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July 31, 2020

VIA ELECTRONIC MAIL ONLY

Aida Camacho-Welch, Secretary
New Jersey Board of Public Utilities
44 South Clinton Avenue
Trenton, New Jersey 08625
Board.secretary@bpu.nj.gov

**Re: Joint Reply Comments filed by Public Service Enterprise Group
and Exelon Corp.
Investigation of Resource Adequacy Alternatives
Docket No. EO20030203**

Dear Secretary Camacho-Welch:

On June 24, 2020, Public Service Enterprise Group and Exelon Corp. (collectively, the “Affiliated Merchant Generators”) submitted Reply Comments in the above-referenced proceeding that, for the first time, proposed that New Jersey implement a Fixed Resource Requirement (“FRR”) Alternative exclusively in Jersey Central Power & Light Company’s (“JCP&L” or the “Company”) PJM zone. In addition, the Affiliated Merchant Generators provided a report produced by NorthBridge Group (“NorthBridge Report”), which they claim shows New Jersey’s customers will ultimately benefit from their FRR Alternative proposal. JCP&L is currently reviewing the FRR Alternative proposal and will need more time and information to perform a comprehensive evaluation of how the FRR Alternative proposal will impact JCP&L, JCP&L customers, and other impacted customers across the state. Please accept this letter as JCP&L’s initial response to the Affiliated Merchant Generators’ filing. The Company reserves the right to supplement this response as it continues to evaluate the Affiliated Merchant Generators’ Proposal.

In its initial and reply comments in this proceeding, JCP&L emphasized the need for a detailed statewide analysis and collaborative process to determine the best path toward meeting the State’s clean energy goals. The Affiliated Merchant Generators’ FRR Proposal raises many important questions and leaves many of the details of an FRR Alternative unaddressed and unresolved. For example, JCP&L has identified the following initial questions on the Affiliate Merchant Generators’ Proposal, which it believes require further exploration prior to making a determination about the Proposal or an FRR Alternative in general:

- Would the use of realized energy and ancillary service revenue to offset capacity payments provide more certainty and risk mitigation to both customers and generators (as opposed to futures prices used in the Affiliate Merchant Generators’ proposal)?

- What are the benefits and costs of removing all four New Jersey Electric Distribution Companies (“EDCs”) through an FRR initially as opposed to utilizing a single FRR entity?
- What are the benefits and costs of establishing an FRR where each EDC withdraws a portion of its load from the PJM RPM to acquire capacity from renewable and clean energy resources that receive subsidies under State programs?
- What specific units and/or technologies are expected to not clear the FERC PJM capacity auction under the new Minimum Offer Price Rule (“MOPR”) and, thus, are at actual risk of losing capacity revenue streams?
- What are the expected tradeoffs of using a “pay-as-bid” approach for residual capacity as opposed to a single clearing price?
- Should New Jersey institute a cap on the price paid to facilities participating in an FRR that is based on the lower of facility costs or market prices?
- How would the term of contracts with Tier 1 facilities be set?
- What are reasonable assumptions about future capacity costs? Is it reasonable to assume that capacity costs under a New Jersey FRR would be comparable to historical Reliability Pricing Model (“RPM”) capacity costs?
- How would resources be incentivized to bid into the residual capacity procurement structure for an FRR as opposed to the PJM RPM?
- Will suppliers be expected to offer to sell capacity at lower prices in unconstrained zones than they would otherwise offer in a constrained zone?
- In an FRR Alternative procurement, how can market power mitigation rules be structured in a manner that is comparable or superior to those that currently exist in the PJM RPM market?
- What are present and anticipated supplier market shares in the Eastern Mid-Atlantic Area Council (“EMAAC”) and Mid-Atlantic Area Council (“MAAC”) delivery zones and how will said market shares impact market power in a New Jersey FRR?

These are just a few of the many questions that arise when initially analyzing the Affiliate Merchant Generators’ proposal—each of which may have a significant impact on the cost to New Jersey’s customers for using an FRR approach. JCP&L will continue to analyze these questions and intends to provide the Board with further comments and insights upon completion of its analysis. The Board should consider these and other issues as part of a comprehensive statewide analysis and collaborative process that considers not only the Affiliate Merchant Generators’ Proposal but all potential paths, including whether procurement through a cost-based product may be a viable approach, toward meeting the State’s clean energy goals.

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JCP&L appreciates the opportunity to offer these initial comments on the Affiliate Merchant Generators’ filing and looks forward to further working with the Board and stakeholders to identify the best path toward meeting the State’s clean energy goals.

Aida Camacho-Welch, Secretary
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Very truly yours,

A handwritten signature in black ink, appearing to read "Josh R. Eckert". The signature is fluid and cursive, with a large, stylized initial "J" and "E".

Joshua R. Eckert
Counsel for Jersey Central Power & Light Company