PSEG Nuclear, LLC
ZEC 2 – Salem II
Docket No: ER20080558

Response to Discovery Request: SII-SSA-0003
Date: 10/1/2020

Question:
Explanation of how receipt of the ZECs will not lead to New Jersey ratepayers “double paying” for capacity, i.e., 1) paying ZEC-eligible Units for the environmental attributes while 2) not retaining the benefit of their capacity requirement, and therefore paying other units to fulfill New Jersey’s PJM capacity commitment.

Attachments Provided Herewith: NO

Response:
We assume that the focus of this question concerns FERC’s “minimum offer price rule” (“MOPR”) as used in PJM’s Reliability Pricing Model (“RPM”) to cover existing generators that receive payments, such as ZECs, through state-administered programs, and the implications of that order on customers’ ability to count the capacity provided by the ZEC-eligible units toward their resource adequacy requirements under the PJM capacity construct.

Receipt of ZECs will not lead New Jersey ratepayers to “double pay” for capacity because ZECs do not compensate ZEC-eligible Units for capacity. They compensate ZEC-eligible units for the environmental attributes of their zero-emissions generation. New Jersey ratepayers will thus only pay once for capacity: they will procure capacity through the PJM capacity auction. And, in the event that the ZEC-eligible units do not clear the capacity market, the ZEC value cannot rise to offset the loss of capacity revenue. Thus, customers will not “double pay” for capacity.