonable, accurate picture of the costs associated with, and benefits available from joining an RTO or EIM.

- Production cost modeling provides a sound basis for the RTO cost/benefit analysis, but Brattle must also quantify the benefits of reduced systemwide reserve margins.
- This analysis must include a clear, factual assessment of reliability and governance issues, as well as a reasonable recommendation for a path forward to adoption for the legislature’s consideration.

An evaluation of RTO/EIM participation should not be discounted because of uncertainty in implementation or state control.

- Brattle and the Committee should not shortchange the development of recommendations for full RTO and EIM participation on the basis that implementation is uncertain or out of state control. Policymakers need to know the size of the benefit in order to make informed decisions.

6. Is there anything else you want to communicate to the Study Committee?

South Carolinians deserve to get the most out of the data, analysis, and efforts of this Committee.

- Analysis of the market reforms discussed above may reveal other opportunities.
- For instance, modeling may show that specific transmission upgrades could improve import/export capability and reliability for utilities serving SC customers, regardless of whether South Carolina joins an RTO in the near-term.
- Further, because all the SC utilities involved are planning coal retirements around 2028-2030, reduced reserve margins or other inter-utility synergies may be particularly cost effective. RTO, EIM, and joint dispatch modeling that includes SC within broader operational footprints, and additionally that probe exclusion of Duke, may highlight potential cost savings and reliability benefits of inter-utility coordination. We request that Brattle take into account coal retirement timelines in choosing key dates or other parameters in its modeling.

MEMORANDUM

TO South Carolina Electricity Market Reform Measures Study Committee
FROM Stephen Thomas / South Carolina Manufacturers Association / Domtar
SUBJECT **Advisory Board Member Comments**
DATE July 6, 2022

As requested by the Advisory Board, we are providing a template that contains questions to help you develop your written communication with the Study Committee. However, please feel free to structure your written feedback in whatever way you would like.

1. Do you have initial thoughts or opinions about the various market reform options listed in Act 187?
 - a. I don't have a direct opinion on any of Act 187's list of possible market reforms. If implemented properly, each of these options can provide rate relief to South Carolina ratepayers. Of course, any one of these poorly implemented will just make things worse.
 - b. I do believe that the market reform prescription offered to the legislature should be a full final stage solution not a politically motivated series of stopgaps.

2. Are there other market reform options, not listed in Act 187, which your organization believes the Study Committee should consider?
 - a. It would be easy to add language to any reform effort to have Santee Cooper's rates reviewed and approved by the Commission. There is no way a lay board, like Santee Cooper's board, can regulate rates and rate-base activity the way qualified Commissioners and ORS can. The member-owned Cooperatives including Central should also have to pass their rates through the SC Commission.

3. What does your organization see as the potential benefits of market reform?
 - a. This effort must focus on **minimizing immediate and long-term costs to South Carolina ratepayers** while continuing the reliability we currently enjoy. Of course, price-sensitive customers should, ideally, be able to purchase power with a lower reliability level at an even lower cost. This type of rate flexibility is necessary when economic development becomes a priority.

4. What does your organization see as the potential costs or risks of market reform?
 - a. As soon as customers have choices they will have to hire or acquire the internal expertise necessary to help them navigate those choices. These risks, of course, include mistakes in the procurement process or being taken by scammers if any level of market access is granted. Credit risks are also increased as various levels of market access and market participants are allowed to participate in electric supply.

5. What are the most important issues or concerns your organization when considering market reform?
 - a. This study should consider the effect on our neighboring states, but that consideration should not limit the scope of solutions studied, suggested, or implemented. Multijurisdictional utilities are used to operating in disparate regulatory and operational environments.

6. Is there anything else you want to communicate to the Study Committee?
 - a. I manage facilities across a variety of markets including tightly regulated states like Arkansas and Kentucky. I also manage in states with complete open-market-access like Pennsylvania and Ohio. Comparing these environments shows that industrial facilities in open markets have consistently lower power costs compared those in regulated markets. What's more, the supply options in open markets are more diverse and allow us to tailor the supply structure to better meet our needs. In short, open market supply options do take a little more work on our part but the benefits far, far outweigh the costs.

1. Do you have initial thoughts or opinions about the various market reform options listed in Act 187?

As a vertically integrated provider of electricity and an economic development partner of the state of South Carolina, Duke Energy is proud of its track record providing best-in-class customer service, with electricity rates for its South Carolina customers 15 to 20% below the national average. Reliability and resource adequacy have contributed favorably to the Southeast being assessed as low risk for reliability concerns by the North American Energy Reliability Corporation. Collaboratively exploring market reforms like the Southeast Energy Exchange Market (SEEM), joint dispatch agreements (JDA) or energy imbalance markets (EIM) has the potential to add incremental efficiency and cost savings using the existing system in a way that improves affordability without sacrificing reliability and resource adequacy. Candidly, we are less than excited about options like restructured markets (regional transmission organizations and independent system operators) that are essentially irreversible, do not distribute any efficiency gains equally among customer classes, introduce significant new risk to customers and result in transferring management, control and oversight over key aspects of our system from a well-tested regulatory structure to entities with limited accountability to the customer and the State.

SEEM was proposed and approved by required regulators since enactment of this study effort, will be operational by late 2022 and is the clearest path to harness market benefits for South Carolina customers. SEEM is a regional, automated, intra-hour energy-only platform to match buyers and sellers for more efficient bilateral trading utilizing unused transmission capacity to achieve customer savings, reduced solar curtailment, and other benefits for all parties who participate and their customers. SEEM was organized and operates under stated core principles: (1) each electric service provider/state maintains control of generation and transmission investment decisions without the influence or control of a third-party FERC-regulated entity that determines what gets built by determining what gets dispatched; (2) each transmission provider remains independent with its own transmission tariff (or equivalent); (3) each balancing authority remains independent; (4) bureaucracy is minimized while benefits to customers are maximized; (5) participation is voluntary; (5) market benefits exceed costs, collectively and for each market participant; (6) transparency in governance and operations is ensured while member confidentiality is maintained. Notably, a participant in SEEM does not have to be an investor-owned utility — with requirements simply consistent with participation in the existing wholesale energy market to participate in the voluntary and wide SEEM footprint.

JDA would jointly dispatch power supply resources, generating facilities owned and/or existing power purchases and long-term power purchases of two or more utilities to most economically serve customers. Therefore, an improved intra-state unit dispatch with energy would have potential cost benefits to some South Carolina customers. This option would require filings with South Carolina, North Carolina and potentially FERC.

An **EIM** is a real-time energy supply market that offers electricity generation and transmission services. An EIM automatically balances demand every 15 minutes and dispatches power plants to meet demand every five minutes with the lowest cost energy. While EIMs are known to have high development costs, depending on scale, implementation and ongoing administrative costs, this option could provide additional energy savings to customers over time, especially with higher renewable penetration.

A **regional transmission organization (RTO)** is an electric power transmission system operator that coordinates, controls and monitors a multi-state electric grid. The transfer of electricity between states is considered interstate commerce, and is therefore regulated by the Federal Energy Regulatory Commission (FERC). Transition to an RTO takes multiple years, presents high implementation and ongoing administrative costs that can easily exceed any modest efficiency benefit that may result and adds risk especially for small and residential retail customers. Additionally, an RTO does nothing to promote renewables beyond other lower cost reform options and RTO Board-adopted rules often penalize nuclear units in a manner that leads to divestiture, something that expressly falls outside of the legislative intent behind Act 187. Approval by multiple states and FERC is needed to implement this option. Also notably, an RTO does not build transmission. Transmission owners, with the support of their customers and the oversight and approval of state regulators, build transmission, yet under federal authority, RTOs can allocate costs for Transmission built in other jurisdictions.

2. Are there other market reform options, not listed in Act 187, which your organization believes the Study Committee should consider?

Yes, we could study increased coordinated intrastate resource planning which could provide benefits for planning current and future transmission and forms of generation in order to increase transfer capacity.

3. What does your organization see as the potential benefits of market reform?

SEEM is designed to increase efficiency and leverage unused transmission capacity to achieve customer cost savings. With low administrative costs and sensible market rules, **EIM** markets can add efficiency to commitment and dispatch of existing generation. A **JDA** could produce customer benefits through the economical dispatch of contracted resources.

4. What does your organization see as the potential costs or risks of market reform?

As indicated before, the options of SEEM, JDA and EIM have the greatest benefit and least customer risk.

While over the short term, an RTO can help efficiently dispatch generation when utilities' scale and diversity mix is limited and administrative costs and rules are not onerous, increased federal oversight at the expense of state authority creates cost and performance risk for customers. Governance by an independent board without accountability to customers further removes state authorities. An RTO functions like bureaucratic parliaments with "everybody and hence nobody" in charge of electricity planning, production and delivery decisions. Without understanding who – if anyone – is in charge, it's hard to know who to ensure accountability – a point particularly concerning given the capacity and reliability concerns that have plagued these organizations lately.¹ Once an entity joins an RTO, the RTO can change rules and the state has limited ability to challenge the rule changes. Cost allocations for transmission build and high administrative costs add risk to local utility customers. In addition, there are long-term concerns of resource adequacy with limited ability to prompt new generation.

