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May 20, 2020

VIA ELECTRONIC MAIL
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Aida Camacho-Welch
Secretary of the Board
Board of Public Utilities
44 South Clinton Avenue, 9th Floor
P.O. Box 350
Trenton, New Jersey 08625-0350

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

Dear Secretary Camacho-Welch:

Atlantic City Electric Company (“ACE” or the “Company”) is in receipt of the New Jersey Board of Public Utilities’ (the “Board” or “BPU”) Request for Written Comments (the “Initial Request”) in connection with the above referenced matter, dated March 27, 2020, as supplemented and modified by the Supplemental Notice for Written Comments, dated April 17, 2020 (the “Supplemental Notice”). Although ACE reserves the right to comment further and to participate in any technical conferences and public hearings that are called as this proceeding continues, the Company is limiting its initial comments to Topic 3 of the Initial Notice:

ACE Response(s) to Topic 3:

Can Modifications to the Board’s Basic Generation Service Construct Facilitate Resource Adequacy Procurements aligned with the [Energy Master Plan] Clean Energy Objectives?

The Company fully supports New Jersey’s clean energy goals and, as a responsible steward of the environment, will do its part to ensure that the State’s goals are brought to fruition.

a. Discussion of a portfolio manager approach as a means of providing for a wider range of resource options.

From its creation, ACE has been an active participant in – and supporter of – the Basic Generation Service (“BGS”) default supply auction process. The Company continues to support

the BGS supply process to secure competitive, full requirements electricity supply. As has been presented each year to the BPU by NERA Economic Consulting, the BGS auction administrator, each BGS supplier assembles its own portfolio of products that it believes will make the best bid and provides price-risk management services. Competition in the procurement process comes from a broad base of potential suppliers. Successful suppliers in the BGS auction process bring the full gamut of supply strategies to bear on managing the supply portfolio. This process allows the competitive discipline of the market to select those entities that are best at this management function. This means that New Jersey ratepayers can expect to benefit from competitive market prices. Currently, a residential ACE customer is paying a summer BGS supply rate that is approximately 50 percent less than the 2008 rate. Using the BGS process avoids the use of long-term Power Purchase Agreements (“PPAs”) to procure energy. PPAs can negatively impact the Company’s financial condition and are not supported by ACE.

b. Discuss potential changes to the BGS competitive processes to facilitate procurement of resources that meet the State’s long-term clean energy objectives. Discuss efficiency implications of each option.

- (i) Clean Energy Standard, utilizing certificates to demonstrate compliance.***
- (ii) Obligations on BGS Bidders to procure clean capacity resources, potentially with locational requirements.***
- (iii) Billing capacity obligations to BGS Bidders from a state FRR portfolio.***
- (iv) Other potential BGS construct modifications to meet the state’s resource adequacy needs and advancing the state’s clean energy agenda.***

The current BGS competitive process requires BGS suppliers to pay the prevailing PJM capacity price¹ and incorporate those prices into their full requirements offers to provide BGS supply to the New Jersey electric distribution companies. Given the implications of PJM’s new and expanded Minimum Offer Price Rule(s), it is unclear if capacity procurement through PJM’s Reliability Pricing Model (“RPM”) market will facilitate procurement of resources that meet the State’s long-term energy objectives. ACE provides further comment below on the different potential changes.

c. Discussion of the pros and cons of modifying the BGS construct to facilitate the State’s long-term clean energy objectives.

The Company submits that the BGS procurement process can exist in its current form if the State decides to depart from PJM’s RPM capacity auction and pursues the procurement of clean capacity through PJM’s Fixed Resource Requirement (“FRR”) to meet its clean energy goals. For instance, the FRR approach can work within the guidelines of the current BGS construct by continuing to include the capacity component as part of the BGS full requirements supply product. As is the case today, BGS suppliers would still be required to pay for capacity and

¹ Note that “capacity” and “resource adequacy” can be used interchangeably.

incorporate those costs into their auction bids. The only difference is that BGS suppliers would pay the prevailing FRR capacity price, not the PJM capacity price.

The BGS competitive process is a tried and true approach to serving New Jersey's default supply and has been refined over nearly two decades of experience. Any potential changes to this process need to be appropriately vetted through all BGS stakeholders. Currently, residential customers are paying blended rates served by supply sourced through/from three different BGS auctions. This allows customers to be protected from the volatility of short-term markets while still paying rates that reflect market conditions. At this writing, the Company supports the FRR approach to procure clean capacity within the existing framework of the current BGS construct.

d. Discussion of legislative and regulatory limitations and potential amendments necessary to enable the BGS construct to effectively facilitate the State's long-term clean energy objectives, through the options recommended above or other options presented.

As the Board evaluates input received and develops its policy direction on this important initiative, ACE stands ready to fully participate in that process and provide appropriate analysis and comment.

e. Discussion of affiliate relations or market power concerns related to any proposed changes to the BGS construct.

Maintaining the current BGS construct ensures no increased risk of affiliate advantage(s) or market power concerns. The existing competitive structure of the BGS auction(s) ensures that all potential suppliers are treated equally and abide by the same rules to bid on BGS supply as part of a monitored process; it allows all suppliers to participate on an even playing field. Those protections should be maintained in their current form.

f. Discussion of whether the BGS construct can ultimately get New Jersey to achieve the totality of the 2019 EMP goals.

The Company envisions being able to implement the FRR option within the current BGS construct, thereby furthering the attainment of New Jersey's clean energy goals.

g. Discussion of any additional related topics.

ACE has no additional related topics at this time and reserves the right to comment further and/or to participate in any technical conferences and public hearings that are called in the future.

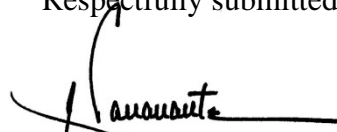
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The Company appreciates the opportunity to provide the benefit of its input and experience to the Board in connection with this important initiative and looks forward to providing further input as this proceeding develops.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Passanante", with a horizontal line extending to the right.

Philip J. Passanante
An Attorney at Law of the
State of New Jersey