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VIA ELECTRONIC FILING

Hon. Joseph L. Fiordaliso
President
New Jersey Board of Public Utilities
44 S Clinton Avenue
Trenton, New Jersey 08625

Re: Docket No. EO20030203 In the Matter of BPU Investigation of Resource Adequacy
Alternatives Post Technical Conference Comments

Dear President Fiordaliso,

Advanced Energy Economy (“AEE”), the American Wind Energy Association (“AWEA”), the Mid-Atlantic Renewable Energy Coalition (“MAREC”) and the Solar Energy Industries Association (“SEIA”), and their joint and respective member companies, submit for filing the following post technical conference comments in response to the September 18, 2020 Technical Conference under the Board of Public Utility’s Investigation of Resource Adequacy Alternatives.

Respectfully submitted,

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**Post Technical Conference Comments in Response to
State of New Jersey Board of Public Utilities
Investigation of Resource Adequacy Alternatives
(Docket No. EO 20030203)**

**Advanced Energy Economy
American Wind Energy Association
Mid-Atlantic Renewable Energy Coalition
Solar Energy Industries Association**

Advanced Energy Economy (“AEE”), the American Wind Energy Association (“AWEA”), the Mid-Atlantic Renewable Energy Coalition (“MAREC”) and the Solar Energy Industries Association (“SEIA”) appreciate the opportunity to provide written comments following the September 18, 2020 technical conference hosted by the New Jersey Board of Public Utilities (“BPU” or “Board”) regarding resource adequacy alternatives. Specifically, these comments offer our overall perspective on New Jersey’s options to ensure resource adequacy, our reactions to some specific ideas and questions raised during the technical conference, and our recommendations for next steps.

These comments reflect the joint views of AEE, AWEA, MAREC, and SEIA.¹ These organizations and the member companies they represent are referred to collectively in these comments as the “advanced energy companies,” “we,” or “our.”

¹ AEE is a national business association representing leaders in the advanced energy industry. AEE supports a broad portfolio of technologies, products, and services that enhance U.S. competitiveness and economic growth through an efficient, high-performing energy system that is clean, secure, and affordable.

AWEA is a national trade association representing a broad range of entities with a common interest in encouraging the expansion and facilitation of wind energy resources in the United States.

MAREC is a nonprofit organization that was formed to help advance the opportunities for renewable energy development primarily in the region where the Regional Transmission Organization, PJM Interconnection, operates. MAREC’s footprint includes New Jersey and nine other jurisdictions in the region. MAREC members include utility scale wind (including offshore wind) and solar developers, wind turbine manufacturers and non-profit organizations dedicated to the growth of renewable energy technologies.

I. Perspective on Resource Adequacy Options in New Jersey

Consistent with comments filed jointly in this proceeding by our organizations on May 20 and June 24, 2020, we continue to caution against pursuit of the Fixed Resource Requirement alternative (“FRR”) without first fully exploring opportunities to address the potential harm caused by the expanded Minimum Offer Price Rule (“MOPR”) through reforms to the PJM wholesale markets (including the capacity market), collaboration with neighboring states, and other actions within the state’s jurisdiction. As our comments highlight, FRR comes with significant uncertainty and risk that could jeopardize the positive trajectory of clean energy development and technology innovation in New Jersey and across the PJM region.

In particular, turning away from the PJM-administered centralized capacity market risks balkanizing the region into smaller sub-markets and eroding the benefits of regional competition. These new markets are likely to be less competitive and harder for non-incumbents or third party developers of carbon-free resources to enter into. FRR would also require that the state create new procurement structures and take on new oversight responsibilities—a significant undertaking that could detract from other priorities and would likely come with significant administrative costs. One key concern and responsibility would be mitigating market power, a complex task currently delegated to PJM and addressed at least in part by the regional market structure, which helps mitigate market power by allowing for competition among a wide variety of entities. In short, FRR risks turning away from an existing market that, despite its current shortcomings, has been successful at enabling the market entry of a wide range of clean energy

SEIA is the national trade association for the U.S. solar energy industry. SEIA represents all organizations that promote, manufacture, install and support the development of solar energy. SEIA works with its 1,000 member companies to build jobs and diversity, champion the use of cost-competitive solar in America, remove market barriers and educate the public on the benefits of solar energy.

resources, from wind and solar to storage and demand response. A recent policy brief by AEE explains in more detail the concerns of the advanced energy industry with respect to FRR.²

