



April 9, 2021

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 Work Session Comments

Dear President Fiordaliso,

Advanced Energy Economy (“AEE”) and the Solar Energy Industries Association (“SEIA”) submit for filing the following comments in response to the March 19, 2021 Work Session under the Board of Public Utility’s Investigation of Resource Adequacy Alternatives.

Due to the press of business, AEE and SEIA were regrettably not able to gather views from their members and complete these comments by the filing deadline. We respectfully request the Board’s consideration of these late comments.

Respectfully submitted,

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**Comments in Response to March 19, 2021 Work Session
State of New Jersey Board of Public Utilities
Investigation of Resource Adequacy Alternatives
(Docket No. EO 20030203)**

Advanced Energy Economy and the Solar Energy Industries Association

April 9, 2021

Advanced Energy Economy (AEE) and the Solar Energy Industries Association (SEIA) appreciate the opportunity to comment on the New Jersey Board of Public Utilities' (Board or BPU) ongoing Investigation of Resource Adequacy Alternatives. We applaud the Board's commitment to quantitative analysis of the various options discussed in this proceeding to date, which will inform the Board and stakeholders in ongoing discussions within New Jersey and with PJM staff and stakeholders. The Draft Economic Impact Estimate results presented by The Brattle Group on March 19, 2021 confirm our earlier recommendation that New Jersey should avoid rushing toward implementing a Fixed Resource Requirement plan, and instead work with PJM and other states to develop regional solutions to address not only the expanded Minimum Offer Price Rule (MOPR) but also broader challenges with the current PJM Reliability Pricing Model (RPM). We applaud the Board's leadership to date in pushing for such regional reforms and encourage continued engagement with neighboring states, PJM, and the Federal Energy Regulatory Commission (FERC).

Due to the press of business, AEE and SEIA were regrettably not able to gather views from their members and complete these comments by the filing deadline. We respectfully request the Board's consideration of these late comments.

I. The analysis confirms the long-term economic harm of MOPR, highlighting the importance of engaging with PJM and FERC on MOPR reform efforts already underway.

Many stakeholders in this proceeding have highlighted the harm caused by the expanded MOPR, and The Brattle Group's analysis confirms these effects, estimating that MOPR will cost approximately \$280-300 million per year in excess costs to New Jersey customers, and \$1,900-2,300 million per year in excess costs across PJM.¹ The additional costs imposed by MOPR would almost certainly continue to increase beyond 2030 when this analysis ends. The Brattle Group analysis underscores the importance of reforming or removing the expanded MOPR and eliminating this unnecessary additional cost.

Since the launch of this investigation by the Board in March 2020, both PJM and FERC have initiated efforts to reform the expanded MOPR. New Jersey has played a pivotal role in both FERC's recent Technical Conference regarding Resource Adequacy in the Evolving Electricity Sector (Docket No. AD21-10-000) and PJM's Capacity Market Reform workshop series. These discussions have made clear that there is significant consensus regarding the importance of reforming the MOPR, but have also highlighted that the MOPR will have a more minimal impact in the near-term. The Brattle Group's analysis similarly points out that the 3,300 MW of nuclear capacity (which currently makes up the majority of New Jersey's clean energy resources subject to MOPR) faces a \$0/MW-day MOPR floor price and will likely continue to clear the RPM in the near-term. As other clean resources enter the market, and as MOPR floor prices potentially change, additional New Jersey resources (particularly offshore wind) risk being excluded from the market.²

¹ The Brattle Group, "Alternative Resource Adequacy Structures for New Jersey: Draft Economic Impact Estimates" (March 19, 2020), available at [https://www.nj.gov/bpu/pdf/ofrp/2021-03-11%20RA%20economic%20analysis%20results%20deck%20\(1\).pdf](https://www.nj.gov/bpu/pdf/ofrp/2021-03-11%20RA%20economic%20analysis%20results%20deck%20(1).pdf) (hereafter "The Brattle Group Analysis"), at 6.

² The Brattle Group Analysis at 5.

While the near-term effects of the MOPR may be relatively minimal, the medium- and long-term impacts will be significant and must be avoided.

Given the findings of The Brattle Group's initial analysis, we therefore reiterate our request for the Board to continue to engage with PJM states, PJM stakeholders, and FERC in search of both near-term reforms to the expanded MOPR and long-term solutions to evolve the RPM. Reforming MOPR is urgent and important, but there is time to get it right.

