



November 23, 2020

**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

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 comments in response to the November 9, 2020 Work Session under the Board of Public Utility’s Investigation of Resource Adequacy Alternatives.

Respectfully submitted,

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

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

Advanced Energy Economy (“AEE”), and the Solar Energy Industries Association (“SEIA”), the American Wind Energy Association (“AWEA”), and the Mid-Atlantic Renewable Energy Coalition (“MAREC”) appreciate the opportunity to provide written comments following the November 9, 2020 work session hosted by the New Jersey Board of Public Utilities (“BPU” or “Board”) regarding utility FRR proposals and resource adequacy alternatives. Specifically, these comments offer our perspective on New Jersey’s options to ensure resource adequacy and our recommendations for next steps.

These comments reflect the joint views of AEE, (others).<sup>1</sup> These organizations and the member companies they represent are referred to collectively in these comments as the “advanced energy companies,” “we,” or “our.”

## **I. Evaluating the Fixed Resource Requirement (“FRR”) is not an Urgent Necessity, and Comes with an Opportunity Cost that Must be Considered**

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<sup>1</sup> 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.

SEIA is leading the transformation to a clean energy economy, creating the framework for solar to achieve 20% of U.S. electricity generation by 2030. SEIA works with its 1,000 member companies and other strategic partners to fight for policies that create jobs in every community and shape fair market rules that promote competition and the growth of reliable, low-cost solar power. Founded in 1974, SEIA is a national trade association building a comprehensive vision for the Solar+ Decade through research, education and advocacy

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.

While we understand and agree with the urgency of identifying a clear path to meet New Jersey's climate and clean energy policies, we disagree with the assertion that the Board must immediately evaluate and pursue FRR, particularly the single FRR option discussed at the November 9 workshop.<sup>2</sup> Instead, we continue to urge the Board to instead allocate time and resources to pursuing a range of alternatives that would improve market efficiency in the near and long term. A thorough consideration of all of the different FRR design options presented and their potential impacts would take significant time and resources that could otherwise be spent on long-term improvements to the market rather than a stop-gap solution to MOPR that comes with its own set of challenges.

It is important to note that 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. Contrary to the comments made at the November 9 work session, there is no particular urgency in pursuing FRR. In particular, we note that FERC largely approved PJM's compliance filing, which provides important flexibility sought by the clean energy industry to allow projects to continue to participate in the capacity market under MOPR. The compliance filing as approved includes options for advanced energy resources to reflect their true costs in MOPR offer floors, and makes it easier for resources to obtain lower offer floor prices that are expected to allow them to clear future auctions. While MOPR continues to pose a significant long-term hurdle to meeting state policy requirements, the harmful effects of the MOPR are therefore expected to be relatively muted in early years, and the state can choose to pursue FRR at any time. Indeed, there is significant risk from pursuing FRR too hastily; 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. In other words, once an entity pursues FRR, they will be locked into that choice for a significant amount of time.

Our organizations therefore encourage the Board to spend the time and resources that would otherwise be required to evaluate, design, and implement an FRR plan to instead pursue constructive near- and long-term reforms. In particular, we continue to support the three steps we recommended in our initial comments filed May 20, 2020. First, there are a number of proposals worthy of consideration and further development—from a forward clean energy market or integrated clean capacity market to improved price formation to various capacity market reform options—and stakeholders in PJM have begun these discussions. Second, New Jersey should pursue new or expanded carbon pricing mechanisms, which would better align markets with state policies while also partially counterbalancing the harmful effects of MOPR. Third, New Jersey should consider expanding direct environmental regulation of polluting power sources. This

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<sup>2</sup> As noted below, while there were several FRR proposals presented to the Board in comments in this docket, only one - the Exelon and PSEG proposal - was examined at the workshop.

option lies firmly within state jurisdiction, and would help to shift the economics of the resource mix into better alignment with state policy targets.

