

Comments on the 2022 Progress Report on New Jersey’s Resource Adequacy Alternatives

Docket # EO20030203

The Independent Energy Producers of New Jersey (IEPNJ) appreciates the opportunity to comment on the New Jersey Board of Public Utilities’ (BPU) 2022 Progress Report on New Jersey’s Resource Adequacy Alternatives (Progress Report).

The IEPNJ is a not-for-profit trade association that represents New Jersey’s generators of electric power. As such, members of IEPNJ are active participants in the region’s wholesale power market and have a continuing interest in assuring reliable supplies of electricity to fuel the region’s growth in an environmentally and economically sound manner.

The IEPNJ has long supported state policies that contribute to the reduction of air pollution and ensure energy reliability for the State. Since 1992, IEPNJ has worked productively with stakeholders, including the BPU, Department of Environmental Protection (DEP), and the state legislature, to develop responsible environmental and energy policies.

The BPU’s Progress Report is a follow up to the BPU’s Investigation of Resource Adequacy Alternatives proceeding (Docket No. EO20030203). This proceeding directs Staff to provide recommendations on reforms to the wholesale electricity markets to better align them with the State’s clean energy targets. The Progress Report summarizes the progress made to date and provides Staff’s recommendations.

Overall, the Progress Report reiterates the main conclusions of its initial 2021 Resource Adequacy Report, including:

1. New Jersey can substantially lower the costs required to achieve its clean energy goals by participating in a regional clean energy pool, such as a PJM-wide Integrated Clean Capacity Market (ICCM).
2. The Board should develop a formal policy of purchasing sufficient capacity from non-carbon emitting, instead of fossil fuel-fired, resources to meet New Jersey’s resource adequacy needs.



IEPNJ Comments and Recommendations

The IEPNJ appreciates the BPU's efforts to explore how to effectively meet New Jersey's resource adequacy needs in a manner consistent with the State's clean energy and environmental objectives, while taking into account costs to customers.

One of the driving forces behind BPU's effort in this proceeding dates back to uncertainties and potential increases in ratepayer cost increases stemming from PJM's 2019 Minimum Offer Price Rule (MOPR). At the time, these issues were viewed as a potentially significant hindrance to New Jersey's clean energy policies such that Staff evaluated having New Jersey exit the PJM capacity market and have New Jersey's load serving entities (LSEs) secure capacity obligations through the Fixed Resource Requirement (FRR) mechanism.

Since that time, PJM and FERC have addressed and resolved most of the BPU's MOPR concerns related to the diminished value of renewable resources. With the MOPR issues addressed, there is no longer immediacy for any BPU action in this proceeding. Instead, the BPU should focus its efforts on its currently established policy pathways which are in full development and implementation mode and are fully capable of achieving New Jersey's energy and environmental goals.

Accordingly, the IEPNJ respectfully provides the following comments and recommendations:

1. Using a regional or state-level Integrated Clean Capacity Market to secure capacity from out-of-state clean energy resources is in direct conflict with the Energy Master Plan (EMP) goals of advancing New Jersey's in-state clean energy economy and providing long-term, well-paying jobs.
2. The BPU should continue pursuing its current, multi-pronged approach toward achieving its clean energy goals including battery storage, in-state solar, energy efficiency, and offshore wind development. Rather than continue to pursue the highly challenging, complex, and time-consuming exercise of considering and building a new market structure (which will only unnecessarily supplement efforts already underway in New Jersey), the BPU and Staff should focus their limited resources on achieving success and growing the programs and policies it currently has in place.
3. In its continuing pursuit of advancing New Jersey's clean energy goals, the BPU should recognize the role of natural gas generators in maintaining reliability while providing a necessary bridge during the transition to a carbon-free energy mix. New Jersey's fleet of gas fired generation is among the cleanest in the nation and provides a vital and environmentally sound resource to assure that reliable power supply and other grid



stabilization services are provided to customers. Without these resources, New Jersey cannot move toward its clean energy goals and maintain reliability along the way.

4. The Progress Report fails to address the significant environmental issue of CO2 leakage. Leakage, the well documented effect of shifting generation from New Jersey's cleaner in-state natural gas generation fleet to dirtier generation resources in other states, is deterring New Jersey's efforts to fight climate change by increasing greenhouse gas emissions. This impact is exacerbated by Pennsylvania's failure to join the Regional Greenhouse Gas Initiative (RGGI) and Virginia's exit from RGGI. This creates an uneven playing field where generators in other PJM states are artificially dispatched at an increased level because they do not have to buy RGGI allowances. Reducing leakage can lead to real and substantial reductions in greenhouse gas emissions. By addressing the demonstrated CO2 leakage problem surrounding New Jersey's RGGI participation, the BPU can create meaningful results and benefits today. The Progress Report does not address this key issue.
5. The Progress Report does not recognize or address the substantial impacts of the Inflation Reduction Act (IRA), which will provide major federal tax incentives for most forms of clean energy (including nuclear). Failure to analyze these impacts, which may enable New Jersey to achieve its clean energy and carbon reduction goals with federal subsidies, will substantially change the cost impacts presented in the Progress Report, and may, in fact, render Staff's recommendations unnecessary and costly. The Progress Report should be re-evaluated in this context.
6. The cost impact analysis presented in the Progress Report is only contained in several very high-level bar charts. It does not contain support or underlying analysis for the public to review for reasonableness. Accordingly, the Progress Report does not provide a sufficient factual basis to support Board adoption of the recommendations of the Progress Report. Staff should release all its workpapers to demonstrate that its results are protective of customers and reflect current costs. Moreover, as discussed above in item 5, the analysis should be updated to reflect IRA's significant benefits so that the public and the Board can accurately evaluate the Progress Report before any decision is made.
7. The Progress Report provides a limited legal analysis of the Board's authority to mandate the purchase of Clean Capacity Credits by BGS and Third-Party Suppliers. Specifically, the Progress Report fails to recognize that all other renewable/clean energy purchase mandates in New Jersey (i.e., RECs, SRECs, ORECs, and ZECs), were created by an act of the State Legislature providing specific statutory authority, with delegation to the BPU to implement the requirement. No such statutory authority currently exists for the BPU permitting the BPU to mandate purchases of Clean Capacity Credits by BGS and Third-Party



Suppliers. Notwithstanding the problems identified hereinabove, if the BPU determines to move forward with Staff recommendations, authorizing legislation is required.

The IEPNJ appreciates the opportunity to provide these comments and looks forward to working cooperatively with the BPU and all other stakeholders.