II. The analysis confirms that the Fixed Resource Requirement (FRR) is not a risk-free quick fix.

In prior comments, we noted the importance of addressing MOPR but urged against moving directly to exercise the FRR option, highlighting risks and downsides to doing so, such as undermining the benefits of regional markets, creating risk of utility-controlled procurements that erode competition and pick technology winners and losers, and increasing costs to New Jersey consumers.³

The Brattle Group's analysis corroborates the view that FRR should be treated with caution and only pursued as a last resort. While the costs range, the three FRR scenarios are the most expensive options aside from the "status quo" of RPM with MOPR, and one of the FRR scenarios is significantly *more* expensive than the status quo. Specifically, the IMM FRR scenario would result in a \$515 million per year increase in costs to New Jersey customers in 2030 compared to the status quo, while the NJ FRR and JCPL-Only FRR would reduce New Jersey's costs compared to the status quo by just \$116 million and \$132 million annually, respectively.⁴ This is despite the

³ See May 20, 2020 comments by Advanced Energy Economy, the American Wind Energy Association, the Mid-Atlantic Renewable Energy Coalition, and the Solar Energy Industries Association in Docket No. EO 20030203, at 16-24.

⁴ The Brattle Group analysis at 3.

fact that the two less expensive FRR scenarios are modeled according to "near-best-case competitive pricing outcomes."⁵ Therefore, the actual cost savings compared to the status quo are likely to be lower.

While more detailed analysis would be needed prior to pursuing an FRR plan, the Board can safely de-prioritize this pathway based on the preliminary findings, the other downsides of FRR highlighted in our previous comments, and the fact that, as noted above, the status quo RPM plus MOPR appears unlikely due to active reform efforts already underway.

III. The analysis shows benefits from selecting a regional, market-based approach to clean energy deployment to cost-effectively accelerate clean energy deployment.

AEE and SEIA have consistently advocated for regional, market-based solutions to address both the immediate crisis of MOPR and the long-term imperative of bridging the growing divide between state clean energy mandates and centralized capacity market outcomes.⁶ The electricity mix is in flux, and the current RPM construct is not equipped to facilitate a transition to a cleaner grid, nor to maintain resource adequacy in a decarbonized electricity system. While we acknowledge that the Integrated Clean Capacity Market is only one such proposal to reform the existing RPM and leverage regional markets to achieve state policy goals, and is itself only a conceptual proposal, we view it as a proxy for a well-designed state-wide or regional market-based solution that should be strongly considered.⁷

⁵ The Brattle Group analysis at 2.

⁶ For a longer explanation of AEE's views on the need for capacity market reform including but not limited to MOPR reform, see <https://www.utilitydive.com/news/reforming-capacity-markets-to-meet-clean-energy-goals-and-support-the-grid/597069/>.

⁷ As noted in prior comments, we view the ICCM as a potentially viable market design to accomplish the goal of harmonizing state clean energy requirements with resource adequacy procurement. However, the design of the ICCM would be very important to ensuring its success in meeting this goal, and other proposals may ultimately prove to be equally or better suited to achieve this end. We therefore strongly encourage further exploration of ICCM. In these comments, we view ICCM as a stand-in for any well-designed regional, market-based solution.

The Brattle Group’s analysis of ICCM demonstrates the benefit of pursuing such an approach. Specifically, both the NJ-Only ICCM and the PJM-Wide ICCM scenarios are among the least-cost options. While the No-MOPR RPM scenario yields modest additional savings, it does so without driving up clean energy deployment, putting New Jersey at risk of falling short of its clean energy obligations. The Brattle Group finds that ICCM could accelerate clean electricity from 84% to 92% of New Jersey demand by 2030 and could accelerate PJM-wide clean electricity by an even greater amount, from 54% to 65% of PJM load by 2030. While the modeling only goes out to 2030, we would expect the clean electricity benefits of an ICCM-like construct to increase even more in future years as decarbonization targets in New Jersey and elsewhere ramp up.

As New Jersey considers whether to pursue a single-state versus multi-state solution, we note that while the benefits *to New Jersey customers* of NJ-only and PJM-wide ICCM are nearly identical in the study results, the opportunity to enable PJM-wide decarbonization is significant, as noted above. New Jersey has an opportunity to lead an effort with other states to realize these regional benefits. At a recent PJM workshop, the Board expressed an understanding of its public responsibility that extends beyond cost and reliability to include decarbonization. Contributing to the development and success of a regional market that will facilitate PJM-wide decarbonization falls well within that public responsibility. Looking beyond 2030, we would also expect that the cost benefits of a PJM-wide approach would accrue to New Jersey by unlocking more cost-effective pathways to deep decarbonization. Over a longer time horizon, we therefore believe a regional approach will prove to be more efficient and effective at driving least-cost decarbonization across PJM as well as within New Jersey.

IV. Conclusion

AEE and SEIA appreciate the Board's continued effort to explore and better understand resource adequacy alternatives. The ideas and analysis from this investigation will not only serve to inform the Board's decisions, but will prove invaluable in regional discussions now happening at PJM and before FERC. In all of these contexts, we urge New Jersey to remain committed to resolving the near-term challenge of the expanded MOPR while avoiding a rush toward FRR and prioritizing efforts to better align state clean energy procurement and regional resource adequacy outcomes in the PJM RPM. We specifically encourage New Jersey to continue its leadership role in discussions before FERC and at PJM on both MOPR reform and long-term capacity market reform.