



By electronic mail

May 20, 2020

NJ Board of Public Utilities
44 South Clinton Avenue, 3rd Floor, Suite 314
Post Office Box 35
Trenton, New Jersey 08625-0350
board.secretary@bpu.nj.gov

ATTN: Aida Camacho-Welch, Secretary

Re: Investigation of Resource Adequacy Alternatives (Docket No. EO20030203)

Dear Secretary Camacho-Welch,

AARP, on behalf of our nearly 1.3 million Garden State members, thank you for the opportunity to comment on the Board's Investigation of Resource Adequacy Alternatives (Docket No. EO20030203). The ability to maintain safe, affordable, and reliable utility services, including electricity, natural gas, water, telecommunications, and high-speed internet service is critical at any time, and it is particularly important now during this health and economic emergency in order to maintain compliance with stay-at-home orders and the ability of people to stay engaged with work, education, and loved ones while preventing the spread of the virus. This is especially important for all residents who are most vulnerable and already suffering under the weight of New Jersey's high energy costs.

AARP supports sustainable energy policies where cost effective and advocates for fair, affordable and reliable service.

As a national organization representing 38 million members nationwide, AARP is no stranger to the PJM market and the regional transmission organization's impact on prices across 13 states and the District of Columbia.ⁱ AARP is opposing legislation introduced in Illinois which would exit the three year PJM capacity market and instead have a state agency enter into 15 year contracts with generators because such a risky and untested plan could raise electricity rates.

AARP does not believe sufficient evidence exists to establish that PJM's attempt to mitigate the harmful effects of single state, out-of-market subsidies, including the \$300 million per year nuclear subsidies New Jersey consumers are already paying to increase PSEG's profits,ⁱⁱ is a problem for consumers and opposes exiting the competitive, three year PJM capacity market in order to self-

procure capacity for the state or for a PJM zone. Leaving the PJM market is a ‘treatment worse than the disease’ and is estimated to produce even higher costs for ratepayers. The PJM Market Monitor has determined that exiting the PJM capacity market could cost New Jersey \$386 million through 2022. ⁱⁱⁱ Moreover, given that the preponderance of the generation in the state is owned by the New Jersey’s largest distribution utility, market power concerns are paramount.

Rather than increase costs for ratepayers by exiting the PJM capacity market, AARP urges the Board to repeal the annual \$300 million nuclear subsidy.

Moreover and instead of further complicating the Regional Transmission Organization (RTO) process, New Jersey should establish a proceeding to evaluate a return to vertical integration of the utility sector, permitting utilities to once again own generation. This approach would allow the Board to directly regulate resource adequacy and the type of generation built within the state.

AARP will not respond to all of the areas proposed in the Board’s notice of this proceeding. Please find below additional comments from AARP in response to the Staff’s request for comments:

1. Can New Jersey Utilize the Fixed Resource Requirement (“FRR”) Alternative to Satisfy the State’s Resource Adequacy Needs?

AARP opposes exiting the PJM capacity market. As discussed above, AARP is not convinced of the need for an alternative to the PJM capacity market.

2. Pricing and/or rate implications associated with FRR:

AARP understands that FRR allows the state or the utility the ability to self-procure its capacity needs rather than participating in the PJM capacity market. As described above, the PJM independent market monitor has found such a new scheme could raise rates significantly. Particularly in these challenging times, New Jersey should not undertake a complicated regulatory change that would likely add additional fiscal burdens on our residential, commercial and industrial sectors and New Jersey’s economy as a whole.

3. How could New Jersey pursue an FRR construct under existing legislative and regulatory provisions?

AARP is unable to provide recommendations absent any details.

4. What entity would procure capacity under an FRR?

Absent details, AARP is unclear which entity would or could procure capacity for the state. If the distribution utility procures capacity there are concerns relative to self-dealing since the affiliate of the utility might own the generation and which could harm ratepayers.

5. How would procuring greater numbers of clean energy resources affect pricing outcomes?

Procuring greater numbers of clean energy resources could raise prices to consumers since the least cost algorithm used by PJM would no longer apply. Currently PJM clears the most economic generation.

6. Could the State require that procurements “internalize” the value of anticipated carbon emissions during the delivery year, subject to a true-up?

Presumably the state might be able to mandate such. However, it would be easier if the RTO changed its dispatch algorithm which is currently under consideration at PJM. Rather than doing least cost dispatch, the RTO could dispatch the cleanest resources first. Any analysis should point out the cost to retail consumers in terms of increased electricity rates.

7. How would preferentially procuring clean energy resources affect reliability outcomes?

To the extent such resources are intermittent, reliability could be impacted.

8. Discuss whether such a carbon price is a viable construct to ultimately get New Jersey to achieve the totality of the 2019 EMP goals. Discuss whether there are any other models for meeting the state’s resource adequacy needs and advancing the state’s clean energy agenda.

While AARP has no comment on carbon dispatch price, other models are apparent. AARP urges the state to consider abandoning the retail choice model altogether given the dissatisfaction with the model’s outcomes. Returning the state to a vertically integrated traditional model would be easier than creating more complications and bureaucracies to procure capacity. If New Jersey returned to a vertically integrated model, it could also have an integrated resource planning process to ensure the state procures the desired clean energy capacity.

