

**Testimony of the Electric Power Supply Association
Regarding The Impacts of COVID-19 on the Energy Industry
Senate Energy and Natural Resources Committee
June 16, 2020**

The Electric Power Supply Association (EPSA)¹ and its members thank you for holding today’s hearing to evaluate and understand the impacts of COVID-19 on the energy industry. Since the crisis began, the safety and well-being of our customers, employees, communities, and our nation has been the first priority for EPSA and America’s competitive power suppliers. Critically, the state of our nation’s power supply, generation, transmission, and delivery system remains strong, and we are in close coordination with our peers across the sectors to ensure service is delivered reliably and uninterrupted. Recently, the North American Electric Reliability Corporation (“NERC”) had “not identified any specific threat or degradation to the reliable operation of the [Bulk Power System]. To its credit, the industry continues to operate the BPS in a reliable and secure manner, the pandemic introduces a significant degree of uncertainty that is without precedent.”²

In order to help Americans adjust as seamlessly as possible, competitive power suppliers have been, and continue to be, focused on maintaining the availability of key personnel, such as power plant operators and control room staff who ensure the safe operation of power generating facilities. EPSA member companies have worked closely with public officials to develop safety

¹ Launched over 20 years ago, EPSA is the national trade association representing leading competitive power suppliers and marketers. EPSA members provide reliable and competitively priced electricity from environmentally responsible facilities using a diverse mix of fuels and technologies. Power supplied on a competitive basis collectively accounts for 40 percent of the U.S. installed generating capacity. EPSA seeks to bring the benefits of competition to all power customers. This testimony represents the position of EPSA as an organization, but not necessarily the views of any particular member with respect to any issue.

²North American Electric Reliability Corporation, *Special Report Pandemic Preparedness and Operational Assessment: Spring 2020*, Available at: [https://www.nerc.com/pa/rm/bpsa/Alerts%20DL/NERC Pandemic Preparedness and Op Assessment Spring 2020.pdf](https://www.nerc.com/pa/rm/bpsa/Alerts%20DL/NERC%20Pandemic%20Preparedness%20and%20Op%20Assessment%20Spring%2020.pdf)

protocols for power plant operators and other staff, procure Personal Protective Equipment, and develop comprehensive plans to make power plants and office settings as safe as possible for essential employees. Like others, it is possible that EPSA member company employees could be impacted by the virus. In anticipation of such a situation, competitive power suppliers have taken every step possible to ensure coverage of mission critical positions that keep the lights on. EPSA and our companies continue to closely monitor the situation and adjust tactics as needed.

However, no sector of the economy, including the energy sector, is immune from the effects of COVID-19. As Americans have taken steps to avoid contact with the virus, there has been and will be a shift in power demand from the workplace, restaurants, hotels, and other public venues, to home. Overall, this shift has also led to a reduction in the amount of power demanded. For example, in the PJM Interconnection (“PJM”), which is America’s largest power grid that serves 65 million customers, demand for power has declined between 8 and 10% from 2019 levels.³ In New York City, power demand has slipped as much as 20% from 2019.⁴ Lower power demand has yielded lower power prices, which are good for consumers, but the corresponding drop in revenues is challenging for power suppliers including EPSA members.

As we told Congress in March⁵, we believe the efforts of the federal government should be focused on ensuring the health and well-being of the American public. At a time when policy makers must dedicate substantial resources needed to combat this public health crisis and support American homes and businesses facing economic hardship, EPSA members are not asking for government relief, financial support, or subsidies. However, others in the industry have sought government relief in several forms. As reduced power demand continues into the foreseeable

³ *PJM Details COVID-19 Impacts to Electricity Demand*, April 15, 2020. Available at : <https://insidelines.pjm.com/pjm-details-covid-19-impacts-to-electricity-demand/>

⁴ *COVID-19 Related Updates*, Last Updated June 10, 2020. Available at : <https://www.nyiso.com/covid>

⁵ As an attachment to this testimony, we have included a March 19, 2020 letter from EPSA to Senate leadership.

future, Congress should be leery any requested “relief” via payments for energy not sold due to reduced power demand simply to boost a business’s bottom line. While we recognize that this crisis created legitimate expenses that otherwise would have not been incurred (*i.e.*, costs to procure Personal Protective Equipment) in order to maintain the reliability of the power grid, those expenses, are far different than reduced revenues as a result of decreased power demand.

