



PJM Interconnection, L.L.C.
2750 Monroe Boulevard
Audubon, PA 19403

Chenchao Lu
Assistant General Counsel
T: (610) 666-2255 | F: (610) 666-8211
Chenchao.Lu@pjm.com

October 25, 2022

VIA ELECTRONIC MAIL

board.secretary@bpu.nj.gov

Aida Camacho, Secretary
New Jersey Board of Public Utilities
44 South Clinton Avenue, 9th Floor
P.O. Box 350
Trenton, New Jersey 08625-0350

*Re: In the Matter of BPU Investigation of Resource Adequacy Alternatives
Comments of PJM Interconnection, L.L.C.
BPU Docket No. EO20030203*

Dear Secretary Camacho:

PJM Interconnection, L.L.C. (“PJM”) respectfully submits the following comments on the New Jersey Board of Public Utilities (“BPU”) staff’s 2022 Progress Report on New Jersey’s Resource Adequacy Alternatives (“Progress Report”). PJM previously submitted comments in the same docket in May 2020 when BPU staff initiated an investigation into Resource Adequacy Alternatives.¹ Similar to PJM’s comments provided to the BPU in May 2020, PJM offers this commentary from its role as the regional transmission organization (“RTO”) for all or part of 13 states and the District of Columbia, including the entire state of New Jersey.

¹ See *In the Matter of BPU Investigation of Resource Adequacy Alternatives*, Comments of PJM Interconnection, L.L.C., Docket No. EO20030203 (May 20, 2020), <https://www.pjm.com/-/media/documents/other-fed-state/20200520-e020030203.ashx>.

I. COMMENTS

A. Market-Based Solutions for Facilitating Decarbonization

PJM’s competitive wholesale power markets have been in place since 1997, and today PJM now operates the largest wholesale energy market in the country. Not only have the PJM markets ensured a reliable system at the lowest reasonable cost, but the competitive nature of these markets continues to incentivize innovation and encourage developers to bring forward new, more efficient technologies.

As the BPU staff notes in its Progress Report, competitive markets have a place in the region’s move toward decarbonization. One such outcome of PJM’s current marketplace has been a steady decrease in emissions across the PJM footprint. Competitive markets ease market access of new technologies that are less emitting. For instance, since 2005, carbon dioxide emission rates have decreased 35% in PJM, and nitrogen oxides and sulfur dioxide have fallen by 85% and 94%, respectively, due to newer resources coming into service and replacing older, less efficient generation.² The BPU staff’s Progress Report also highlights the value of regional markets and continues to support BPU staff’s 2021 conclusion that “[i]ncorporating New Jersey’s clean energy goals into the regional market is the most efficient way to provide New Jersey consumers with reliable, affordable, and carbon-free electricity.”³

The competitive forces driving PJM’s markets greatly benefit from the size and diversity of the PJM footprint – improving market liquidity and overall economics of scale – and this will continue forward as more clean and renewable resources come onto the system to most efficiently

² PJM Inside Lines, PJM Releases Annual Emission Rates Report (April 26, 2022), <https://insidelines.pjm.com/pjm-releases-annual-emission-rates-report/>.

³ See New Jersey Board of Public Utilities, 2022 Progress Report on New Jersey’s Resource Adequacy Alternatives, Docket No. EO20030203, at 21 (September 2022) (hereafter, “Progress Report”), https://nj.gov/bpu/pdf/Staff's%202022%20Resource%20Adequacy%20Investigation%20Report_Final.pdf.

assist states with advancing their clean energy policies. Renewable and storage resources now comprise over 95% of the generation in PJM's interconnection queue, and these resources are the most predominant types of resources seeking interconnection in every PJM state.⁴

As PJM, its stakeholders, and individual states like New Jersey continue to pursue potential market constructs for clean and renewable resource attributes, it must be reiterated that regional markets, which fully employ the scale of the PJM footprint, expand the pool of resources driving competition and increase price transparency for both current and future market products. At bottom, these represent favorable outcomes for consumers.

PJM also recognizes that the BPU initiated its investigation into resource adequacy alternatives in response to the Expanded Minimum Offer Price Rule ("MOPR") that was directed by the Federal Energy Regulatory Commission ("FERC") in December 2019.⁵ Following the issuance of FERC's 2019 MOPR Order, the PJM Board directed PJM staff to work with its stakeholders, including the PJM states, to expedite the implementation of a new, "narrow" MOPR that would better allow preferred state resources to compete in PJM's capacity auctions, and contribute toward resource adequacy should those resources clear a capacity auction for a given delivery year.⁶ This narrow MOPR was implemented beginning with the 2023/2024 Base Residual Auction, which was held in June 2022 and cleared 144,870.6 MW of unforced capacity at competitively low prices for PJM consumers.⁷ PJM appreciates that states like New Jersey find

⁴ PJM, New Services Queue, <https://www.pjm.com/planning/services-requests/interconnection-queues.aspx>.

