



April 2, 2021

VIA ELECTRONIC MAIL

board.secretary@bpu.nj.gov

Aida Camacho-Welch, Secretary
New Jersey Board of Public Utilities
44 South Clinton Avenue Trenton, New Jersey 08625

Re: In the Matter of BPU Investigation of Resource Adequacy Alternatives
BPU Docket No. EO20030203

Dear Secretary Camacho-Welch:

Exelon Generation Company, LLC ("Exelon Generation") respectfully submits the following comments in response to the discussions at the Board of Public Utilities' ("Board") March 19, 2021 work session on the Integrated Clean Capacity Market ("ICCM") proposal presented as part of the Board's ongoing Investigation of Resource Adequacy Alternatives.

Exelon Generation continues to applaud the Board for its leadership and commitment to clean energy and supports the clean energy targets and environmental objectives included in New Jersey's Energy Master Plan ("EMP"). These comments build on our prior submissions in this proceeding and reinforces our support for the Board's exploration of potential resource adequacy constructs and other market reforms to keep New Jersey on track to meet its environmental goals. We support the Board's use of a comprehensive statewide analysis and collaborative process to evaluate New Jersey's options for its clean energy future and commend the Board for utilizing a structured and methodical approach, considering and analyzing all proposals brought before the Board for their efficacy and benefits to New Jersey customers.

Importantly, the Board's initiation of this investigation and focus on the negative impacts of the expanded Minimum Offer Price Rule (Expanded MOPR) has helped spur similar focus from PJM and the FERC. These investigations are making it ever more clear that the elimination of the Expanded MOPR whose market distortions and additional customer costs will be most acute in states with ambitious clean energy goals, like New Jersey, is paramount.

Elimination of the Expanded MOPR Should be the Immediate Focus

We strongly agree with the Board and its consultant, The Brattle Group ("Brattle"), that the Expanded MOPR is not sustainable and should be immediately repealed, returning to a version that properly limits the scope of the MOPR to clear exercises of buyer-market power as originally

intended.¹ Perhaps most important in Brattle's analysis is the modeling that shows that the No-MOPR RPM² scenario would be the least cost scenario for New Jersey customers. In turn, the modeling Brattle presented at the March 19 work session also shows that the Expanded MOPR³ scenario would exclude state-supported resources from clearing the capacity market and as a result impose approximately \$280-\$300 million per year in excess costs on New Jersey customers. The analysis also shows that any one of the New Jersey Fixed Resource Requirement scenarios provides a better outcome for New Jersey customers, its clean energy agenda, and the environment, compared to continued participation in RPM with Expanded MOPR. So, while elimination of the negative impacts of the Expanded MOPR should be the immediate priority, New Jersey should continue to pursue an FRR alternative if action on the Expanded MOPR does not occur.

To the extent changes to the Expanded MOPR do occur, Exelon Generation believes that a reformed MOPR should accommodate states' authority to set their resource mix and not thwart state preferences for retaining and expanding the environmental benefits of clean generation - including nuclear power - that are essential to meet bold carbon reduction goals. The PJM energy market also should be a part of these discussions on MOPR replacement and other market reforms and Exelon Generation believes that the PJM energy market should reflect a meaningful carbon price, along with provisions to ensure that its effectiveness is not undermined by leakage.

Resource Adequacy Alternatives Investigation Modeling Results

While we appreciate Brattle's analysis of various resource adequacy alternative approaches presented as part of this investigation, we continue to have questions regarding the underlying assumptions therein. The presentation by Brattle provided a set of high-level results without providing some key information that would be needed to better understand the broader implication of the analysis.

Notably, the New Jersey-Only ICCM⁴ scenario is more costly to New Jersey customers than the No-MOPR RPM scenario which supports prioritizing repeal of the Expanded MOPR. But beyond the No-MOPR RPM case, it is unclear why the New Jersey-Only ICCM would provide higher

¹ As the Board explained in its Order initiating these proceedings, under MOPR, if a resource receives any form of state support (such as payment for its environmental attributes), it will be required to submit an administratively determined minimum offer price in the PJM capacity auction. That minimum offer price will be set so as to preclude these state - supported resources from recognizing state support when determining their offer—thus pushing their bids higher than they would otherwise be, and putting them at risk of failing to clear in the capacity market. Some resource technologies, such as offshore wind, are unlikely ever to clear in the PJM capacity market under the new bidding rules. Exelon Generation strongly agrees.

² No-MOPR RPM - New Jersey stays in the PJM capacity market, but MOPR is not applied anywhere in PJM to state-supported clean resources.

³ Status Quo RPM with MOPR - New Jersey stays in PJM reliability pricing model (RPM) capacity market with MOPR applied PJM-wide to state-supported clean resources.

⁴ New Jersey-Only ICCM - New Jersey runs its own ICCM under a state-wide FRR, prompting greater competition among clean resources, with capacity pricing realized at 5% above BRA prices. Other states remain in the PJM BRA capacity market.

customer savings compared to the New Jersey FRR⁵ since both alternatives rely on the same state-wide FRR structure. The additional procurement of renewables under the ICCM seems to be the only change, and additional explanation is needed to identify the precise driver of the extra savings.

It is our understanding that the report that Brattle will be publishing on the investigation will include more details about the underlying assumptions in the modeling tool. Access to that data and the drivers behind the detailed modeling assumptions will better allow us to analyze the efficacy of the results of the various pathways explored in the analysis.

The above observations of needed clarification may have an impact on New Jersey's path to 100% clean energy. The Board should consider these, and all other questions presented at the March 19 work session and as part of this request for comments as it compares multiple possible pathways to achieve New Jersey's energy goals and prepares a final report. We reserve our right to provide comment on that final report when published.

Exelon Generation thanks the Board for the opportunity to provide this feedback and for its continued commitment to an open and transparent process while it continues to work toward New Jersey's clean energy future.

Very truly yours,

A handwritten signature in black ink, reading "Jesse Rodriguez". The signature is fluid and cursive, with the first name "Jesse" and last name "Rodriguez" clearly distinguishable.

Jesse A. Rodriguez

Director

State Government and Regulatory Affairs

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⁵ New Jersey FRR. State-wide FRR option, where New Jersey leaves the PJM capacity market and conducts an FRR auction with near best-case competitive pricing outcomes at 5% above PJM Base Residual Auction (BRA) prices.