5. What are the most important issues or concerns your organization when considering market reform?

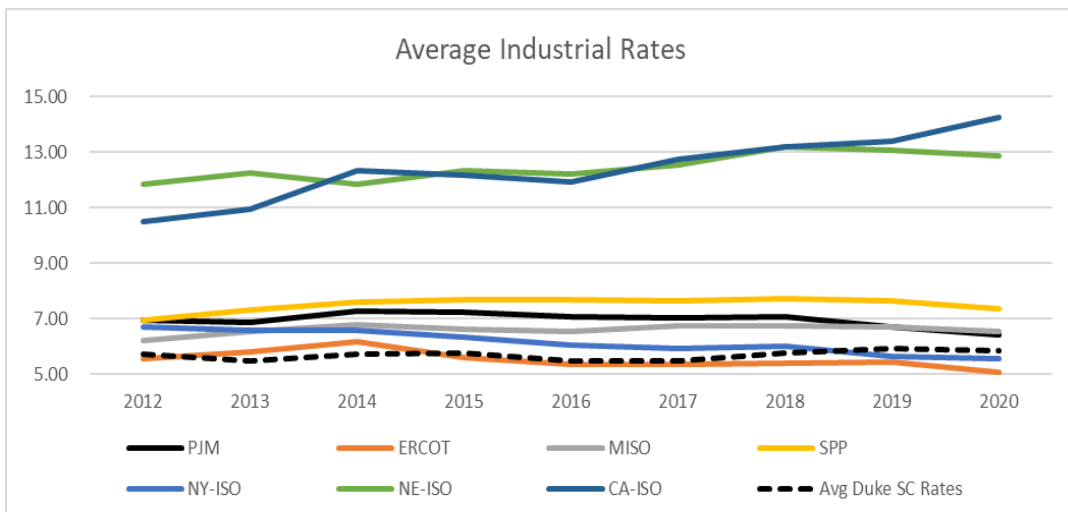
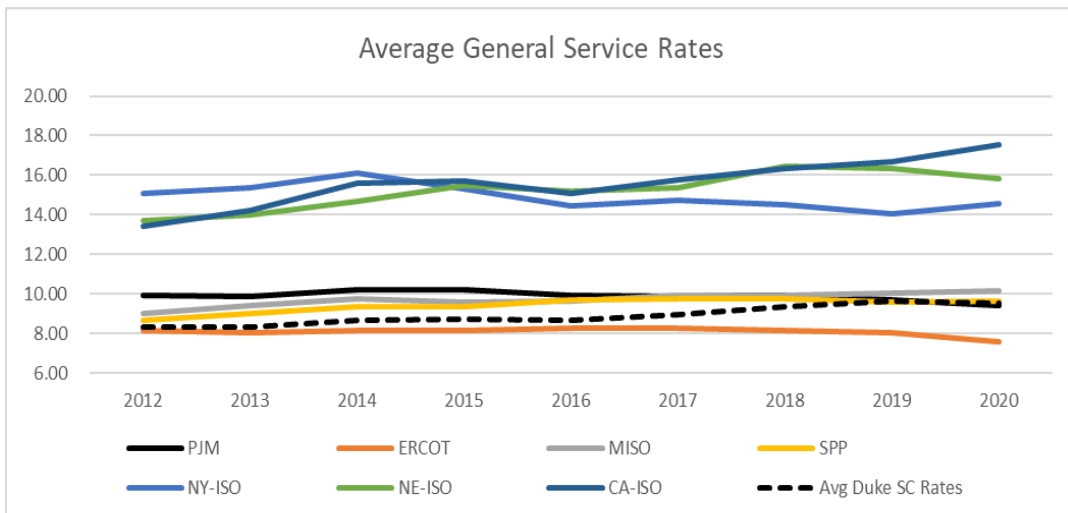
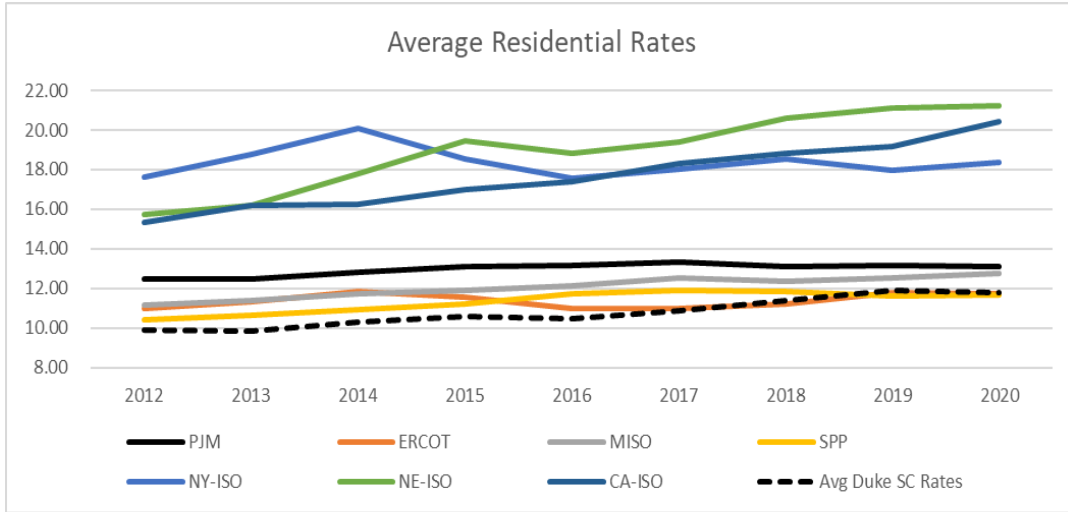
There are key issues for consideration: First, do no harm to favorable customer rates and service that can best be managed with state regulatory oversight and direct accountability to the customer from electric providers. Second, growing concern in RTO areas of reliability challenges and misalignment with state energy policy suggests maintaining South Carolina resource planning is essential to help ensure sufficient resource adequacy.

6. Is there anything else you want to communicate to the Study Committee?

The biggest question for the Study Committee is this: What is the problem this committee is trying to solve? If it is rates for South Carolina customers, when you look at South Carolina's rates compared to rates for customers in RTO/ISO situations in the United States, South Carolina rates are lower (see appendix for 3 slides from U.S. Energy Information Administration (EIA)). If it is reliability and resiliency concerns, the South Carolina Office of Regulatory Staff undertook a comprehensive review of South Carolina's public and private power grid and the report found South Carolina well situated (See *Final Report on the Resiliency of South Carolina's Electric and Natural Gas Infrastructure Against Extreme Winter Storm Evens Prepared for the South Carolina Office of Regulatory Staff by Guidehouse, December 2021, Docket No. 2021-66-A*). If it is economic development, there is far more economic development in non-RTO states than in RTO states. If it is diversity of resources, South Carolina has some of the most diverse resources in the country, including hydro, nuclear, solar, natural gas and pumped storage generation. In particular, Duke Energy with its combined resources in North and South Carolina have the scale and diverse resources that many RTO and ISO in the U.S. have today. Duke Energy believes it is in the best interest of South Carolina customers to preserve existing resource planning responsibilities that keep those decisions closest to home — with the state regulators. Forced divestiture of resource planning responsibility to unaccountable, independent boards is contrary to customers' best interests. Right now, our legislators are five minutes from the body overseeing utilities – there's no need to move that oversight hundreds of miles away to a board with little connection or accountability to South Carolina.

¹ "Among the most salient points, given today's changing electricity grid, is the straightforward manner by which vertically integrated utilities can, at just and reasonable rates, transition their generation fleets to meet the environmental, economic and resource mix goals of the states in which they operate. **In practice, restructured states have struggled to rationally align their state energy policy goals with federally jurisdictional wholesale markets, which are resource neutral and fuel agnostic.** In addition, for whatever criticisms are leveled at the vertically integrated utility by the model's detractors, regulatory mechanisms exist to integrate changing grid technologies and ensure customer protections and a fair process." (From October 2020 *The Vertically Integrated Utility A time-tested approach for delivering customer benefits and ensuring state flexibility in achieving energy policy goals* by Tony Clark, Ray Gifford and Matt Larson).

Appendix: Source - U.S. Energy Information Administration (EIA)



MEMORANDUM

TO South Carolina Electricity Market Reform Measures Study Committee
FROM David Mindham, EDP Renewables
SUBJECT **EMRM Study Committee Comments**
DATE July 6, 2022

As requested by the Advisory Board, we are providing a template that contains questions to help you develop your written communication with the Study Committee. However, please feel free to structure your written feedback in whatever way you would like.

1. Do you have initial thoughts or opinions about the various market reform options listed in Act 187?

- Several of the steps could be viewed as incremental, such as an imbalance market can lead to an RTO. That said, benefits really begin flowing to consumers at the RTO level.
- Full divestiture of generation & transmission and full retail choice benefits are less apparent than benefits from independent markets. The study should prioritize RTO benefits.

2. Are there other market reform options, not listed in Act 187, which your organization believes the Study Committee should consider?

- No, Act 187 covers a large range of options.