In addition, at the September 18 Technical conference, there was significant discussion 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. As mentioned in our previous comments, 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. Since then, PJM has opened up a series of workshops to explore potential reform of the interconnection process. Potential improvements to the interconnection process could unlock significant additional development of renewables and storage that are already in the works but cannot access the market. Here too, we urge New Jersey to take on a leadership role in working with PJM and encouraging them to prioritize work in these areas.

Finally, we urge New Jersey, working with other states and stakeholders in PJM, to lead efforts to re-evaluate default offer floor prices to ensure that these prices accurately reflect falling technology prices. We note that the Markets Committee in ISO New England recently voted in favor of offer review trigger prices that will enable many clean energy technologies—including offshore wind—to offer in at prices below where the auction is likely to clear.<sup>3</sup> While this proposal has yet to pass the ISO-NE Participants Committee and receive FERC approval, it reflects the potential for the effects of MOPR to be reduced in the future if states and stakeholders engage actively on this issue at PJM.

## **II. 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**

The single FRR proposal discussed at the November 9 work session was described as being competitive, cost-effective, and of little to no risk to New Jersey ratepayers. While our organizations are not providing recommendations with respect to specific FRR proposals at this time, we question this characterization of the option discussed. As described in our prior comments, FRR-based responses to MOPR threaten to erode the benefits of regional competition, limit access to a diverse array of advanced energy technologies on a regional basis, create new barriers to market participation, and increase the costs of meeting clean energy goals. Many of these risks stem from the fact that, by design, the FRR option is focused on procuring capacity resources on a load-serving entity by load-serving entity basis, instead of the broader regional focus of PJM's market. While load-serving entities or states could theoretically band together to develop competitive procurements across multiple service territories or states, it is not

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<sup>3</sup> See November 11, 2020 memo from Erin Wasik-Guierrez, Secretary, Markets Committee, RE: Actions of the Markets Committee (MC), available at [https://www.iso-ne.com/static-assets/documents/2020/11/11\\_9\\_thru\\_10\\_mc\\_meeting\\_actions\\_final.pdf](https://www.iso-ne.com/static-assets/documents/2020/11/11_9_thru_10_mc_meeting_actions_final.pdf).

clear how they would come together, and how PJM's FRR rules would be applied to such an effort. As a result, it is more likely than not that states directing their utilities to exercise the FRR option, through preferred utility structures like the one discussed in the November 9 workshop, will balkanize the regional market into smaller submarkets, with harmful effects even if individual FRR plans manage to overcome significant concerns such as affiliate preference and market power.

Abandoning the existing region-wide capacity market structure will also require New Jersey and utilities to create entirely new capacity procurement mechanisms to meet their resource adequacy obligations. What those new procurement structures look like, and whether a wide variety of advanced energy developers and technologies (including demand response, energy efficiency, and other demand-side technologies) will be able to participate in them, will require significant time to develop and could present barriers to the ability of non-utility competitive advanced energy developers to participate.

New Jersey could design competitive procurement structures that are operated by utilities or administered through auctions, but it would likely need to start from scratch, since there is no similar structure in place today. In the case that New Jersey defaults to returning capacity procurement responsibilities to its regulated utilities, it would be left with a structure where non-utility developers and new and emerging technologies have historically been at a disadvantage or outright excluded from participation.

### **III. We Urge the BPU to Lead Efforts at PJM to Ensure the True Costs of Clean Energy Resources are Taken into Account in Calculation of Floor Prices**

Advanced Energy Companies share the Board's concerns about the expanded MOPR, particularly given the state's clean energy goals, and the risk that the state's recent 1,100 MW Ocean Wind offshore wind procurement and potentially other renewable procurements will not clear the PJM BRA if subject to the expanded MOPR.<sup>4</sup> While we recognize the Board's desire to resolve the expanded MOPR issue in a timely manner, Advanced Energy Companies submit that a decision on the FRR should take account of the respective timeframes for PJM's auctions and project development. For example, Ocean Wind is not expected to be operational until 2024<sup>5</sup>, and the next BRA – which will not be conducted until early 2021 at the earliest – will be for the 2022-23 delivery year. Furthermore, given the 5-year prohibition on BRA participation that follows an FRR election, exercising the FRR option earlier than necessary could

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<sup>4</sup> State of New Jersey, Board of Public Utilities, Press Release, New Jersey Board of Public Utilities Awards Historic 1,100 MW Offshore Wind Solicitation to Ørsted's Ocean Wind Project, June 21, 2019.