Whereas regulated electric utilities receive guaranteed cost recovery from captive customers, competitive power suppliers are compensated entirely from the wholesale electricity markets, a fundamentally different approach. In most cases, competitive power suppliers must recover their costs through market-based payments, not single-issue rate filings before the Federal Energy Regulatory Commission (FERC) or a state public utility commission. As such, EPSA members are directly and tangibly impacted by changing market conditions, such as demand for, and the price of, power. We believe it is more appropriate for private investors – not consumers – to bear the risk of market fluctuations. Given that rate-regulated utilities earn guaranteed cost recovery from captive ratepayers, they are generally shielded from any market risk associated with lower-than-expected demand. At a time when unemployment is soaring, the last thing Americas should be asked to do is pay more for an essential service like electricity. Asking them to do it for the benefit of a powerful monopoly utility that already earns guaranteed cost recovery is even worse.

We urge Congress to focus resources on providing aid to those impacted the most by this crisis, not the energy industry. Should Congress consider providing aid to the energy industry as part of additional COVID-19 recovery legislation, that aid should be narrowly tailored to focus on expenses incurred directly as a result of actions taken in response to COVID-19 that ensured the reliable operation of the power grid. Reduced revenues as a result of reduced demand or

power prices should not justify aid. Nor should claims of reduced reliability, as NERC has made clear that the grid continues to function with high reliability. Importantly, any aid must be made equally available to all sectors of the industry and recognize the differences between traditional rate-regulated utilities and competitive suppliers dependent entirely on the market for revenues.

EPSA appreciates the attention given by the Committee to the impacts of COVID-19 on the energy industry and we look forward to working with the Committee going forward. This concludes our written testimony.

Attachment

March 19, 2020 EPSA Letter to Senate Leadership



The Electric Power Supply Association
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March 19, 2020

The Honorable Mitch McConnell
Majority Leader, U.S. Senate
U.S. Capitol, S-230
Washington, DC 20510-7010

The Honorable Charles Schumer
Minority Leader, U.S. Senate
U.S. Capitol, S-221
Washington, DC 20510-7010

Sent via e-mail

Dear Leader McConnell and Leader Schumer,

As the national association representing competitive power suppliers, which provide more than 150,000 MW of power capacity to America's homes, businesses, hospitals, and emergency services, the Electric Power Supply Association (EPSA) writes to inform you of the steps we are taking to ensure that continued safe, reliable power is available even as our nation combats the unprecedented global threat posed by the novel Coronavirus and COVID-19. As Americans face other disruptions, reliable power is thankfully not currently anything to add to their concerns. The lights will stay on, hospitals will have the power they need to care for patients, and emergency services continue to have the power they need to ensure public health and safety.

The safety and well-being of our customers, employees, communities, and our nation is the first priority for EPSA and America's competitive power suppliers—as it is for the entire energy industry, with which we stand in solidarity during this time of crisis. The state of our nation's power supply, generation, transmission, and delivery system is strong, and we are in close coordination with our peers across the sectors to ensure service is not disrupted and power is available where needed. Our member companies' diverse power capacity is available to be deployed as needed, with resources working in tandem to provide power to support intermittent or otherwise unavailable supply. We have a strong track record of serving the grid in times of extreme weather or other emergencies.

At a time when policymakers must dedicate substantial resources needed to combat this public health crisis and support American homes and businesses facing economic hardship, our members are not asking for government relief, financial support, or subsidies. We don't do so in

normal times, and certainly not in emergencies. We believe the efforts of the federal government should be focused on ensuring the health and well-being of the American public. We are all in this challenging time together and we stand ready to help.

Competitors Working Together

As the impact of the novel Coronavirus/ COVID-19 progresses, competitive power suppliers are united with the entire energy industry, government agencies, and public officials to ensure Americans have a safe, reliable supply of electricity. In addition to longstanding planning efforts to prepare for extreme events, we have been working proactively and closely monitoring the situation for weeks to assess and prepare for eventual outcomes, while preparing and implementing the industry's three-phase pandemic plan. There is full engagement in this industry-wide effort up to the chief executive level of all EPSA member companies as we work to ensure our resources perform as needed when called upon. Policy differences are put aside to allow laser focus on one of the most disruptive events in recent American history. EPSA and its members are committed to doing our part to ensure the system performs at the highest level until and after the restoration of "normalcy."

