



March 5, 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”) February 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 especially commend the Board for utilizing a structured and methodical approach, considering and analyzing all proposals brought before the Board, including ICCM, for their efficacy and benefits to New Jersey customers. Finally, we look forward to continuing to work with Staff and interested stakeholders to ensure that New Jersey’s clean energy goals can be safely and reliably met while minimizing risks and costs to the State’s customers.

The Board’s investigation has led to constructive exchanges on the relative merits of varied pathways to address current and future resource adequacy challenges. While Exelon Generation is continuing to think about the ICCM and other potential resource adequacy solutions, we suggest that the following areas merit further exploration as this process moves forward:

Elimination of the Minimum Offer Price Rule (“MOPR”) Should be the Immediate Focus

We strongly agree with the Board and its consultant, The Brattle Group (“Brattle”), that the MOPR is not sustainable and should be immediately repealed, reformed to better accommodate state objectives or at least refocused to ferret out exercises of buyer-

market power as originally intended.¹ It is broadly understood and well documented that a significant investment in clean energy resources will be needed to meet New Jersey's EMP goals. In order to achieve the EMP goals in the most cost-effective manner, clean resources must be able to receive revenues for capacity, and consumers should only pay for the capacity needed to meet reliability requirements. Otherwise, even as New Jersey customers support these clean resources at the level needed for them to come online, they will also be paying for capacity supplied by other resources—capacity which is both redundant and predominantly powered by fossil fuels. Denying state supported clean resources the ability to receive a capacity payment, while at the same time paying for capacity from emitting resources, will significantly increase the cost of achieving New Jersey's EMP goals.

Further, 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 Board's resource adequacy investigation is timely in this regard as similar discussions ensue both at PJM and at FERC. 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.

ICCM Areas of Further Exploration

Exelon Generation is encouraged to hear that the ICCM can be implemented at the regional or PJM-wide level while still incorporating/honoring New Jersey's existing clean energy programs, like the Zero Emission Certificate ("ZEC") program. However, like other pathways explored as part of this resource adequacy investigation, the ICCM as proposed has several aspects that require further exploration and clarification, particularly as the discussion evolves towards technical details of implementation. One area that needs to be explored is whether legislation will be required in New Jersey or in other states to implement ICCM at a regional or PJM-wide level." This is relevant because a requirement for legislation, in one or more states, would add additional layers of complexity and perhaps most importantly add a significant amount of time to the adoption and implementation of an ICCM.

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.

Further, it is unclear whether the ICCM proposal assumes or would otherwise require the MOPR be repealed or reformed. Additionally, although Brattle has indicated that Fixed Resource Requirement (“FRR”) would be required to facilitate a New Jersey-only or regional sub-PJM ICCM, the details of FRR implementation must be explored, including as noted above, whether and where legislation may be required. It would be helpful to compare a specific FRR-ICCM combination with the other FRR proposals in this proceeding to identify the pros and cons.

Finally, given the differences in the clean energy programs among the states in PJM, it will be important to better understand how the different clean resource products needed to meet the requirements of such divergent programs can be co-optimized in a centralized market to achieve significant efficiencies.

The above observations of needed exploration and 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 February 19 ICCM work session and as part of this request for comments as it compares multiple possible pathways to achieve New Jersey’s energy goals.

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,

Jesse A. Rodriguez
Director
State Government and Regulatory Affairs
Exelon Generation Company, LLC
200 Exelon Way Kennett Square, PA 19348
Tel: 202.774.6830
Email: jesse.rodriquez@exeloncorp.com