Nevertheless, our organizations recognize that maintaining the status quo approach to resource adequacy is inconsistent with the Board’s mandate to meet the state’s ambitious clean energy policy requirements in a cost-effective, timely, and reliable manner. The current Reliability Pricing Model (“RPM”) market, with the expanded MOPR in place, erects inefficient and undue barriers to entry for clean resources and is likely to retain uneconomic and polluting fossil resources. We do therefore recommend that the Board reject the status quo and take action. However, prior to committing to the long, risky, and uncertain path of FRR and devoting scarce resources to its complex details, our organizations recommend (1) working with PJM and neighboring states to explore RPM reform and alternate regional, market-based approaches to meeting resource adequacy requirements and facilitating clean energy deployment; (2) working with PJM, in collaboration with other PJM states, to advance improvements to generator interconnection processes and to incorporate the policy goals of New Jersey and other states into the regional transmission planning process; (3) pursuing more ambitious carbon pricing and addressing environmental pollutants at in-state electric generating units through the state’s existing regulatory authority; and (4) pursuing policies to accelerate deployment of demand-side distributed energy resources (“DERs”). If the state wishes to continue considering FRR, it should also conduct a thorough qualitative and quantitative analysis of different options and their potential outcomes. This multi-pronged approach would prioritize leveraging the clear benefits of regional competition to deliver on the clean energy goals of New Jersey while enabling a

² Advanced Energy Economy, *No Quick Fix: Why ‘Fixed Resource Requirement’ is Not the Best Way for States to Protect their Energy Choices* (Sept. 2020), <https://info.aee.net/no-quick-fix-why-fixed-resource-requirement-is-not-the-best-way-for-states-to-protect-their-energy-choices>.

clean energy transition for the entire PJM region. As explained in more detail below, the discussion at the September 18th Technical Conference strengthens our view that this is the best path forward for New Jersey.

II. Specific Comments in Response to Discussion at the September 18th Technical Conference

The Technical Conference hosted by the BPU on September 18th, 2020 offered an opportunity for stakeholders to explore the pros and cons of FRR, non-FRR clean energy procurement strategies, and carbon pricing. In addition to reiterating the perspective provided by AEE on panel two by Jeff Dennis, Managing Director and General Counsel at AEE, our organizations wish to respond to some of the ideas and questions raised throughout the day.

i. Panel One: Exploration of the FRR Option

The first panel explored the potential risks and benefits of pursuing FRR, echoing many of the points that our organizations and others made in initial comments in this proceeding. Proponents of FRR generally compare ideal but unknown outcomes under FRR with worst case (and still unknown) outcomes under RPM-plus-MOPR. In reality, it is highly improbable that an FRR construct will be optimally designed and implemented; given consensus around the unacceptability of the status quo, it is also highly likely that concerted efforts to seek reform within PJM will result in outcomes that depart materially from the current worst-case projections around RPM-plus-MOPR.³ Given the cost, time, and uncertainty that FRR would require and

³ Consensus around the need to reform the status quo was also reflected at the September 9 PJM General Session on Resource Adequacy. Agenda available at <https://www.pjm.com/-/media/committees-groups/stakeholder-meetings/general-session/2020/20200909/20200909-agenda.ashx>.

impose, and given that the adverse effects of the expanded MOPR are expected to be muted in early years, we agree with panelists who argued that any consideration of FRR should be taken slowly and deliberately, and should not be prioritized or rushed into.

Panelists also offered differing views on the risk and flexibility associated with “locking in” to FRR. Our organizations caution against assurances that the decision to pursue FRR is easily reversible or does not require long-term commitments. Under PJM’s tariff, once a load-serving entity chooses to exercise the FRR option, it is required to remain in FRR status and removed from the PJM capacity market for five years. An FRR election can only be terminated early in the event of a change in state regulatory structure, which PJM defines to include only regulatory changes that alter the ability of consumers to choose their retail supplier.⁴ In other words, the state would have to change major aspects of its regulatory structure if it wanted to return to the RPM prior to the five year mark.

Relatedly, we caution the Board against assuming that suppliers would be willing to offer 1- or 2-year contracts under FRR, allowing the FRR portfolio to change year-to-year. Given the uncertainty associated with FRR, it is our expectation that suppliers would likely require longer rather than shorter contracts under FRR (perhaps longer than the 5-year term of FRR plans), locking the state and its consumers into early resource decisions—made at a time of significant federal and state regulatory and policy uncertainty—for years at a time.

