

Comments of the PJM Power Providers Group (P3) on the
Request for Information Regarding the New Jersey 2024 Energy Master Plan
Docket No. QO24020126

The PJM Power Providers Group (“P3”) appreciates the opportunity to submit comments to the New Jersey Board of Public Utilities’ Request for Information regarding the 2024 update to the Energy Master Plan (“2024 EMP Request for Information”)¹. P3 is a non-profit organization made up of power providers whose mission is to promote properly designed and well-functioning competitive wholesale electricity markets in the 13-state region and the District of Columbia served by PJM Interconnection, L.L.C. (“PJM”). Combined, P3 members own more than 83,000 megawatts of generation assets in PJM. P3 member companies are generation owners and active suppliers of energy in the state of New Jersey.²

In these comments, P3 addresses the questions put forth by the New Jersey Board of Public Utilities (“Board” or “BPU”) in its May 14, 2024, Request for Information for the 2024 update to the EMP specifically in Strategy 2: Accelerating Deployment of Renewable Energy and Distributed Energy Resources and Strategy 5: Decarbonizing and Modernizing New Jersey’s Energy System. The update of the 2024 EMP and the questions raised about accelerating renewable generation projects without being cost-prohibitive for ratepayers and/or developers³ is

¹ Request for Information, Notice In the Matter of the 2024 New Jersey Energy Master Plan, Docket No. QO24020126, May 14, 2024 (“Request for Information 2024 EMP”).

² The views expressed in these comments represent the views of P3 as an organization and not necessarily the views of individual members with respect to any issue. For more information see www.p3powergroup.com

³ Request for Information 2024 EMP at p. 5, Strategy 2 of the 2019 EMP question 2.

best answered by pursuing least cost pathways through competitive market structures, not consumer-shouldered mandates, that recognize the need to have a reliable supply of electricity available.

1. **New Jersey's Environmental Goals Can be Achieved While Maintaining the Benefits of Competitive Markets**

As New Jersey considers updating its new Energy Master Plan, P3 once again urges the state to pursue its clean energy goals within a competitive market structure. One hundred percent clean energy by 2035 is an ambitious goal and could prove to be extremely costly for New Jersey ratepayers while jeopardizing reliability, if the goal is pursued by means that seek to identify and procure power from specific technologies without regard to cost or capacity factors. Instead, New Jersey should clearly define its environmental targets, how they will be achieved realistically in light of the need for flexible units to stay on the system to complement and facilitate intermittent resources while maintaining reliability and allowing market forces to determine how to best meet those goals. A market based, technology-neutral approach to achieve 100% carbon neutral electricity generation is the best means to incent the new technology that will help New Jersey meet its goals in the most cost-effective manner.

P3 again notes that New Jersey can achieve its energy goals through existing market-based constructs which would allow consumers to continue to enjoy the economic and reliability benefits of markets while knowing that environmental goals are being achieved. New Jersey should clearly define the environmental goals, determine the market-consistent, regulatory means to achieve the goals, and then allow the market to determine which resources are best equipped to meet those goals. Additionally, the Board has an obligation to ensure the lights remain on in

New Jersey and thus should work with PJM to achieve its goals in a reliable manner. New Jersey should set targets for reducing carbon by a certain number of tons by certain milestone dates, instead of mandating the construction of offshore wind or subsidizing other power sources. By choosing the specific resources to meet New Jersey's carbon reduction goals and then providing those resources with out of markets subsidies (as has been and is the current case with new offshore wind facilities and profitable nuclear powerplants in New Jersey), consumers are locked into energy choices that are likely less efficient and more expensive. Moreover, carbon-reducing energy technologies are stifled from the lack of economic incentive to innovate, because New Jersey artificially shrinks their market opportunity when competing technologies are subsidized.

A newly drafted 2024 EMP should be mindful of the cost impact of ill-conceived policies on homes and businesses. New Jersey can ill-afford to hoist hundreds of millions in additional costs on its ratepayers to fund subsidy programs that are not necessary in order to meet its environmental goals. If New Jersey is to remain competitive as a place to live or locate a business, electricity rates must remain competitive with neighboring states. The dramatic gap that exists between New Jersey and Pennsylvania, Delaware and Maryland could grow even further if such costs are not considered reducing the regional attractiveness of New Jersey.⁴

2. Competitive Markets are the Best Way to Attain Least-Cost Pathways and Maintain Reliability at this Crucial Time of Grid Transition

The 2019 EMP referred to pursuing least-cost pathways to achieving New Jersey's goals and ensuring those goals are inclusive and beneficial to all New Jersey residents. The state must

⁴ https://www.eia.gov/electricity/annual/html/epa_02_10.html

continue to be cognizant of potentially rising costs and be aggressive in limiting these costs wherever possible. P3 urges the Board in its planning for the 2024 EMP to consider costs and reliability and the reality of needing to retain certain types of generation needed to facilitate the state's transition to clean energy.