3. What does your organization see as the potential benefits of market reform?

- Reduction in consumer costs through the competitive procurement of generation and optimization of unit commitments
- Reduced resource adequacy requirements
- Resiliency and reaction to natural disasters

- Ability to incorporate changing generation fleets most efficiently
- Carbon reduction

4. What does your organization see as the potential costs or risks of market reform?

- Startup costs that can be largely mitigated by joining an existing RTO or leveraging existing RTOs to administer the market.
- Completely abandoning the vertically integrated model could lead to a resource adequacy issue. The SPP or MISO model with largely vertically integrated utilities mitigates this risk.

5. What are the most important issues or concerns your organization when considering market reform?

- Independent operation of the market.
- Competitive procurement of generation.
- Transparency around generation interconnection.
- Price formation and transparency that can inform new generation siting and allows 3rd party contracting of generation resources.

6. Is there anything else you want to communicate to the Study Committee?

RTO formation does not necessarily lead to a reduced state control over resource adequacy. In several regions, states maintain the vertically integrated model, while reaping the consumer benefits of the markets.

From: Margaret Small
07/13/22

We have low rates in SC, reliable power in SC, etc. - don't try to fix something that's not broken.

Most retail customers are not sophisticated so don't dramatically change the electric market structure. – Keep it simple.

We don't want to end up like California and Texas.

Utilities can use rate structures (time-of-use, peak pricing, 3-part rates, etc.) to give customers the ability to control their power costs.

MEMORANDUM

TO South Carolina Electricity Market Reform Measures Study Committee
FROM Bryan Stone
SUBJECT **Lockhart Power's General Comments for the Study Committee**
DATE July 1, 2022

The following comments from Lockhart Power as information to the Study Group use the template provided by The Brattle Group:

1. Do you have initial thoughts or opinions about the various market reform options listed in Act 187?

Yes – The areas of consensus as presented to Brattle appear to indicate minimal interest in exploring the most aggressive/extreme forms of deregulation or other market reform measures, so it would seem worthwhile to eliminate those measures at this stage from further study. This will allow Brattle time to sufficiently study the remaining options that are of more general interest, and therefore more likely to be able to garner broad support if Brattle's subsequent analysis indicates such support may be warranted.

2. Are there other market reform options, not listed in Act 187, which your organization believes the Study Committee should consider?

The appropriate role of SEEM in this study should be formally identified so everyone understands how it will be considered. It is an inherently awkward situation to have this market reform measure that is approved but not yet in place in the midst of a study about the possible effects of pursuing various market reform measures. During discussions, SEEM was described as being included in the current/baseline scenario for at least some analysis purposes. That would presumably necessitate a preliminary study to comprehensively model the effect of SEEM on the current market in order to derive a pro forma baseline scenario. This pro forma scenario would then be compared to each of the market reform options that are chosen to be studied. The challenge with this approach is that if the SEEM model is inaccurate, it could affect the analysis results of all

other options. On the other hand, if SEEM is not included in the baseline scenario, it should be included as one of the market reform options in order to compare to other options, because if another option has benefits similar to or less than SEEM, it could be discarded since SEEM is already in the process of being implemented.

Again, the timing of this study in relation to SEEM is less than ideal, so if the results of this study don't identify any options that are clearly worth pursuing, a follow-up study could be pursued in 2-3 years once SEEM is fully implemented and in steady-state, and the effects are measurable and can be included in a follow-up study of additional options.

3. What does your organization see as the potential benefits of market reform?

Lower power costs are normally the first area of focus and would certainly be welcome. However, we believe the most valuable potential system benefit of reform would be if it reduced the time to significantly expand transmission infrastructure. The transition of many thousands of megawatts of existing generation resources to zero-carbon resources, while simultaneously adding thousands of megawatts of new load in the form of electric vehicles, "big data", etc. would greatly benefit from a market that enables more rapid grid expansion and considers time as well as cost in its decision-making. Faster grid growth could be an economic development competitive advantage for South Carolina, because it will help attract companies prioritizing renewable energy to serve their operations. West coast technology companies in particular could be more attracted by South Carolina's more reasonable regulatory climate and cost of living if it had the ability to more quickly add renewable energy resources to serve their needs. Further, these are the types of high tech jobs that can help raise the standard of living.

4. What does your organization see as the potential costs or risks of market reform?

These are difficult to predict without knowing the type of reform measure(s) that may be enacted. In general, we view the costs and risks of transition to potentially be very high, especially with some of the more aggressive reform alternatives. For this reason, we recommend at most a measured and incremental path forward. However, any reform measure should be materially better than the current situation in order to offset the risk of unintended negative consequences. It should not be forgotten that we

currently have a very reliable grid with moderate cost power, so there is more potential downside than upside in making significant changes.

5. What are the most important issues or concerns your organization when considering market reform?

One concern is that the technical analysis might be trumped by politics. Making a major change for the sake of change may be good politics in some cases, but in this case it would not be good public policy, due to the risks and costs mentioned in #4 above. One reasonable expectation is that any reform measure recommended by the committee should provide at least one material, demonstrable, and generally accepted benefit to the system. Likewise, any such reform measure should not be discarded purely for political reasons. The risk of this may be reduced by more direct communication between the Advisory Committee and the Study Committee. For example, if a point is reached where the Advisory Committee has a strong consensus and the Study Committee is leaning toward a different path forward, it would be worthwhile to have a joint session so the Study Committee could hear directly from its expert stakeholders before making a final decision.

6. Is there anything else you want to communicate to the Study Committee?

We saw that Brattle is considering bringing in some speakers including a state commissioner from an SPP/MISO state. We would strongly recommend the Chair of the Arkansas PSC, Ted Thomas, which would cover both SPP and MISO. We have someone with experience working with Mr. Thomas and who has a very high opinion of Mr. Thomas' capabilities and who said he would be a great choice as a speaker.

Finally, we would like to thank the Study Committee for the opportunity to be involved in this important process and to express our opinions for consideration.

Comments Requested by Brattle from Market Reform Advisory Board Members
From: Denny Boyd
July 6, 2022

Preliminary General Observations on Market Reform from An Industrial Consumer Perspective

Many industrial consumers' manufacturing processes are energy-intensive and the cost of electricity directly impacts their competitiveness. Industrial customers need reliable firm and, in many cases, non-firm/interruptible power at low, stable and competitive rates. It is important to have options and flexibility in available rate and service options (including a full range of time of use, real-time and non-firm service options). For many of these customers, the ability to secure all or a portion of their electric supply from renewable and other reduced/no carbon resources is becoming much more important as well.

Reasonable and stable electric regulatory and market structures in South Carolina are necessary to support economic development/retention, as well as benefit consumers in general. The state will be less attractive to economic development if the regulatory structure and electric markets are in flux or create unreasonable and noncompetitive outcomes. While this does not preclude reform, it must be recognized that stability is an important consideration. To the extent reforms are adopted, a gradual, more incremental approach may be best. Another key consideration in the evaluation of any market reform option is the maxim, "First do no harm." In other words, the benefits and risks of maintaining status quo should always be carefully considered first.

Based on our experience and perspective, we recognize both potential benefits and costs, as well as risks, in many of the reform options being considered, and currently have no firm preconceived view about the best course for South Carolina on this front. South Carolina's path forward will depend in significant part on the details of possible courses of reform. It is both our hope and belief this study process will result in a better understanding of the advantages and disadvantages and potential details of various options specifically for South Carolina.

In addition to the overall questions of cost, benefit and risk with each reform option, here are some additional initial overall general questions regarding market reform concepts that should be considered:

- How have these market reform concepts affected industrial and other customers in other states?
- How would these concepts affect:
 - retail rates and service options and power cost (including non-firm/interruptible options) and how do we protect these options in any market reform effort?
 - grid reliability and the need for electricity from diverse, stable and low-cost fuel sources?
 - the retention and expansion of renewable and other low/no carbon sources of electricity, and availability of such electricity for customers to purchase to meet their needs?
- Which specific reform concepts and options are realistic (including technically, practically, politically, etc.), particularly within a reasonable time frame?

- What are the specific proposed rules governing participation in various wholesale and retail market options and how will they affect customers?

Market reform concepts should be pursued only if the inherent risks can be reasonably managed or mitigated and the reform is very likely to improve service and reliability, while reducing costs for consumers. Efforts in this process should be focused primarily on options specific to South Carolina – for example, options under consideration should not require the support and participation of another state or stakeholder, who is unlikely to be supportive, to succeed.

Given time and space limits and given that it is early in the process, potential benefits or risks of all of the various market reform options cannot be summarized here. Instead, here are a few brief preliminary observations (subject to change as this study process continues) on a few specific options of interest:

Potential Costs, Benefits and Risks of Specific Wholesale Market Reforms

Creating a more effective and competitive wholesale market in the Southeast would appear likely be beneficial over the long term; however, what aspects of potential competitive market reforms should be pursued is far less clear. While large-scale RTOs are structured to provide the most potential benefits, particularly from a short-term energy cost standpoint, they also bring greater challenges and costs. On the other hand, is a small RTO really feasible and beneficial? Regional transmission planning may also provide benefits but again, what is the risk and cost? Committing to generation divestiture at this point seems like a risky step. More incremental reform options, like SEEM and JDAs, seem less risky and more reasonable, at least as a starting point.