Prioritizing other approaches to addressing state policy goals and resource adequacy does not take FRR off the table; the option will continue to be available. Our recommendation is simply that the Board focus its resources right now on other approaches. If the Board is inclined to put time and resources into FRR now or in the future, our organizations strongly urge a

⁴ The FRR alternative is described in detail in Schedule 8.1 of PJM’s Reliability Assurance Agreement.

thorough exploration and both qualitative and quantitative analysis of different approaches and their potential impacts on prices, reliability, emissions, exercise of market power, and investment in different advanced energy resources, among other outcomes. We note that this examination would be better informed by comparisons to potential options for achieving the state's clean energy goals through the regional markets, adding to the reasons to prioritize examining those options first.

ii. Panel Two: Exploration of Non-FRR Procurement Strategies for Achieving a 100% Clean Energy Future and Meeting Resource Adequacy

On Panel Two, Mr. Dennis expressed AEE's view that meeting the ambitious clean energy and climate goals of New Jersey and many other PJM states will require new development and replacement of energy resources at a dramatic scale, and that independently administered technology-neutral markets across broad geographic areas, with transparent pricing, offer the best pathway to achieve the necessary deployment cost-effectively and reliably. Mr. Dennis reiterated that the status quo of RPM-plus-MOPR is unworkable, but noted that advanced energy developers and investors are concerned that requiring clean energy developers to navigate a patchwork of state-by-state or even utility-by-utility procurements to obtain capacity revenue and ensure that the resource adequacy value of their projects is recognized will be less competitive, inefficient, and will not support the massive buildout needed to meet state and customer demands.

Mr. Dennis also pointed out that 10 states in PJM (plus the District of Columbia) have established renewable portfolio standards ("RPS") or Clean Energy Standards ("CES"). Virginia and Washington D.C. are committed to 100% renewable energy by 2045 and 2032, respectively,

and additional PJM states are signaling a move toward a 100% clean or renewable target: Illinois, Maryland, New Jersey, North Carolina, and Pennsylvania all have legislation or governor announcements calling for a 100% RPS or CES. Mr. Dennis pointed out that this policy alignment among a large majority of PJM states, along with demand for clean energy from large corporate customers, means that the generation mix in PJM *will inevitably change*; it also means that these states can collectively be a powerful voice within PJM. As Illinois Governor J.B. Pritzker noted at a PJM General Session on September 9, these aligned states, collaborating together and with aligned stakeholders like the advanced energy industry, “can pave the way to a clean and renewable economy . . . for all of PJM’s member states and, in turn, the nation.”⁵ New Jersey can be a leading state in this effort and transition; as more states, with more customers, join that effort, PJM’s markets will have no choice but to accommodate.

For all of these reasons, our organizations continue to support regional efforts to reform and/or evolve the existing PJM capacity market, and to explore additional regional solutions, such as a Forward Clean Energy Market, that would allow New Jersey and other states to reach their clean energy policies cost-effectively, reliably, and without the uncertainty and potential harm associated with FRR.

One question raised during the discussion related to how New Jersey could realize in-state economic benefits from its clean energy transition—such as capital investment, tax revenue, and job creation—if the state remains in the multi-state PJM capacity market. In addition to the state’s planned offshore wind development, panelists pointed to energy efficiency, demand

⁵ RTO Insider, Michael Yoder, “Pritzker Commits to Working with PJM on Climate Goals” (Sept. 10, 2020), <https://rtoinsider.com/pritzker-commits-pjm-climate-goals-172942/>.

response, rooftop solar, behind-the-meter energy storage, electric vehicle supply equipment (“EVSE”), and other DERs as opportunities to achieve in-state benefits.

In fact, data released recently by AEE shows that advanced energy is already a significant and growing source of jobs in New Jersey. In 2019, New Jersey had 62,100 people working in advanced energy—more workers than those in Hotels, Motels & Casinos (53,740) and triple those in Colleges & Universities (20,012). The largest jobs segment in 2019 was energy efficiency, with 38,000 workers. In addition, advanced energy employment in New Jersey saw strong 4% growth last year, soundly beating the state’s overall job growth of 0.7%.⁶ By encouraging advanced energy deployment by customers and supporting the development of an advanced energy industry in the state, New Jersey will continue to realize significant economic benefits while continuing to participate in regional markets.

iii. Panel Three: Alternative Means of Achieving 100% Clean Energy

The final panel focused on environmental regulations, in particular emission limits on fossil generating resources and carbon pricing. As stated in our initial and reply comments, our organizations strongly support carbon pricing as part of an overall strategy to achieve a decarbonized electricity system and a decarbonized economy. The panel discussion focused mainly on the risk that a carbon price applied within New Jersey could result in higher emissions elsewhere. Panelists noted that an acceptable and sufficiently robust solution to address emission leakage within PJM has not yet been developed, although there are certainly examples to draw from elsewhere.

