Competitive Power Ventures

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New Jersey Board of Public Utilities
44 South Clinton Avenue, 9th Floor
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Re: Investigation of Resource Adequacy Alternatives - Docket No. EO20030203

Dear President Fiordaliso and Commissioners,

Thank you for providing CPV Power Holdings, LP ("CPV") with the opportunity to provide Reply Comments in response to the Initial Comments filed by parties in the Board of Public Utilities' Investigation of Resource Adequacy Alternatives. As evidenced by the sheer volume of Initial Comments submitted in this proceeding, the issue of resource adequacy in New Jersey is clearly of paramount importance to parties with diverse views on the issue. As an independent power producer currently operating in New Jersey and proud contributor to Governor Murphy's Innovation Economy[1], CPV takes the responsibility of providing reliable, economic and environmentally responsible electricity to the state's consumers seriously and we appreciate being a part of this vital conversation.

To date, over 40 entities have submitted comments in this proceeding. While many offer differing views on the path forward, not one contends that the resource adequacy construct currently in place has been anything less than effective in achieving its primary goal of maintaining reliability. Without question, PJM's market construct, and the organized wholesale markets in general, have been a huge success across virtually every metric. Built on a foundation of competition, the electric system is as reliable as it has ever been, energy prices are at a record low and emissions have declined significantly as the generation fleet transitions to more efficient and lower emitting resources.[2]

As outlined in CPV's Initial Comments, now is not the time to abandon competition in favor of a command-and-control paradigm that picks winners and losers as has been suggested in this proceeding by some entities seeking to increase their balance sheets on the backs of New Jersey's ratepayers. As enumerated in the comments of the Electric Power Supply Association (EPSA), as well as the PJM Power Providers (P3) and accompanying expert testimony from Dr. Paul M. Sotkiewicz. of E-Cubed Policy

[1] https://cpv.com/news/2020/04/competitive-power-ventures-helps-avoid-more-than-an-estimated-15-million-tons-of-carbon-dioxide/index.cfm
[2] https://www.pjm.com/-/media/about-pjm/newsroom/annual-reports/2019-annual-report.ashx?la=en

Associates, LLC, the path that PSEG and Exelon propose in their joint comments has the potential to cause significant harm by exposing New Jersey to unmitigated market power, increased costs and a shift in the performance risk from the individual market participants back to consumers.

New Jersey took a significant step in favor of competition when it rejoined the Regional Greenhouse Gas Initiative (RGGI) to ensure that a carbon price was incorporated into the dispatch of the state's generation resources. Since that time, both Pennsylvania and Virginia have announced their intentions to also join RGGI, a move that PJM studies have shown will continue to drive down emissions by harmonizing the public policies of neighboring states.[3]

We believe a well-crafted market enhancement to incorporate the social cost of carbon in the wholesale energy market is critical to addressing climate change. Incentivizing lower emissions through competition will:

1. Maintain investment risk on shareholders, not ratepayers.
2. Reward zero and low emitting resources for the critical value they provide, including renewables, nuclear and efficient natural gas technologies.
3. Provide a market incentive for continued development of lower and zero emitting technologies so we can achieve our goals of a carbon neutral power system. Without a market incentive and a path to commercialization, research and development budgets will be under extreme pressure.

Although we differ on many points, carbon pricing is one where we are in full alignment with Exelon and PSEG. In their Initial Comments, they acknowledge that working with other states to enhance carbon pricing is the most efficient approach to reducing carbon emissions and we could not agree more.[4] However, such an approach is only unattainable if we give up and write it off now because it is too difficult or complex to achieve.

New Jersey should continue to be a leader but being a leader does not mean going at it alone. Very few industries demonstrate the value of scale to the same degree as our power system. By withdrawing from the multi-state competitive capacity market construct and losing the ability to leverage the scale of the PJM footprint, New Jersey is likely to find itself on a path of endless subsidies to purchase

[3] https://www.pjm.com/-/media/committees-groups/task-forces/cpstf/2020/20200519/20200519-item-03b-and-03c-pjm-study-results-higher-carbon-price-and-rto-scenarios.ashx

[4] https://www.nj.gov/bpu/pdf/ofrp/Comments/PSEG-Exelon%20[May%2020,%202020].pdf

technologies that exist today, killing any market opportunity to leverage technology breakthroughs or improvements. Each 20-year contract or multiyear subsidy eliminates the flexibility to adjust to improved generation resources as they emerge. The state will be tied to long term contracts with no market to embrace change. The energy industry has seen a massive transformation from coal to natural gas and renewables in the last 20 years. This would have been impossible if every project and power producer was locked into a long term, state-backed contract. The only choice would have been to pay twice and accept the significant costs businesses and private customers would be asked to bear.

New Jersey should work with other member states and interested stakeholders to develop cost-effective mechanisms to enhance and harness the power of competitive markets to achieve the public policy environmental goal of reducing carbon emissions. The environment, after all, is agnostic to whether carbon emission reductions are achieved via one technology or another or from what state they originate - the environment only cares that we are successful in attaining our emission reduction goals. Consumers, on the other hand, are not agnostic. Energy bills are not immaterial, and cost does matter. The financial burden that New Jersey consumers will face if the state abandons the capacity market, as outlined by the PJM Independent Market Monitor[5], are far too great when the existing market structure can simply be enhanced to achieve the same goals by leveraging scale and competition.

Thank you for consideration of CPV's Reply Comments as well as the Reply Comments of EPSA and P3. We look forward to continuing this important conversation and are available to help in any way possible.

Sincerely,

Tom Rumsey, SVP of External and Regulatory Affairs

[5] http://www.monitoringanalytics.com/reports/Reports/2020/IMM_Potential_Impacts_of_the_Creation_of_New_Jersey_FRRS_20200513.pdf