A fundamental concern with the transfer of authority to large multistate RTOs and FERC is that such a transfer would substantially reduce the ability of South Carolina stakeholders, political leaders, and regulators to oversee the energy industry in the state or influence outcomes. The opportunity to employ solutions and develop energy policies specific to South Carolina would also be diminished.

Potential Costs, Benefits and Risks of Specific Retail Market Reforms

Optional partial retail customer choice (without generation divestiture) may be worth consideration and further exploration as potential option for customers who have the expertise and interest. This option may provide important economic development and competitive benefits and provide direct access to renewable energy from the grid. South Carolina industry competes with industry located in competitive markets that offer retail choice. It has been noted by Brattle that partial choice may be accomplished without a full-blown RTO (and presumably without divestiture). On the other hand, it seems that full retail choice may need to be considered only if a full RTO including a competitive generation market is developed.

As for redesigning rate structures, statewide reform may not be necessary. This is the kind of issue that is often best addressed on an individual utility basis within current regulatory processes.

MEMORANDUM

TO South Carolina Electricity Market Reform Measures Study Committee

FROM Jamey Goldin on behalf of Google LLC as an industrial customer representative

SUBJECT July 2022 Input for Committee

DATE July 7, 2022

I. Google's Preliminary Comments to the Committee

At the outset Google LLC ("Google" or "the customer") respectfully wishes to note that it has been identified in presentations to the Committee that consensus has been achieved around "incremental change" being a desired outcome of the recommendation that Act 187 requires Brattle to make on reforming the energy marketplace. The definition of "incremental change" is important as to whether consensus has actually been achieved or not. An old idiom common to the Southeastern United States is that "a man with nothing ain't got nothing to lose". That feels particularly apropos to this Committee. South Carolina ratepayers have paid the price of project overruns and abandonments for decades including those associated with Duke Energy's Cherokee Nuclear Plant proposal in Gaffney, SC (abandoned in 1983 after Duke spent \$633M¹), the W.S. Lee Nuclear Plant also in Gaffney, SC (abandoned in 2017 after Duke Energy spent \$558M² for which captive ratepayer recovery was sought), and the V.C. Summer Nuclear Station in Jenkinsville, SC (abandoned in 2017 after SCANA³ and Santee Cooper spent \$9B of captive direct serve and cooperative customers' money). Likewise, if the Southeast Energy Exchange Market (SEEM), discussed in prior meetings, is somehow to be seen as incremental change then it is worth noting that Southern Company, the public utility holding company leading the charge on SEEM, is currently in the midst of a nuclear construction overrun of its own. At last update Plant Vogtle Units 3 and 4 in Waynesboro, GA are forecasted to be **\$24B over budget and at least 7 years behind the original construction schedule.**⁴ South Carolina must review any proposals with full access to data to ensure transparency and a healthy amount of skepticism

¹ Nuclear power plant cancellations: sunk costs and utility stock returns". allbusiness.com. Retrieved 2022-07-05.

² <https://www.wspa.com/news/duke-rate-hike-due-in-part-to-abandoned-upstate-nuclear-plant-plans/>. Retrieved 2022-07-05.

³ Now a subsidiary of Dominion Energy.

⁴ [https://www.powermag.com/vogtle-nuclear-expansion-price-tag-tops-30-billion/#:~:text=More%20Cost%20Overruns&text=MEAG's%20new%20cost%20figure%20comes,owns%2045.7%25%20of%20the%20project](https://www.powermag.com/vogtle-nuclear-expansion-price-tag-tops-30-billion/#:~:text=More%20Cost%20Overruns&text=MEAG's%20new%20cost%20figure%20comes,owns%2045.7%25%20of%20the%20project.). Retrieved 2022-07-05

before it allows Southern Company to operate a trading platform or any other energy transaction system in the state on the backs of captive South Carolina ratepayers.

These prior examples aside, customers of the South Carolina Electric Cooperatives face one of the least clean generation mixes for their power supply in the nation⁵. While the Cooperatives have done well managing expenses incurred from their generation providers (Santee and Duke), there is a rate freeze in effect as a result of the settlement reached in *Cook v. Santee Cooper*⁶ which will expire in 2024. The abrupt rate shock which might result when the freeze expires is troubling for co-op customers. As a final preliminary data point it is worth noting that the South Carolina Energy Office data shows that customers in the state pay some of the highest energy bills in the country.⁷ These tend to disproportionately impact low income and minority households. Google therefore challenges Brattle and each stakeholder to better define “incremental change” as South Carolina ratepayers of all classes really have “nothing” to lose compared to the status quo.

II. Responses to Brattle’s Questions to Stakeholders

1. Do you have initial thoughts or opinions about the various market reform options listed in Act 187?

Google believes that the options contained in the Act which make the most sense to model and explore are:

A. South Carolina and North Carolina full integration into PJM with reserve margin benefits explicitly quantified in any modeling. The work performed under Act 187 needs to ascertain what the economic savings would be for all classes of customers, and what the carbon-score of the grid would be, if the South Carolina and North Carolina utilities were in PJM. Production cost and reserve margin benefits must both be captured. SEEM must be base-case.

B. If one utility will attempt to block integration of their system into an RTO/PJM by virtue of their balancing authority spanning two states then Google suggests modeling to show the other utilities' in South Carolina participating in PJM/an existing RTO can accomplish. That also allows the delta from the above run to show what lack of Duke participation will mean for their customers and the state.

⁵https://www.postandcourier.com/business/googles-sc-data-center-ranks-worst-in-us-for-renewable-energy-use/article_d88fcb1c-f758-11ea-a3e3-23e7d8138b07.html. Retrieved 2022-07-05

⁶ Case No. 2019-CP-23-6675

⁷ <https://energy.sc.gov/node/3069>.

C. A deeper conversation at a minimum, and a defensible model run if possible, where all utilities in South Carolina (full South Carolina participation) integrate into PJM without Non-PJM North Carolina participation. Duke Energy has publicly filed and commented that it is evaluating options to combine parts of its two state balancing area and options that would split the balancing area along state boundaries.⁸ Google suggests Brattle execute confidentiality agreements with Duke expeditiously to obtain more information on these plans and to model accordingly.

2. Are there other market reform options, not listed in Act 187, which your organization believes the Study Committee should consider?

The Study Committee should consider a requirement that all new generation built in South Carolina be subject to an all-source competitive solicitation process. The South Carolina PSC would retain full authority over generation investment decisions in the state and the design of the competitive all-source solicitation. There are several examples of competitive procurement “best practices”⁹ that allow the incumbent utility to participate to varying degrees (e.g., a build-transfer model, caps on the percentages or megawatts procured from the incumbent utility, or no incumbent utility participation). The all-source competitive procurement should be transparent, open, and overseen by an independent third party. All-source competitive procurement, if designed properly, can lead to reduced consumer costs and shift investment risk away from consumers. Recent examples from successful all-source competitive procurements in Colorado and North Carolina provide options for design and insights into pricing. In addition, the Committee should consider a resource-specific competitive solicitation process and should be an easy recommendation to ensure competitive bidding for resources based on current regulatory structures.

Act 187 directs analysis “enabling partial consumer retail electric service choice such as nonresidential customer choice.” At a minimum, the customer recommends that this include an evaluation of supply choice of each electric utility’s non-residential customers with aggregated loads of 5MW or greater seeking (1) 100% carbon-free electricity; and (2) 100% renewable electricity. This is a model embraced in Virginia which provides for economic development opportunities for businesses looking to locate in a region and for increasing the clean energy onto the grid in an economic manner.

⁸ <https://www.bizjournals.com/charlotte/news/2022/05/17/duke-energy-could-combine-duke.html>. Retrieved 2022-07-06.

⁹<https://energyinnovation.org/wp-content/uploads/2020/04/All-Source-Utility-Electricity-Generation-Procurement-Best-Practices.pdf>

3. What does your organization see as the potential benefits of market reform?

Google sees participation in competitive wholesale generation markets as the most just, equitable, and least cost pathway for South Carolina to effectively transition the energy economy. Primarily the customer sees the shift of risk in decision making from the backs of ratepayers to the utilities who operate generation. Google also opines that generation asset divestiture should not be taken off the table as a possible mechanism to maximize these benefits. The customer sees benefits from geographic enlargement and economic dispatch that will decrease energy rates for all classes of customers, lead to integration of more lower carbon-emitting resources into the grid, and allow for prudent investment in areas like transmission to allow for innovation. Google also believes that economic development is spurred in areas that are in competitive wholesale generation markets as more corporations demand clean energy as a condition precedent for location. This is further evidenced by the fact that over 80% of all corporate-renewable power purchase agreement transactions occur in areas with markets. Finally, Google sees efficiencies that enhance reliability as a potential benefit of market reform. Geographic enlargement of the grid leads to more efficiencies in capacity.