⁶ Advanced Energy Economy, “More New Jersey Workers in Advanced Energy Than in Hotels, Motels, and Casinos, and Triple Those at Colleges and Universities,” (Sept. 10, 2020), <https://www.aee.net/articles/more-new-jersey-workers-in-advanced-energy-than-in-hotels-motels>.

However, lack of a proven, off-the-shelf solution to address leakage should not prevent the state from considering carbon pricing and targeting its most polluting and inefficient generating units. Our organizations recommend engaging with neighboring states, Regional Greenhouse Gas Initiative (“RGGI”) participants, and PJM. With respect to PJM, the Carbon Pricing Senior Task Force is taking on this exact issue, including how to address leakage concerns, and deeper involvement by PJM states would provide helpful direction and support.

We also note that RGGI, and California’s cap-and-trade program, show that states can pursue effective carbon pricing programs while participating in a regional market. A recent Federal Energy Regulatory Commission (“FERC”) discussion of accommodating state-set carbon prices in regional wholesale described how these programs have already been accommodated inside regional markets, and explored design options for how they could be in the future as more states pursue this policy option. There was also a strong consensus in that discussion that there are no legal impediments to regional market operators like PJM reforming their market rules to accommodate state-set carbon prices; in fact, legal experts at the conference expressed strong agreement that the Federal Power Act requires such accommodation.⁷

III. Recommendations for Next Steps

As the Board reviews the takeaways from the Technical Conference and considers next steps, our organizations offer the following recommendations:

⁷ For key takeaways *see* E&E News, Arianna Skibell, “FERC urged to make way for carbon pricing” (Oct. 1, 2020), <https://www.eenews.net/energywire/stories/1063715215>. For transcript and panelist remarks, *see* FERC. Docket No. AD20-14-000, “Technical Conference regarding Carbon Pricing in Organized Wholesale Electricity Markets,” <https://www.ferc.gov/news-events/events/technical-conference-regarding-carbon-pricing-organized-wholesale-electricity>.

1. **Invest time and resources in PJM market reforms.** Continue to study and explore both incremental and wholesale reforms to PJM’s capacity market, and to PJM’s markets generally, that would allow New Jersey and other PJM states to rely on market-based mechanisms to drive toward their ambitious clean energy policies cost-effectively and reliably. The Board should continue this work itself through this proceeding, potentially with the help of an outside consultant, and the state should also assume a leadership role, working with other interested states like Illinois, in pursuit of regional solutions.
2. **Work with PJM, and collaborate with other states, to address interconnection delays and transmission planning reforms.** There was significant discussion at the Technical Conference of delays in interconnecting new carbon free resources to meet state clean energy policy requirements and goals, and the need to optimize future transmission development to meet those requirements and goals. Over 80 percent of PJM’s queue consists of wind, solar, and energy storage, but chronic delays mean that many of those projects will be pushed back or not built at all. Improvements to the interconnection process, along with efforts to integrate state clean energy goals into the transmission planning process, could unlock significant additional development of renewables and storage that are already in the works but cannot access the market. Here too, New Jersey should be a regional leader in working with PJM and encouraging them to prioritize work in these areas.
3. **Pursue emission reduction policies regionally and in-state.** The Board should enact and/or strengthen policies within the state’s exclusive jurisdiction focused on reducing emissions from electric generating units, including both carbon pricing and direct emission restrictions. As noted in our initial comments, these policies will help to shift

the economics of the state's resource mix in favor of clean resources while also supporting New Jersey's decarbonization goals. As discussed above, the state should simultaneously engage in efforts to mitigate potential emission leakage.

4. **Invest in distributed energy resources.** Focus on state-level policies within the Board's purview that will reduce electricity demand and increase deployment of DERs, which will help contribute to both resource adequacy and emission reductions.
5. **Conduct thorough analysis prior to further consideration of FRR options.** If the state wishes to keep FRR on the table as a potential option, the Board should conduct a thorough qualitative and quantitative analysis of different FRR options, their implementation requirements, their litigation risk, and their impact on electricity prices, emission reductions, reliability, market power, and participation by competitive advanced energy technologies. Such an analysis should not be undertaken at the expense of the four prior recommendations.

Our organizations stand ready to help the state navigate these next steps and pursue reforms both within New Jersey and in the broader PJM region. We look forward to continued engagement on these important issues.