<sup>5</sup>See Ocean Wind: Project Overview, <https://orstedcdn.azureedge.net/-/media/www/docs/corp/us/factsheets/ocean-wind-factsheet-feb-2020.ashx?la=en&rev=88f7a86f869c401d802e629a850c28d4&hash=FC213226BF978CE961D548507BA9F5D0> Advanced Energy Companies Comments in Response to State of New Jersey Board of Public Utilities Investigation of Resource Adequacy Alternatives (Docket No. EO 20030203)

prevent New Jersey customers from enjoying the benefits of an alternative market construct, some of which are discussed above, that could result in lower cost and cleaner capacity more rapidly.

We urge New Jersey to lead efforts at PJM, and work with other stakeholders to ensure the true costs of these resources are taken into account in calculation of floor prices. As noted above, this was done successfully in ISO-NE where the Markets Committee recently voted in favor of offer review trigger prices that will enable many clean energy technologies—including offshore wind—to offer in at prices below where the auction is likely to clear.

#### **IV. If the Board Chooses to Launch an Investigation into FRR Options, it Should Conduct a Thorough, Open, and Collaborative Process**

Should the Board decide to initiate additional proceedings to consider FRR options, whether on the timeframe suggested at the November 9 work session or at a later date, our organizations urge a thorough, open, and collaborative process to consider all possible FRR proposals. It is notable that the November 9 work session focused on only a single FRR proposal, despite the fact that others were presented in comments in this investigation. In particular, we note that the New Jersey Conservation Foundation and New Jersey Sustainable Business Council provided several recommendations with respect to FRR design, and also put forward the idea of pursuing an “ex-ante RFP” prior to committing to elect FRR.<sup>6</sup> Such proposals should be given equal weight to the designs put forward by PSEG and Exelon at the November 9 work session.

In addition, we urge the Board to rely on independent evaluation of any FRR proposals, including consideration of consumer cost (including total cost and distribution of costs), implications for competitive clean energy development in New Jersey and across PJM, market power concerns, reliability impacts, administrative costs and responsibilities, and the implications of increased risk and uncertainty. We also urge the Board to evaluate FRR proposals against both the status quo and alternative market reform options, and to consider the possibility that the state may choose to return to the BRA in the future.

We further note that any exploration of FRR must consider the impact on all resources needed to meet New Jersey’s policy goals, including resources that rely on capacity market and energy market revenue to differing degrees. In particular, trying to favor clean energy sources through capacity markets can have unintended consequences for resources such as demand response (DR) and energy storage that rely more heavily on capacity market revenue than many other clean resources. In PJM, clean capacity sources such as DR constitute about 7% of overall capacity. DR resources rely on competitive market pricing and capacity revenues to offer fair compensation for their services. Subsidizing clean energy sources but not clean capacity sources

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<sup>6</sup> See May 20, 2020 comments of New Jersey Conservation Foundation and New Jersey Sustainable Business Coalition in Docket No. EO20030203.

as is likely with an FRR regime would disadvantage DR unless added “fixes” were incorporated to mimic market prices for these resources. Additionally, this could be a double hit for the large energy users (and employers) that provide demand response but could see their DR contribution devalued at the same time their costs to support favored energy resources are increasing. In addition, if that DR leaves the capacity market, it could be replaced with fossil fuel capacity resources, working against New Jersey’s clean energy goals.

Finally, should the Board choose to open an investigation into FRR proposals, we urge the Board, alongside other state agencies and policymakers, to work with other states in PJM to ensure that the impacts of New Jersey selecting FRR are minimized, and to explore the potential for a multi-state or regional capacity and clean energy procurement solution, which would be a preferable option from the standpoint of efficiency, competition, and avoiding market power, but would be more technically, politically, and logistically complex.

## **V. Conclusion**

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.