4. What does your organization see as the potential costs or risks of market reform?

The customer would be remiss to not acknowledge that all energy market structures carry risks. Google is aware of and does not dismiss the problems ERCOT faced during Winter Storm Uri, CAISO faces with both wildfires and maintaining adequate reserves, interconnection issues in PJM, and transmission constraints in MISO. This Committee must be honest brokers and acknowledge all market structures, including the vertically integrated monopoly model utilized in South Carolina, contain flaws despite best intentions. That said, just today, reports surfaced on the reliability issues the Carolinas' vertically integrated grid is facing this summer¹⁰. Extreme weather events impact the grid regardless of a grid being located in an RTO or a non-market region. The Committee must check bias and have a genuine discussion on what the financial risks are, what are the risks to reliability, and what are the issues impacting the integration of clean energy resources. Google continues to believe that the benefits far exceed the risks.

¹⁰https://journalnow.com/news/local/energy-use-hit-record-highs-this-spring-in-the-carolinas-electric-grid-will-keep-feeling/article_a0916a0c-f7e9-11ec-add1-43d851d4eefc.html?utm_medium=social&utm_source=twitter&utm_campaign=user-share. Retrieved 2022-07-05.

Google also wants this study to better ascertain a clear understanding of what the transmission constraints and costs are to join an existing RTO and allow the independent expert consultant, Brattle, to opine on whether those costs are prohibitive of the benefits of certain options.

5. What are the most important issues or concerns your organization when considering market reform?

Google wants to ensure that this Committee is given a fair and accurate assessment of what options are available, that Brattle make recommendations as called for in Act 187, and that this Committee proceed to relay the findings to the legislature for drafting of legislation should change be recommended. Also, with regard to the cost/benefit analysis, production cost modeling provides a sound basis for RTO cost savings, but Brattle must also quantify the benefits of reduced systemwide reserve margins. Google wants the policymakers to see what is or is not “being left on the table” by the current structure.

6. Is there anything else you want to communicate to the Study Committee?

Please see the opening section on the idea of incremental change being definition dependent.

MEMORANDUM

TO South Carolina Electricity Market Reform Measures Study Committee
FROM Marty Watson, Santee Cooper, Chief Power Supply Officer
SUBJECT **Advisory Board Member Comments to EMRM Study Committee**
DATE July 6, 2022

1. Do you have initial thoughts or opinions about the various market reform options listed in Act 187?

The market reform options delineated in Act 187 are extensive and cover the spectrum of market structures. Some of these structures, such as divestiture and full retail choice, are very aggressive in nature and carry significant implementation risks, including increased potential for the types of market dislocation impacts seen recently in the Texas electricity market. Conversely, some of the more moderate reform options (e.g. joint dispatch) may not deliver the same perceived benefit of the more aggressive structures, but there is a higher likelihood of delivering on the potential benefits and significantly lower implementation risks.

Act 187 also includes the prospect of a Regional Transmission Organization (RTO). While the pros and cons of an RTO may be debated, any benefits of an RTO leverage a large geographic footprint and diverse resources. Without encompassing the requisite broader geographic area there are likely little, if any, benefits received by forming a South Carolina only RTO. A more expansive RTO structure could limit South Carolina's discretion to establish a broad energy policy.

2. Are there other market reform options, not listed in Act 187, which your organization believes the Study Committee should consider?

While Act 187 covers most of the market structures currently in use in the United States, I believe the Study Committee should consider the benefits of the SEEM market and the potential of this market to evolve into an energy imbalance market. This voluntary market includes utilities across multiple states and leverages the diversity of geography and resources.

Also, the implementation of further market reform within South Carolina may not necessarily be additive to the benefits existing participants in SEEM are expecting. For

example, even the most moderate market reforms of joint dispatch and EIM would overlap with the soon to be operational 15-minute market. How the models incorporate and potentially isolate the benefits of SEEM will be important in accurately projecting the potential benefits of further market reform.

3. What does your organization see as the potential benefits of market reform?

Market reform in South Carolina does hold some potential in increasing the cost benefits to certain customers. However, no existing or future electricity market is perfect. Therefore, it is imperative that the full impacts of any market reform be tested and scrutinized to ensure unforeseen consequences are minimized.

4. What does your organization see as the potential costs or risks of market reform?

Santee Cooper has an obligation and a duty to provide reliable, low-cost power to our customers. Reliability is critical to the wellness of our state and market reform has the potential to undermine this reliability when it comes to capacity planning of the system. Multiple existing markets outside of the southeast have experienced or forecasted capacity shortfalls. The ramifications of these capacity planning issues are dramatic and are difficult to correct in a short time frame. Capacity planning is a long game, and there is concern that if capacity market reform is undertaken customers will be negatively impacted.

5. What are the most important issues or concerns your organization when considering market reform?

As mentioned previously our largest concerns center on risking the reliability of the system through the implementation of capacity market reform and the potential for unanticipated impacts from any market reform. The preservation of reliability should be a threshold issue for any market reform proposals, followed by improved economics delivered to our customers.

6. Is there anything else you want to communicate to the Study Committee?

The volume of options presented in Act 187 may well be too much for the consultants and the Study Committee to undertake on the aggressive timeline. Therefore, we agree with a comment from Brattle at the recent Advisory Committee meeting that the list of options studied and modeled in detail should be narrowed down significantly.

MEMORANDUM

TO South Carolina Electricity Market Reform Measures Study Committee

FROM Neal Baxley, SCFB

SUBJECT [Title]

DATE July 6, 2022

As requested by the Advisory Board, we are providing a template that contains questions to help you develop your written communication with the Study Committee. However, please feel free to structure your written feedback in whatever way you would like.

1. Do you have initial thoughts or opinions about the various market reform options listed in Act 187?

We are interested in how an RTO would work. There are currently service providers operating in the state that are producing power in other states as well and could work to improve service and reduce electricity costs. However, what would be the regulatory implications and would the SC legislature still have oversight?

2. Are there other market reform options, not listed in Act 187, which your organization believes the Study Committee should consider?

3. What does your organization see as the potential benefits of market reform?

There could be reduction of costs to the end consumer created by competitive markets not currently observed in this state.

4. What does your organization see as the potential costs or risks of market reform?

Concern for the unknown and accountability of multiple providers in one area will slow response and customer service in those areas. Competition from neighboring states or RTO/ISOs could prioritize customers without consent from anyone in South Carolina. South Carolina loses its authority when sharing providers across state lines.

5. What are the most important issues or concerns your organization when considering market reform?

Our main focus is that whatever reforms the study committee approves, these measures will be beneficial and in the best interest of the rural and agricultural electrical consumers in the state. Price to the consumer is a major issue, but even more so is the consistency and reliability of service to the consumer. We believe that the cooperatives will have to play a significant role in whatever reforms are submitted. Consolidation in electric service can offer some benefits, however it usually comes at the expense of customer service and the ability to rapidly respond to local or isolated issues. We see this a concern. Access to 3 phase power and maximum minimum costs are also an important issue for us.

6. Is there anything else you want to communicate to the Study Committee?

MEMORANDUM

TO South Carolina Electricity Market Reform Measures Study Committee
FROM Sue Berkowitz, SC Appleseed Legal Justice Center
SUBJECT **Template answers**
DATE Date

As requested by the Advisory Board, we are providing a template that contains questions to help you develop your written communication with the Study Committee. However, please feel free to structure your written feedback in whatever way you would like.

1. Do you have initial thoughts or opinions about the various market reform options listed in Act 187?

(B)(1)(e) gives me much concern, as from my research extending RTO to residential service would, it would be detrimental to residential consumers, especially low income customers.

2. Are there other market reform options, not listed in Act 187, which your organization believes the Study Committee should consider?

How to add protections to consumers in the municipal and coop environment to ensure any market reforms do not adversely impact low-income consumers.

Whether the state should study the need for low-income payment plans that will help consumers to maintain 30% of income costs for housing/utilities.

If the state was to go into an alternative market or become part of an RTO, how would consumers be represented, who would regulate the “selling behavior” of the direct sellers

What due process or other protections should we be considering for customers of Municipal or coop service that do not exist due to PSC not having jurisdiction over these providers.

3. What does your organization see as the potential benefits of market reform?

To have some flexibility when there are problems with the grid, to allow providers an ability to be nimble when unforeseen circumstances occur. This should all take place outside of residential rate making.

4. What does your organization see as the potential costs or risks of market reform?

For consumers, our research of the literature shows that residential consumers have not been positively impacted by market reform and low-income consumers have been harmed by paying higher rates to individual residential suppliers. In addition, the lack of protection to the consumers in the marketing by these suppliers' harm low income consumers, who get locked into rates that are not as advantageous as rates provided by municipal providers or through a basic supply program.

5. What are the most important issues or concerns your organization when considering market reform?

Whether low income consumers get drawn into the individual market, and what we must do to protect against this, while still maintaining adequate protections when consumers placed in problematic contracts.

Development of a Percentage of Income payment plan to help low income and fixed income households.

If reforms take place, how do we protect residential customers to ensure consistent service and how would this impact transmission and those who are actually serving consumers responsibilities. What would be recourse for consumer when there are problems and how can this be done without additional costs to residential customers, especially low income.

6. Is there anything else you want to communicate to the Study Committee?

I think I have made the points I am most concerned about.



