

October 27, 2022

VIA ELECTRONIC MAIL

Acting Secretary Carmen Diaz
New Jersey Board of Public Utilities
44 South Clinton Avenue, 9th floor
Post Office Box 350
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Board.secretary@bpu.nj.gov

Re: I/M/O The New Jersey Investigations Into Resource Adequacy: 2022 Progress Report (BPU Docket No. EO20030203) - Comments of the Retail Energy Supply Association

Dear Acting Secretary Diaz:

On behalf of the Retail Energy Supply Association (“RESA”),¹ please accept these comments in response to the Board of Public Utilities’ (“Board’s or BPU’s”) September 22, 2022, solicitation for comments as part of its Resource Adequacy Alternatives Investigation (“RAAI”). RESA would urge the Board to continue to seek responses from a broad spectrum of stakeholders as it investigates the impact on New Jersey’s clean energy policies in relation to PJM’s current Reliability Pricing Model (“RPM”). As an active participant in New Jersey’s competitive energy marketplace and prior proceedings regarding the development of the renewable energy market in New Jersey, RESA appreciates the opportunity to provide these written comments.

RESA strongly supports New Jersey’s clean energy targets and BPU Staff’s focus on using the competitive market to increase procurement of clean energy resources to meet New Jersey’s

¹ The comments expressed in this filing represent the position of the Retail Energy Supply Association (RESA) as an organization but may not represent the views of any particular member of the Association. Founded in 1990, RESA is a broad and diverse group of more than twenty retail energy suppliers dedicated to promoting efficient, sustainable and customer-oriented competitive retail energy markets. RESA members operate throughout the United States delivering value-added electricity and natural gas service at retail to residential, commercial and industrial energy customers. More information on RESA can be found at www.resausa.org.

resource adequacy needs. The competitive market is already moving New Jersey toward achieving its clean energy goals. Many third party suppliers (“TPSs”), including RESA members, have been offering green energy products to their customers for years. These products involve purchasing additional renewable energy credits (“RECs”) to match customers’ usage, which goes beyond the minimum number of RECs required by New Jersey’s renewable portfolio standards (“RPS”).

The Forward Clean Energy Market (“FCEM”) is potentially an excellent way to increase the procurement of capacity from clean energy resources. However, the BPU should not rush into a New Jersey only FCEM and should instead continue discussions with other states and PJM to develop a regional solution. There is greater potential to change the PJM resource mix to clean energy if more states are involved. A regional FCEM would also increase competitive market forces. A market that allows more clean energy resources to compete against each other will be the most cost-effective, particularly if the FCEM is operated without preferences for some clean energy technologies over others.

RESA believes it is a mistake to keep the door open to the Fixed Resource Requirement (“FRR”) for development of a New Jersey only FCEM because, as the BPU Staff has noted in its report, the FRR option presents legal uncertainty, higher costs to ratepayers, unmitigated market power, and reliability risks. RESA members are concerned about the likely increase in costs under an FRR alternative due to the impacts of reduced competition and distortion of market power.²

RESA also agrees with NRG’s October 25th comments that it would be best if PJM acted as the administrator and auctioneer of the FCEM. RESA also agrees with NRG’s recommendations that New Jersey should enter into an MOU with other states in the region to work on the design details of the FCEM, and New Jersey and the other states should ask PJM to develop a collaborative governance structure “which includes a market design that dovetails FCEM to the existing regional capacity and energy markets.”

² BPU Staff’s reliance on the unresolved MOPR litigation is based on flawed logic. If the courts throw out the current modified MOPR, it does not revert to the original MOPR that was onerous for renewable participation in PJM’s capacity auction. FERC would need to come up with a new rule.

Another important consideration for the BPU is various state and federal and legal constraints which may make it impossible to accomplish this FCEM objective. The specific implementation details of the FCEM will be very important to how third-party suppliers will manage the risk associated with any new forward clean energy credit obligation. If FCEM is adopted RESA urges the BPU to apply the same clean capacity credit purchase requirements to BGS providers as will be required for TPSs. This will ensure that all suppliers and providers have an equal commitment to RPS procurement, which should also result in competitive pricing neutrality between TPS and BGS procurement.

It is unclear from BPU Staff's report how the proposed load serving entity ("LSE") obligation to purchase clean capacity credits will affect the current supplier REC purchase obligations. BPU Staff's report states: "This design would function similar to the existing REC market in which TPS and BGS providers are required to purchase a certain level of their annual energy from the REC market, and meet additional technology-specific requirements, using the State's REC programs." The BPU report also states that it will amend the existing RPS requirement. And the report states: "Staff believes that there is ample evidence that it is in the ratepayer's best interest to consider requiring LSEs to meet a portion of their RPS obligations through a regional clean energy market structure or Clean Capacity Credit requirement, to ensure the State takes a cost-effective path in its clean energy transition." RESA seeks clarification from the Board regarding what portion of the RPS obligations of TPSs and BGS providers will be met by purchasing clean capacity credits if the FCEM is adopted. RESA also believes more information is needed on whether and how the REC purchase obligations of TPSs and BGS providers will be reduced if a clean capacity credit purchase obligation is applied.

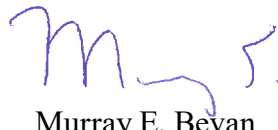
RESA agrees with NRG that LSEs should be allowed to procure clean capacity credits in advance of the FCEM competitive auction through self-supply or bilateral arrangements, and these credits procured in advance should be counted toward the procurement obligations of the electricity suppliers.

RESA is intrigued by BPU Staff's recommendation that "the Board consider indexing clean energy compensation to the carbon intensity of the grid at the time the clean energy is

produced, with the idea of providing higher compensation for clean energy produced when emissions are high, while providing lower levels of compensation to clean energy produced during times when the grid is relatively clean.” However, RESA believes much more information is needed to clarify how this carbon intensity indexing would affect the RPS and clean capacity credit purchase obligations of TPSs and BGS providers.

RESA looks forward to continued participation in this Resource Adequacy Alternatives Investigation. Please do not hesitate to contact me with any questions. Thank you.

Very truly yours,



Murray E. Bevan

