Ohio Environmental Council
[Action Fund]

October 8, 2025
Proponent Testimony - House Bill 427
Ohio House Energy Committee

Chair Holmes, Vice-Chair Mathews, Ranking Member Rader and members of the committee, thank you for the opportunity to offer proponent testimony on House Bill 427. My name is Karin Nordstrom; I serve as the Clean Energy Attorney for the Ohio Environmental Council Action Fund (OEC Action Fund). The OEC Action Fund's mission is to protect the environment and health of all Ohio communities.

The OEC Action Fund supports HB 427 because it:

- Expands existing programs to ensure more Ohioans can benefit from them.
- Will decrease energy costs on the grid, saving Ohioans and businesses money.
- Provides PUCO oversight of the program, to ensure Ohioans see the benefits of these programs through actual electricity demand reduction.
- Puts customers in control of if and how they participate.

What does HB 427 do?

HB 427 encourages the Public Utilities Commission of Ohio and investor-owned utilities to exhaust all opportunities for grid reliability and affordability. This legislation is a net benefit for all Ohioans.

HB 427 establishes parameters for Ohio's Electric Distribution Utilities (EDU) to run voluntary demand response programs. The programs and their benefits are not restricted to standard service offer customers or program participants. HB 427 allows customers of competitive retail electric service (CRES) providers to access the programs, and CRES providers can bid the saved energy into PJM's capacity market. Demand response programs incentivize customers to reduce their usage during peak times, which lowers system costs, avoids blackouts, and supports grid reliability. Everyone benefits from these grid savings.

What is Demand Response?

Demand response is a solution already available to industrial customers in Ohio through "interruptibility" rates, programs that call upon large users to reduce their consumption at times of strain on the grid. PJM also offers demand response programs to industrial customers in Ohio. Residential Demand response is available to customers of certain rural electric cooperatives and AEP Ohio customers.

AEP Ohio's smart thermostat program, while still in the early stages of implementation, called 10 events this summer during times of high demand, creating around 15 MWs of savings during the events. This program, which includes over 19,000 customers, provides incentives for smart thermostats as well as an annual incentive for participating. Customers can choose to override the event at any time, and the utility can only adjust their thermostats by no more than three degrees. HB 427 would create important guidelines for future programs similar to AEP Ohio's across all of the state.

The remainder of my testimony will focus on HB 427's impacts on energy affordability and program cost effectiveness.

HB 427 will reduce Capacity Costs

PJM Capacity costs are a major factor in our current energy affordability crisis. Capacity costs are premiums paid in the PJM capacity auction to ensure there is adequate power on the electric grid during times of high demand. PJM is experiencing dramatic increases in demand, while seeing delays interconnecting new supply. This tension has resulted in very high capacity costs. The most recent PJM capacity auction hit the price cap of $269 per megawatt-day, and forecasters do not expect any relief in the upcoming auctions. Demand Response programs can help counter this capacity auction crunch because utilities and CRES providers can bid the programs' energy savings into the capacity auction, which will depress prices. In the recent capacity auctions, demand response resources were critical to meeting PJM's projected demand.

The energy savings from each household, aggregated together, operate like a "Virtual Power Plant" on the grid. A recent analysis on Ohio's potential demand response programs by the Midwest Energy Efficiency Alliance estimates that a "low" participation rate of 10% of customers would result in 199 MW of peak demand savings, while a "high" participation rate of 30% of customers would bring about 598 MW of peak demand savings on to Ohio's grid. By allowing the programs' savings to be bid into the PJM marketplace, HB 427 will provide savings to all customers, not just those who opt in to the programs.

HB 427 will improve PUCO Oversight of Demand Response Programs

Importantly, HB 427 requires the PUCO to ensure the programs are cost effective for customers. This evaluation must take into account:

- Capacity Prices
- Long term savings to the grid provided by reducing demand

- Any other factors the PUCO deems appropriate for evaluation

All Demand Reduction Programs must be approved by the PUCO, and the Commission is required to evaluate the success of the programs within three years of the bill's effective date. Furthermore, if a utility bids demand response reductions into the PJM capacity market, that utility must use the revenue earned from the bidding to offset the costs of the programs.

The OEC also recommends legislative clarity around the PUCO evaluation process. The process should ensure that stakeholders can provide comments and feedback on the program's effectiveness. By including a formal notice and comment process in the legislation, we can ensure that consumer advocates, business groups, and all stakeholders at the PUCO are involved in ensuring the programs are cost effective and successful.

HB 427 will provide utility incentives to create successful programs

HB 427 allows the PUCO to offer performance-based incentives for utilities for successfully running demand response programs. This incentive is based upon the overall savings the program creates. **This incentive can only occur if programs are run responsibly,** and only if they are generating demonstrable savings for customers. This provision is important, as it ensures utilities are incentivized only if customers are saving money.

The Ohio Environmental Council Action Fund urges prompt passage of HB 427 in order to help address our looming energy reliability and affordability crisis. These programs are completely voluntary and give customers the opportunity to override their utility at all times. By allowing residential and small business customers to receive the same beneficial programs available to commercial and industrial customers, HB 427 is an important step in consumer protection and equity.

Thank you for the opportunity to offer testimony today. I would be happy to answer any questions.