June 22, 2022

AARP South Carolina comments to the ERMR Study Commission

With more than 600,000 members in the Palmetto state, AARP South Carolina works as a fierce defender and wise friend when it comes to consumer issues. AARP South Carolina is pleased to be a stakeholder as part of the ERMR study commission.

AARP's Policy on the RTO issue could not be clearer:

"States should oppose efforts to bring deregulation to their state. This also includes opposing joining regional transmission organizations (RTOs)."

AARP Key Points

- A full assessment of all the costs and benefits is needed in the report, including non-quantifiable costs and benefits. Consider more than the regional economic dispatch coordination, regional reliability monitor, and transmission planning coordination benefits.
- Recent regional transmission organization (RTO) issues should be brought up in the report. These include dissatisfaction by many states with the RTO dispatch process which critics say hurts renewables; the surprise announcement by MISO of a new power shortage and the possibility of rolling blackouts; the Texas blackout in Feb 2021 and ERCOT's role; the California blackout in August 2020 and CAL ISO's role; the controversy at PJM and threats by states to leave (since it does not reflect their energy policy goals), etc.
- South Carolina is already in the new Southeast Energy Exchange Market. If it provides benefits to retail consumers, it can gradually expand to be a full-blown RTO.

- A recognition that RTOs are voluntary and members threaten to leave to further their agendas. They are not independent.
- Full cost disclosure of the costs of RTOs including the cost of paying to upgrade your neighbor's grid and the impact on retail rates; the lack of consideration of local alternatives (conservation, local solar, local storage) which do not need a costly new long-distance transmission; and more. MISO alone wants to spend \$30 billion on the new transmission which is socialized across all its members. Every RTO solution is a billion-dollar transmission line when local alternatives would be quicker and more economical.
- Direct Public Service Commission control is more effective in preserving resource adequacy and keeping rates affordable. RTOs have over 200 meetings a year and the PSC would be just one among many stakeholders with competing agendas.
- A recognition that the Southeast and West have, without issue, not had an RTO during their 25 years of existence.
- The cost of ceding control to FERC, which offers more generous returns than the South Carolina Public Service Commission, raises electricity rates.

AARP Key Policies on an RTO include

On regional transmission operators (which operate a competitive wholesale market as a precursor to competitive retail markets):

- Policymakers should refrain from approving utility requests to join an RTO if they have not already done so.
- Federal and state regulators should ensure that RTOs are cost-effective. They should be transparent and accountable in governance

to a broad group of stakeholders. This includes residential consumer representatives.

AARP South Carolina believes

- The Palmetto State cannot afford to cede control if it adversely impacts rates or reliability. We do not want to become another Texas where no one is clearly in charge of keeping the lights on. Indeed, electricity rates have jumped 70% this summer.
- South Carolina requires a reliable power supply at affordable rates. Older adults and low-income ratepayers cannot pay more than necessary for utility services. Individuals with special medical needs cannot afford to be without power for extended periods.

AARP South Carolina Contacts

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AARP Government Affairs

Bill Malcolm, Senior Legislative Representative

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About AARP

AARP is the nation's largest nonprofit, nonpartisan organization dedicated to empowering people 50 and older to choose how they live as they age. With a nationwide presence and nearly 38 million members, AARP strengthens communities and advocates for what matters most to families: health security, financial stability and personal fulfillment. AARP also produces the nation's largest circulation publications: AARP The Magazine and AARP Bulletin. To learn more, visit www.aarp.org, www.aarp.org/espanol or follow @AARP, @AARPenEspanol and @AARPadvocates, @AliadosAdelante on social media.

From Thomas L. Rhodes III

Dear Members of the SC Electricity Market Reform Measures Study Committee,

The South Carolina Chamber of Commerce appreciates the opportunity to serve on the Electricity Market Reform Measures Study Committee's Advisory Board. Our mission is to be the leading voice for business in South Carolina. It is our view that the study committee should review and explore all market reform options to make certain that underlying goal of the committee, developing a proposal that ensures that South Carolina has the most reliable and the most affordable electricity market in the Southeast, is met.

To expand, we believe that the study committee should analyze proposals that South Carolina could unilaterally adopt to improve our reliability and affordability along with proposals that would require multi-state cooperation. The committee should analyze all outcomes that lead to the following conclusions:

- **SC has the most reliable power system in the Southeast**
- **SC has the lowest energy cost in the Southeast**

Thank you again for the opportunity to provide feedback to the committee.

MEMORANDUM

TO South Carolina Electricity Market Reform Measures Study Committee

FROM Joel Ledbetter

SUBJECT General Manager Easley Combined Utilities. Representative of the South Carolina Association of Municipal Power Systems (SCAMPS)

DATE July 5, 2022

As requested by the Advisory Board, we are providing a template that contains questions to help you develop your written communication with the Study Committee. However, please feel free to structure your written feedback in whatever way you would like.

1. Do you have initial thoughts or opinions about the various market reform options listed in Act 187? The provision of electricity to South Carolinians is currently reliable and affordable across all customer classes. To make a dramatic change in the provision of electric service in South Carolina should not be undertaken lightly. Of the options listed in Act 187 the ones that should be studied are “establishing an energy imbalance market”, “establishing joint dispatch agreements among state or regional utilities”, and “establishing or preserving consumer rate structures that more closely align consumer interest with electric system interests”. These options allow SC to gradually open itself up to market forces and evaluate the costs and benefits, without radically altering the structure of the provision of electricity in South Carolina. In any market scenario the market must be larger than just South Carolina, it has to be regional in nature. The Study Committee needs to determine its goal for restructuring. If it is to provide reliable and affordable electric service to South Carolinians, then the current system of electricity provision works well. Incremental changes may be able to improve performance and cost, but a radical change of the electric system in SC at this time should be undertaken with caution.
2. Are there other market reform options, not listed in Act 187, which your organization believes the Study Committee should consider? No.
3. What does your organization see as the potential benefits of market reform?

Market reform can lead to a reduction, or at least a delay, in the construction of new generation. Due to a market’s larger area, diversity between loads will allow installed reserves by a utility to be lower, and will result in lower cost. In addition, the ability to

purchase surplus energy on an organized market can lead to cost savings over a large footprint to the benefit of all.

4. What does your organization see as the potential costs or risks of market reform?

If market reform is done in a drastic fashion in South Carolina, reliability can and will be affected. See current operating RTO market statements concerning this summer's outlook. With the current price of fuel, all participants in a market are seeing higher cost versus what would have been experience with a diversified portfolio. Another significant cost is the operation of the market itself. The sheer cost to organize and run a market operation is high. These costs need to be identified and evaluated against the benefits of entering a market. An additional risk to joining a market is the loss of control and input of the South Carolina regulators with regards to the electrical utility system. Joining a market has the potential for State of South Carolina to abrogate its utility oversight to an out-of-state third party (market) governed by shareholders versus the government of South Carolina.

Another potential risk or cost is a potential increase in transmission costs; costs that are not transparent and were unanticipated and unquantified. Underestimating future transmission cost has been an issue with a utilities entrance into organized markets.

5. What are the most important issues or concerns your organization when considering market reform?

The chief concern is that if the market reform is not done correctly in SC large customers, (industrial and large commercial) that have the sophistication to understand and operate in markets, will be able to leave the native system that currently serve them and leave the native system with higher cost that will push up electrical rates for the remaining residential and small commercial customers.

6. Is there anything else you want to communicate to the Study Committee?

The Southeastern Energy Market (SEEM) is set to begin later this year. This effort is being created to bring benefits to electric customers in SC. Depending on its success, SEEM may evolve into an EIM. However, if the Legislature makes sweeping changes to the structure of electric service in SC, SEEM may be stopped in its tracks. It is more prudent to allow SC entrance in electric markets organically (a bottoms up approach like SEEM) versus a top-down approach mandated by the General Assembly.

As a final thought, the Committee is again encouraged to define its goals, and evaluate all options against those goals.

MEMORANDUM

TO South Carolina Electricity Market Reform Measures Study Committee

FROM [Author]

SUBJECT **Study Committee Feedback**

DATE July 6, 2022

As requested by the Advisory Board, we are providing a template that contains questions to help you develop your written communication with the Study Committee. However, please feel free to structure your written feedback in whatever way you would like.

1. Do you have initial thoughts or opinions about the various market reform options listed in Act 187?
 - As contemplated in the language of Act 187, the study committee may recommend a “full range of possible market reforms” that include a broad spectrum of potential measures like the creation of, or participation in, an RTO, as well as “other beneficial regulatory framework changes.”
 - In terms of comprehensive market reform measures that should be directly modeled for purposes of quantifying benefits and costs, CCEBA supports modeling of a Southeastern RTO that spans the SEEM footprint, as well as modeling the Carolinas membership in PJM.
 - CCEBA is also supportive of further evaluation and consideration of modeling runs that include Joint Dispatch or the creation of an EIM in the Carolinas. However, because these options do not necessarily provide meaningful market access for non-utility energy suppliers or additional customer choice for consumers, CCEBA believes that any modeling done to evaluate these options should not detract from a focus on other priorities outlined in these comments, such as SE RTO creation, PJM membership, and the recommendations included in #2 below.

2. Are there other market reform options, not listed in Act 187, which your organization believes the Study Committee should consider?