⁵ *Calpine Corp. v. PJM Interconnection, L.L.C.*, 169 FERC ¶ 61,239 (Dec. 19, 2019).

⁶ PJM, Board Letter Regarding Capacity MOPR & Initiation of the Critical Issue Fast Path Process (April 6, 2021), <https://www.pjm.com/-/media/about-pjm/who-we-are/public-disclosures/20210406-board-letter-regarding-capacity-market-minimum-offer-price-rule-and-initiation-of-the-critical-issue-fast-path-process.ashx>.

⁷ PJM, 2023/2024 RPM Base Residual Auction Results (June 21, 2022), <https://pjm.com/-/media/markets-ops/rpm/rpm-auction-info/2023-2024/2023-2024-base-residual-auction-report.ashx>.

the new MOPR currently navigable for state clean energy policies, and that the Progress Report “recommends that New Jersey continue to rely on the PJM markets to meet reliability needs at competitive prices, so long as the BRA is not subject to the Expanded MOPR or any other mechanism inconsistent with New Jersey’s clean energy objectives.”⁸

B. PJM Efforts Exploring Clean Energy Market Constructs

After the narrow MOPR was implemented, PJM staff and stakeholders initiated the Resource Adequacy Senior Task Force to explore additional areas for potential reform within the PJM capacity market in recognition that PJM markets may need to evolve to meet future industry needs. The focus areas for PJM and stakeholders were guided by the PJM Board and included “considering clean capacity/energy auctions as an option to allow for procurement of clean resources.”⁹ This specific clean capacity/energy topic subsequently spawned a separate stakeholder effort known as the Clean Attribute Procurement Senior Task Force (“CAPSTF”).¹⁰

Per the CAPSTF’s issue charge, it is to serve as a forum for stakeholders to have a “comprehensive discussion of market enhancements to enable states and other willing buyers to procure clean resource attributes, on a voluntary basis, through a regional and centralized procurement or market.” The CAPSTF meets monthly, and the first meeting was held on June 3, 2022. It is currently expected for the effort to proceed through Q2 2023.

⁸ See Progress Report at 29. While the narrow MOPR has been effective beginning with the Base Residual Auction associated with the 2023/2024 Delivery Year, PJM acknowledges that it is currently being appealed at the United States Court of Appeals for the Third Circuit. In an effort to defend the narrow MOPR rules currently under appeal, PJM is working with various entities, including the New Jersey BPU, to support FERC’s acceptance of the narrow MOPR rules.

⁹ Resource Adequacy Senior Task Force, Charter, <https://www.pjm.com/-/media/committees-groups/task-forces/rastf/postings/rastf-charter.ashx>.

¹⁰ Clean Attribute Procurement Senior Task Force, Issue Charge, <https://www.pjm.com/-/media/committees-groups/task-forces/capstf/postings/capstf-issue-charge.ashx>.

PJM and the states' Competitive Policy Achievement Working Group ("CPAWG") have worked closely together in scoping the CAPSTF's work plan and ensuring that CPAWG representatives are positioned as integral participants in stakeholder discussions. PJM is very encouraged by the work accomplished so far in the CAPSTF, and appreciates New Jersey's engagement through both the CPAWG and as an individual stakeholder.

PJM also recognizes New Jersey's aspiration to have a solution in place as soon as practicable, as well as New Jersey's concern that the CAPSTF may not produce a solution that is ultimately sufficient for New Jersey's clean energy goals. PJM remains optimistic that the CAPSTF will continue to facilitate robust and comprehensive discussions in order to capture the wide range of stakeholder perspectives. Such dialogue best informs any implementation of a regional clean attribute market construct, such as those undertaken and under consideration by the CAPSTF.

II. CONCLUSION

PJM appreciates the opportunity to again comment in this docket and looks forward to continuing its dialogue with BPU staff on potential resource adequacy alternatives both within this proceeding and through the PJM stakeholder process.

Respectfully submitted,

/s/ Chenchao Lu

Chenchao Lu
Assistant General Counsel
PJM Interconnection, L.L.C.
2750 Monroe Boulevard
Audubon, PA 19403
(610) 666-2255
Chenchao.Lu@pjm.com