9. Can Modifications to the Board’s Basic Generation Service (BGS) Construct Facilitate Resource Adequacy Procurements aligned with the EMP Clean Energy Objectives? Staff seeks written comments to discuss the feasibility of modifying the Basic Generation Service (“BGS”) construct in New Jersey. Suggested topics for inclusion in the comments are as follows: a. Discussion of a portfolio manager approach as a means of providing for a wider range of resource options. b. Discuss potential changes to the BGS competitive processes to facilitate procurement of resources that meet the State’s long-term clean energy objectives. Discuss efficiency implications of each option. (i) Clean Energy Standard, utilizing certificates to demonstrate compliance. (ii) Obligations on BGS Bidders to procure clean capacity resources, potentially with locational requirements. (iii) Billing capacity obligations to BGS Bidders from a state FRR portfolio. (iv) Other potential BGS construct modifications to meet the state’s resource adequacy needs and advancing the state’s clean energy agenda. c. Discussion of the pros and cons of modifying the BGS construct. d. Discussion of legislative and regulatory limitations and potential amendments necessary to enable the BGS construct to effectively facilitate the State’s long term clean energy objectives, through the options recommended above or other options presented. e. Discussion of affiliate relations or market power concerns related to any proposed changes to the BGS construct. f. Discussion of whether the BGS construct can ultimately get New Jersey to achieve the totality of the 2019 EMP goals. g. Discussion of any additional related topics.

AARP suggests the Board hire a consultant to evaluate this matter and then convene a broad stakeholder process to review and discuss.

10. Can Other Mechanisms, such as a Clean Energy Standard or Clean Energy Market, Facilitate Achievement of New Jersey Clean Energy Goals? Staff seeks written comments to discuss the

feasibility of implementing a Clean Energy Standard, Clean Energy Market or other mechanisms to competitively source carbon-free energy and ensure appropriate decision-making for resource adequacy aligned with state public policy goals. Suggested topics for inclusion in the comments are as follows: a. Discussion of alternative competitive processes to facilitate the State's long-term clean energy objectives. b. Discussion of implementation of a Clean Energy Standard. c. Discussion of the pros and cons of various alternative market constructs to achieve a clean energy future. d. Discussion of legislative and regulatory limitations and potential amendments necessary to advance alternative market mechanisms to achieve the 2019 EMP goals. e. Discussion of affiliate relations or market power concern related to proposed alternative mechanisms.

As suggested above, AARP recommends a consultant be hired to explore this matter. It may be easier and more beneficial for residents and businesses, along with meeting our clean energy goals for the state of New Jersey to return to vertical integration rather than create a new state bureaucracy to procure capacity for the state. Worse, given that the preponderance of the generation in the state is owned by the state's largest distribution utility, market power concerns are paramount. Rather than competing with other generators in a 13 state market, New Jersey's market would be left to one state – our own. Monopoly power could cause rates to rise due to the lack of power producers in the market, again creating more problems than it purports to solve.

Conclusion

AARP opposes exiting the PJM three year wholesale capacity market as evidence points to it being more costly and cumbersome. New Jersey's exit from the market would create more uncertainty and higher electricity rates at a time when the state's consumers can ill afford even higher cost burdens.

Thank you for your careful consideration of AARP's comments in this matter.

Sincerely,



Evelyn Liebman
AARP NJ Director of Advocacy

Cc: BPU President Fiordaliso
BPU Commissioner Holden
BPU Commissioner Solomon
BPU Commissioner Chivukula
BPU Commissioner Gordon
Stephanie Hunsinger, AARP NJ State Director
George Helmy, Chief of Staff – Office of the Governor of New Jersey
Stefanie Brand, Director, NJ Division of Rate Counsel

AARP is a nonprofit, nonpartisan organization with a membership that helps people 50+ have independence, choice and control in ways that are beneficial and affordable to them and society as a whole. AARP does not endorse candidates for public office or make contributions to either political campaigns or candidates. We produce AARP The Magazine, the definitive voice for 50+ Americans and the world's largest-circulation magazine with over 35.1 million readers; AARP Bulletin, the go-to news source for AARP's millions of members and Americans 50+; AARP VIVA, the only bilingual U.S. publication dedicated exclusively to the 50+ Hispanic community; and our website, AARP.org. AARP Foundation is an affiliated charity that provides security, protection, and empowerment to older persons in need with support from thousands of volunteers, donors, and sponsors. We have staffed offices in all 50 states, the District of Columbia, Puerto Rico, and the U.S. Virgin Island

ⁱ AARP submitted comments to the Illinois Senate Energy Working Group concerning legislation to exit the PJM capacity market and have the state use the Illinois Power Agency to enter into 15 year contracts instead. AARP opposed the concept as it could raise costs to consumers compared with the 3 year PJM capacity market which clears the most economic generation.

ⁱⁱ AKA the FERC PJM MOPR order (See FERC December 19, 2019 order in Dockets EL16-49-000 and EL-18-178-000)

ⁱⁱⁱ <https://www.utilitydive.com/news/ditching-pjm-capacity-market-could-cost-new-jersey-386m-through-2022-mark/577998/>