- Yes, as noted above, Act 187 explicitly and implicitly contemplates a broad range of potential changes to South Carolina’s current regulatory framework. CCEBA supports including the following options but understands that some of these will be more qualitative than quantitative in nature. To the extent that some qualitative analysis is practicable, we support including that within the study.
- Market Reform Recommendations for Study:
 - IRP driven competitive procurement (all-source and resource specific)
 - Self-supply clean energy access for large industrial customers and tax-exempt entities (e.g., 3rd Party PPAs)
 - Securitization options for uneconomic utility generation assets (e.g., coal)
 - Integrated Transmission Planning (e.g., proactive transmission planning informed by IRPs and state policy directives, which includes economic transmission investments in addition to reliability investments, as well as increased coordination across BAAs)

3. What does your organization see as the potential benefits of market reform?

South Carolinians pay some of the highest electricity rates in the Southeast and some of the highest electricity bills in the country. Meanwhile, there is limited opportunity for competition from lower cost market alternatives to displace utility owned generation or for customers to access lower cost and/or cleaner generation alternatives. Customers also bear a disproportionate amount of risk for utility cost overruns, unanticipated regulatory compliance costs, and escalating variable fuel costs.

There are straightforward and reliable market reform options that can substantively address all of these concerns to the benefit of customers and to the state as a whole. Through evaluation of best practices in jurisdictions around the country, market reform options should be identified and recommended that will maintain system reliability while lowering costs, expanding consumer choice, reducing risk, and increasing competition.

CCEBA members are particularly interested in creating a more level playing field whereby clean energy resources like solar, wind, and storage are able to compete for market share through market-based pricing, rather than the current over-reliance on administratively determined pricing. Increased competition through well-crafted policy

changes can translate into lower costs for customers and increased economic investment in South Carolina, but unless the current market structure is adequately reformed, administrative decisions will continue to drive generation investment and uneconomic generation will continue to be shielded from market competition.

The energy sector has become increasingly dynamic over the past decade due to technological innovation for both supply-side and demand-side energy solutions. As a consequence, the role of administrators in vertically integrated utility markets has become increasingly complex and resource intensive, requiring a significantly higher level of sophistication in order to successfully replicate the benefits and advantages of a competitive market in the form of a centrally planned regulatory environment like that found in South Carolina. By adopting market reform measures that more closely reflect market dynamics, market participants will become more disciplined through competition and proper risk allocation, and customers will reap the benefits of lower costs and increased customer choice.

4. What does your organization see as the potential costs or risks of market reform?

Any market reform measure should adequately consider unintended consequences for system reliability and costs for each customer class. All market structures inherently contain risks related to reliability, which we have experienced in South Carolina in the form of load shedding events, and unexpected costs, which we have experienced in South Carolina in the form of abandoned generation projects and continued operation of uneconomic generation resources. One goal of this process should be to identify both existing and potential costs and risks when considering market reform measures.

There are no perfect energy market solutions, but by objectively evaluating the flaws inherent in the current market structure, as well as the options for addressing those flaws, South Carolina has the opportunity reform its energy market in ways that serve the best interest of the state's businesses and citizens.

5. What are the most important issues or concerns for your organization when considering market reform?

- Priority Issues
 - Reliability and costs

- Market access and increased competition
- Price transparency
- Resource and transmission planning
- Risk allocation
- Consumer choice
- Governance and administrative considerations
- Issues of Concern
 - Modeling limitations due to Duke Energy's two-state BAA (CCEBA recommends that the advisory board continue to consider a modeling approach that captures regional, SC/NC, and SC specific market reforms)
 - Preservation of market distortions that disproportionately benefit utility shareholders at the expense of customers and would-be competitors
 - Avoid undue focus on more extreme market reform options like full retail choice or immediate utility generation divestiture (i.e., CCEBA believes these market reform options are politically unviable and are likely to be a distraction from more productive areas of interest)
 - Avoid conflating the recent and historical problems in markets like ERCOT and CAISO with the more realistic and politically viable market reform measures being proposed by advisory board members like CCEBA

6. Is there anything else you want to communicate to the Study Committee?

CCEBA appreciates the opportunity to participate in this study process and stands ready to assist the study committee in its duties under Act 187. Our membership includes clean energy companies that conduct extensive business in markets across the Southeast and the United States, and we offer up that experience to the study committee members.

We also believe that additional direct interaction between the study committee and the advisory board would be beneficial for all parties in ensuring that the study and recommendations that follow from Act 187 are in the best interest of South Carolina. The General Assembly will need comprehensive, objective analyses and thoughtful policy options for determining the future of this state's energy market. To that end, CCEBA looks forward to its continued participation and contribution to this process.

MEMORANDUM

TO South Carolina Electricity Market Reform Measures Study Committee

FROM Stephen Chriss, Director Energy Services, Walmart Inc.

SUBJECT **Comments on Market Reform Options**

DATE July 7, 2022

As requested by the Advisory Board, we are providing a template that contains questions to help you develop your written communication with the Study Committee. However, please feel free to structure your written feedback in whatever way you would like.

1. Do you have initial thoughts or opinions about the various market reform options listed in Act 187?

In general, Walmart believes that the options listed in Act 187 are sufficiently comprehensive to provide meaningful opportunities for South Carolina electric customers to save money on their bills, access renewable and clean energy options, and improve grid reliability. Reliable and low cost electricity, coupled with access to different energy options, are key drivers for business customers who currently operate in the state as well as for future economic development.

Wholesale Market Reform Options

Walmart is particularly interested in options (a) and (b) regarding the establishment of a new Regional Transmission Organization (“RTO”) or joining an existing RTO. A utility’s participation in an RTO provides an opportunity for the utility’s costs of service to decrease over time. The wholesale market gives a participating utility access to a diverse suite of generation facilities along with centralized coordination of these resources, which

enables the RTO to dispatch the most cost-efficient resource at any given time. This creates a savings for the utility and, ultimately, for customers. These benefits were recognized in the creation of the Southeastern Energy Exchange Market, which is an important initial step in the direction of establishing an RTO, but ultimately does not deliver to customers the full benefits of RTO membership.

Cost savings from utility RTO membership and operations will be dependent on the market structure and how rates are set to reflect short-term and long-term costs and benefits. At a minimum, customers would expect a reduction in short-term fuel and purchased power costs as generation dispatch is moved to broader economic dispatch across the RTO. In the longer-term, RTO membership and operations, coupled with leveraging the competitive wholesale market and third-party generation options, should reduce the overall cost of the utility's generation capacity charged to customers. To this point, the Public Service Commission would need to adjust resource planning and ratemaking processes and practices to ensure that this leveraging is possible, including a willingness to phase out uneconomic generation instead of relying on captive customers as a financial backstop for suboptimal utility choices. As an example, the Western Energy Imbalance Market publishes a quarterly benefits report that details the gross benefits from their operations.¹

In Walmart's experience, competitive wholesale markets also provide a transparent and easily transactable platform for the procurement of renewable energy and allow customer demand to directly contract for supply. Walmart has engaged in

¹ <https://www.westerneim.com/Pages/About/QuarterlyBenefits.aspx>

wholesale level procurements both to serve load and as virtual power purchase agreements. Additionally, as South Carolina's utilities and customers invest in renewable energy resources, RTO dispatch can maintain resource value by reducing generation curtailment, as excess renewable generation can be transmitted to other parts of the RTO instead of causing the need to be curtailed.

Additionally, a utility will benefit from participating in an RTO through increased grid reliability. During times of grid stress, a participating utility can rely on an array of resources that may not be otherwise available to a non-participating utility to alleviate an immediate and emergent event in the most efficient manner. This additional support system provided by other members of the RTO serves as a safeguard during times of peak load and other events that may cause stress to the grid, which is an invaluable benefit to all customers.

Retail Market Reform Options

Walmart generally supports retail electric service choice, included in Act 187 as options (e), (f), and (g). Retail choice gives customers the freedom to choose a supplier that best meets their business goals with service offerings that provide choices on price, generation portfolio mix, and risk management. Walmart operates a wholly-owned subsidiary, Texas Retail Energy, that directly serves Walmart load in 12 states and manages third party electric and natural gas suppliers in the remaining choice markets.

Walmart does not take a position on retail choice in South Carolina at this time, as ultimately whether implementation of any form of retail choice is appropriate for South Carolina will depend on the outcome of other reforms examined by the Study Committee,

particularly whether the Study Committee determines that an RTO should be established or joined by South Carolina's utilities.

2. Are there other market reform options, not listed in Act 187, which your organization believes the Study Committee should consider?

Walmart does not have any additions at this time.

3. What does your organization see as the potential benefits of market reform?

The primary benefits of market reform are providing meaningful opportunities for South Carolina electric customers to save money on their bills, access renewable and clean energy options, and improve grid reliability.

4. What does your organization see as the potential costs or risks of market reform?

For wholesale market options, the risks are relatively low, as RTOs are established and operational in many parts of the country, and Duke Energy and Dominion have experience operating in RTO territories in Indiana, Ohio, Kentucky, and Virginia. Additionally, utilities across the Southeast, including several South Carolina utilities, have recognized the value of broader access to generation resources through the creation of the Southeast Energy Exchange Market.