P3 implores the Board to not take any action or make any recommendations in the 2024 EMP that will create significant reliability concerns at a time of grid transition. It is extremely important for the Board to note that generation adequacy continues to be a going concern, and concerns have increased since the last drafting of the EMP in 2019. A newly updated 2024 EMP should not exacerbate reliability concerns. PJM recently has highlighted the challenges of maintaining resource adequacy as its resource mix evolves. PJM has been conducting an ongoing study of impacts associated with the energy transition, and exploring the pace of resource retirements and replacements through 2030 and has issued a report that highlights potential reliability risks to meeting growing electricity demand.⁵ PJM's research identified several trends that together present increasing reliability risks during the transition to renewable energy, due to a potential timing mismatch between resource retirements, load growth and the pace of new generation entry. The PJM study highlights the growth rate of electricity demand that is likely to continue to increase from electrification and electric vehicles, in addition to high-demand data centers in the region. Further, thermal generators are retiring faster than once anticipated and these retirements are outpacing the construction of new resources. Moreover, PJM's interconnection queue is composed primarily of intermittent and limited-

⁵ See, PJM "Energy Transition in PJM: Resource Retirements, Replacements & Risks", February 23, 2023, <https://www.pjm.com/-/media/library/reports-notice/special-reports/2023/energy-transition-in-pjm-resource-retirements-replacements-and-risks.ashx>

duration resources. Given the operating characteristics of these resources, the grid requires for each 1 MW of thermal generation retirement multiple megawatts of replacement intermittent and limited-duration.⁶

In addition to PJM sounding the alarm on reliability concerns, the North American Electric Reliability Corporation (“NERC”) also has conducted studies, and NERC’s Long-Term Reliability Assessment likewise raises concerns about electric reliability over the next 10 years due to sharp increases in peak demand forecasts and the potential for higher generator retirements.⁷

Lastly, several commenters at the May 20, 2024, public hearing commented on a state moratorium on all fossil fuels. P3 reminds the Board that a state’s decision to prohibit the construction of new fossil fuel power plants could lead to increased consumers’ costs as PJM conforms its market rules to accommodate state policy. New Jersey should learn from Illinois. The Federal Energy Regulatory Commission (“FERC”) recently agreed with PJM that a state, in this case Illinois, that chooses to effectively ban new combined cycle natural gas units will no longer be able to use such a unit for purposes of setting the demand curve used to calculate capacity market prices.⁸ Under current rules, PJM assumes that a new generation resource in New Jersey will be a new natural gas combined cycle plant. If there was a prohibition on the construction of new fossil fuel power plants, PJM will be forced to ask FERC for a new

⁶ See, <https://insidelines.pjm.com/pjm-details-resource-retirements-replacements-and-risks/>

⁷ See, <https://www.publicpower.org/periodical/article/nerc-long-term-assessment-raises-reliability-concerns-over-next-10-years>

⁸ See, FERC Order 186 FERC ¶ 61,053 (January 19, 2024). Note that in the case of Illinois, state law effectively requires that a new natural gas combined cycle plant cease operations in 2045. PJM recommended, and FERC accepted, PJM’s proposal to adjust the asset life to align with the state law.

“reference unit” which will likely be a higher cost unit that will translate into higher costs to consumers. This Board should have a clear picture of what the future reference resource in New Jersey would be and the costs associated with that unit before moving forward with any plans, recommendations or endorsements that would prohibit the construction of new fossil fuel plants.

CONCLUSION

Moving forward, P3 encourages New Jersey to pursue its environmental goals through means that do not undermine the benefits of competitive markets and the reliable electric system that has been delivered to consumers for years. New Jersey’s environmental goals can be achieved without sacrificing the benefits of competitive markets. Further, competitive markets are the best way to attain least-cost pathways while maintaining reliability – especially important at this time of grid transition and reliability concerns. New Jersey should avoid extremely costly subsidies that the ratepayers bear the burden of and environmental benefits that are difficult to justify. Environmental progress can be achieved in a market paradigm, as evidenced by environmental goals that are being met in PJM with sulfur dioxide, nitrogen oxide and carbon dioxide emissions from power plants in PJM that dropped materially in the last decade.⁹ New Jersey can enjoy both environmental progress and the benefits of markets if policies are structured the correct way, and the 2024 EMP should lay the foundation for New Jersey to enjoy the best of both worlds.

P3 appreciates the opportunity to submit these comments and welcomes the opportunity

⁹ See, <https://insidelines.pjm.com/emission-rates-in-pjm-reach-all-time-low/>.

to work with the Board to accomplish its goals while preserving the benefits of electric competition for New Jersey homes and businesses.

Respectfully submitted,

On behalf of the PJM Power Providers Group

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