Action From EPSA and Industry Leaders

- EPSA is part of the [Electricity Subsector Coordinating Council \(ESCC\)](#), which is the principal liaison between the federal government and the electric power sector, including utilities, public power, rural electric co-ops, and associated industries. We are cooperating to provide information and receive updates about how companies and service could be impacted. This effective coordination ensures that organizations have the resources that they need to continue providing electricity to customers throughout any disruptions.
- EPSA member company representatives are engaged on ESCC "Tiger Team" task forces addressing specific issues and operational concerns.
- EPSA is engaged in cross-association issue management with our fellow energy trade associations including API, AGA, NGSAA, INGAA, APPA, and others to address reliability considerations.
- EPSA has proactively reached out to ISOs/RTOs to address any performance and/or reliability concerns.
- The ESCC has developed a [COVID-19 Resource Guide](#) to help the power industry make informed localized decisions in response to this evolving global pandemic, which will be updated as needed.
- The ESCC is holding coronavirus coordination calls twice a week with senior leadership from the Department of Energy, the Department of Homeland Security, the Department of Health and Human Services, the Centers for Disease Control and Prevention, and the Federal Energy Regulatory Commission to ensure that industry and government are working together to resolve any challenges that may arise during the health emergency.
- EPSA is working closely with member companies to understand how their operations may or may not be impacted in order to share that information with government and

others and communicate with media and the public. We are also working to understand what measures would help or impede our members' ability to serve the public.

- EPSA's member companies have been actively and constructively engaged with Governor's offices, as well as city, county and state health and emergency management offices, across the country.

Competitive Power Suppliers Respond

- Competitive power suppliers are focused on maintaining the availability of key personnel, such as power plant operators and control room staff who ensure the safe operation of power generating facilities.
- It is possible that EPSA member company employees could be impacted by the virus. In anticipation of such a situation, competitive power suppliers are taking every step possible to ensure coverage of mission critical positions.
- EPSA and our companies are closely monitoring the situation and adjusting tactics as needed.
- Competitive companies with retail services have implemented steps to ensure those facing hardship are not disconnected.

Implications for Power Demand, Markets, and Prices

Power markets are elastic in response to supply and demand. As Americans take steps to avoid contact with the virus, there has been and will be a shift in power demand from the workplace, restaurants, hotels, and other public venues to home. No one can say for sure what the exact impact on demand will be because we've never experienced such a shift in behavior. It's possible certain types of demand (such as residential) could increase and offset a portion of reductions in other demand.

While the impact on the equity markets has been significant, it's very early in the event and the long-term impact on investment and financing won't be known for a while.

Power markets have performed well. Energy prices have been relatively unchanged or slightly lower, which is helpful for consumers—especially those who may face decreased employment and other economic hardship.

Competitive markets are working as designed. As demand drops, so too will prices. A competitive market structure keeps generators and developers accountable, efficient, and responsive to consumer demand and the needs of the grid.

If demand drops, lower-cost resources like renewables and reliable natural gas, which are currently the cheapest and cleanest on the market, are likely to be selected. At the end of the day, the most affordable, most efficient and likely cleaner resources will be selected. Generators and investors, rather than taxpayers and customers, will bear the costs—leaving state budgets and funding available for other critical needs.

Power On

Competitive power suppliers have substantial generation capacity and stand ready to deliver power when called upon. We are ready and able to deploy that capacity and do our part to keep America's people and critical industries powered.

We will keep you updated if and when there is more news to share and encourage you to reach out at any time.

For information on how the electric power industry is responding as the Coronavirus/ COVID-19 situation evolves, visit www.electricitysubsector.org. For the American Petroleum Institute's Pandemic Planning Guide, visit www.api.org.

For all other information related to the Coronavirus/ COVID-19, visit www.cdc.gov.

Respectfully yours,



Todd A. Snitchler
President & CEO
Electric Power Supply Association

EPSA Member Companies

BP • Calpine • Cogentrix Energy • Competitive Power Ventures, Inc. • Diamond Generating Corporation • Eastern Generation LLC • Energy Capital Partners • GenOn • J-Power USA • LS Power • NRG Energy • Rockland Capital • Tenaska • TransAlta • Vistra • Shell

About EPSA

The Electric Power Supply Association (EPSA) is the national trade association representing America's competitive power suppliers. EPSA members provide nearly 150,000 MW of reliable and competitively priced electricity from environmentally responsible facilities using a diverse mix of fuels and technologies including natural gas, wind, solar, hydropower, geothermal, storage, biomass, and coal. EPSA seeks to bring the benefits of competition to all power customers. Learn more at www.epsa.org and connect with us on [LinkedIn](#) and Twitter [@EPSAnews](#).