MEMORANDUM

TO South Carolina Electricity Market Reform Measures Study Committee
FROM The South Carolina Office of Regulatory Staff (ORS)
SUBJECT **Requested Written Communication with the Study Committee**
DATE July 6, 2022

As requested by the Advisory Board, we are providing a template that contains questions to help you develop your written communication with the Study Committee. However, please feel free to structure your written feedback in whatever way you would like.

1. Do you have initial thoughts or opinions about the various market reform options listed in Act 187?

ORS represents the public interest of South Carolina in utility regulation for the major utility industries. The public interest is defined by the South Carolina General Assembly as *“the concerns of the using and consuming public with respect to public utility services, regardless of the class of customer, and preservation of continued investment in and maintenance of utility facilities so as to provide reliable and high-quality utility service.”*

It is ORS's position that any electric market and regulatory reform options must result in significant cost savings to customers and improved service quality and reliability (beyond today's levels of service quality and reliability). In addition, electric market and regulatory reform options should drive greater utility efficiency, be non-discriminatory, contribute to economic growth of South Carolina, and result in enhanced electric service resilience for all customers.

It is ORS's position that South Carolina must retain state regulatory authority over resource adequacy, the resource mix used by regulated electric utilities, transmission planning and prudence/cost recovery for transmission investments, retail electric rates, and approval of the electric utility to participate in a market option.

2. Are there other market reform options, not listed in Act 187, which your organization believes the Study Committee should consider?

Act 187 allows for study of “other beneficial regulatory framework changes.” All customers may benefit from the following regulatory framework changes, if properly designed to include critical customer protections:

- A. Third-party (non-utility) customer energy efficiency administration.¹
 - B. Changes to the Rate Stabilization Act (RSA) (S.C. Code Laws 58-5-400)
 - a. ORS determined the RSA could be improved to enhance transparency and accuracy and recommends the General Assembly consider the following modifications:
 - i. A more frequent review of the cost of service study for natural gas utilities.
 - ii. Provide mechanisms to incorporate changes in rate design and changes to the RSA statutory language to allow greater flexibility in rate design; and,
 - iii. Update Return on Equity to a limitation on the term of RSA election to no more than five years.
 - C. Securitization for stranded assets and environmental compliance costs.
 - D. Well-designed electricity affordability program to ensure a fair distribution of the benefits and burdens related to electric generation and consumption.
3. What does your organization see as the potential benefits of market reform?
 - 1) Efficient grid operations to reduce costs and increase flexibility.
 - 2) Extract all potential of existing generation to lower costs and decrease transmission investments (i.e. least cost planning).
 - 3) Support improvements in reliability and resiliency.

¹ ACEEE Overview: Administrative Structures for Utility Customer Energy Efficiency Programs in the United States. https://iea.blob.core.windows.net/assets/imports/events/266/Dan_York.pdf

- 4) Provide Commission, ORS, stakeholders, Consumer Advocate with transparent and timely information.
- 5) Increase opportunities for innovative market participants.
 - a. May insulate customers from risk.
 - b. May accelerate the timeline for new technology development.
- 6) Enhance transparency, accountability, and public participation.
- 7) Allow consumer greater control and choice.
- 8) Potential for cost recovery alternatives not tied to growing utility rate base (i.e. the utility death spiral)
- 9) May standardize utility reserve margins.
- 10) Equitably distributes risk to investors.

ORS requests the Study to quantify the benefits listed above.

4. What does your organization see as the potential costs or risks of market reform?
 - 1) Historically, full retail choice for residential and small commercial and industrial customers has not resulted in actual savings or improved service.
 - 2) May be difficult for ORS or other stakeholders to challenge cost recovery of certain costs.
 - 3) Dilution of state Commission regulatory oversight.
 - 4) Some customers may have difficulty navigating choices due to resource inability and/or hesitancy to adopt new policies.
 - 5) Significant learning curve for all participants – different accounting, pricing, modelling.
 - a. Requires a significant amount of education for all participants.
 - 6) Increased up-front costs for utilities to conform business systems, regulatory structure, etc. to change in market structure.
 - 7) Significant regulatory burden – redesign of current economic and customer regulations and statutes.
 - 8) State jurisdictions may be out of sync in triggering duplication of functions and increased costs (i.e. NC and SC shared system)

- 9) May negatively impact local SC workforce and location of generation/transmission facilities.
- 10) FERC regulation of certain aspects of the market (i.e. transmission) may be a disadvantage to retail customers.
- 11) A change in market structure could have a negative impact on reliability.

ORS respectfully requests that the Study quantify the risks listed above and these additional items:

- a. Customer bill impacts
- b. Forecast costs for administration, regulatory, legal, O&M, contingency
- c. Customer education costs

5. What are the most important issues or concerns your organization when considering market reform?

It is ORS's position that any electric market and regulatory reform options must result in significant cost savings to customers and improved service quality and reliability (beyond today's levels of service quality and reliability). In addition, electric market and regulatory reform options should drive greater utility efficiency, be non-discriminatory, contribute to economic growth of South Carolina, and result in enhanced electric service resilience for all customers.

It is ORS's position that South Carolina must retain state regulatory authority over resource adequacy, the resource mix used by regulated electric utilities, transmission planning and prudence/cost recovery for transmission investments, retail electric rates, and approval of the electric utility to participate in a market option.

6. Is there anything else you want to communicate to the Study Committee?

ORS respectfully requests that the Study Committee identify and/or define the following items:

- 1) What is the state's goal or objective with the Study?
- 2) What is the role of the non-voting Advisory Group?

3) What does acceleration in reductions in emissions mean, how is it measured and over what period is it measured?



A Touchstone Energy® Cooperative 



July 6, 2022

Ms. Heather Anderson, Staff Counsel
Mr. Bryan Triplett, Staff Counsel
Mr. John Tsoukalis, Advisor
Electricity Market Reform Measures Study Committee
1100 Gervais Street
Columbia, SC 29201

Dear Heather, Bryan and John,

Central Electric Power Cooperative (Central) and the Electric Cooperatives of South Carolina (ECSC) appreciate the opportunity to participate as advisory board members in the Electricity Market Reform Measures Study Committee's efforts to study market reform options to provide benefits to the State's electric consumers. Wholesale power costs, inclusive of power supply and transmission, comprise roughly two-thirds of all electric costs to co-op member-consumers in South Carolina. Any opportunity to enhance the ability to reduce those wholesale power costs while maintaining reliability will directly benefit the State's 1.6 million electric co-op member consumers.

Central and ECSC fully support the General Assembly's measured approach to better understanding reform options that can bring value to the State's electric consumers. A well-constructed study to better educate stakeholders is a logical first step. The electric cooperatives enter this effort eager to learn and better understand the costs, benefits and risks associated with potential changes to the State's current electric utility landscape.

The South Carolina electric grid is divided into four regional bulk transmission territories. There is no wholistic regional long-term transmission planning process currently taking place which includes South Carolina that focuses on the benefits of strengthened interconnection of these bulk transmission territories. Increasing the ability to flow power more seamlessly across these four South Carolina and neighboring transmission systems would deliver the benefit of increased access to competitively priced wholesale power supply. With greater access to competitive wholesale power prices, Central, as well as other electric utilities, could achieve greater diversity and competitively priced wholesale power. Additionally, a South Carolina transmission system with strong interconnection with neighboring systems can help us avoid limitations that were experienced in Texas recently during severe winter weather.

For the Committee's study process to yield truly actionable recommendations, detailed modeling for viable options will need to be conducted to fully understand the operational impacts to the electric grid, associated administrative costs and the impact of cost allocation methodology. All of these factors should be benchmarked against a base or reference case to understand whether net benefits or costs are predicted. All options, including today's business model, come with risks. Robust assessment of mitigation alternatives to manage the material risks will also be an important component for options that are studied.

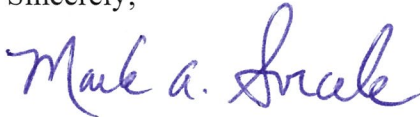
Central and ECSC believe the following options should be included in the Committee's study:

- Regional Transmission Organization
 - Carolinas
 - Southeast Energy Exchange Market (SEEM) Footprint
 - Carolinas joining PJM
- Energy Imbalance Market
 - *South Carolina
 - SEEM Footprint
- Joint Dispatch Agreement
 - *South Carolina
- Enhanced Long-Term Transmission Planning
 - *South Carolina
 - Carolinas with Neighboring States
- Demand-side Strategies for Addressing Increasing Demand and Supply-side Challenges

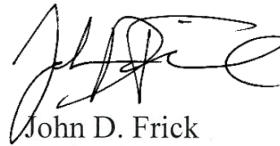
*All options referencing a South Carolina specific study recognize that Duke Energy is inherently a multi-jurisdictional company and even when South Carolina specific options are studied, they should contain analysis addressing the inherent issues therein.

We appreciate greatly the opportunity to participate and stand ready to assist in any way the Committee finds helpful.

Sincerely,



Mark A. Svrcek
Central Electric Power Cooperative, Inc.



John D. Frick
The Electric Cooperatives of SC