STATE OF NEW JERSEY
BEFORE THE
BOARD OF PUBLIC UTILITIES

In the Matter of the Board's Investigation of Capacity Procurement and Transmission Planning	))	Docket No. EO11050309

COMMENTS OF COMPETITIVE POWER VENTURES, INC.

June 17, 2011

Good morning. My name is Steve Remillard and I am a Vice President of Development with Competitive Power Ventures, Inc ("CPV") and I'd like to thank for Board for this opportunity to provide our views in this very important proceeding.

CPV is a leading North American electric power generation development and asset management company. CPV currently has 5,900 megawatts ("MWs") of conventional generation projects and over 4,400 MW of wind power projects in various stages of development. These figures include the Woodbridge Energy Center, which is CPV's 660 MW, natural gas-fired, combined cycle power plant that was one of the three projects awarded a Standard Offer Capacity Agreement under the BPU's recently concluded Long Term Capacity Agreement Pilot Program ("LCAPP"). In addition, CPV's asset management services group manages a portfolio of over 4,700 MW of natural gas and wind power resources.

Let me begin by stating that CPV supports the BPU's continuing efforts to ensure that New Jersey's power needs and policy goals are met in an effective and reliable manner. CPV also believes the Board has already taken a critical step in addressing these issues through the execution of long term contracts with approximately 2,000 MWs of new combined cycle resources via the LCAPP process. As I'll explain in more detail in a moment, the LCAPP filled a critical gap in today's markets by providing a stable, long term price signal to which new resources responded. The selected resources have the potential to deliver significant economic and environmental benefits to New Jersey ratepayers that otherwise would not have been possible.

While the BPU is seeking input on a variety of areas, CPV would like to focus its comments in today's hearing to one issue. As a development company, CPV is well positioned to speak to the impediments to new entry that have prevented meaningful amounts of new, base-load generation resources from being constructed within New Jersey in particular, and the PJM footprint in general.

Simply put the single largest obstacle to the investment in and construction of new, capital intensive, merchant generation projects is the inability of the current wholesale capacity market design to provide a stable long term revenue stream. In fact, it is RPM's failure to achieve its objective of encouraging development of new baseload resources that is of paramount importance here, and indeed that has led certain states to consider alternative means of reaching this objective.

As the Board is well aware, PJM's RPM capacity market was intended to send forward price signals to the marketplace by making capacity commitments three years into the future that would presumably attract needed investment. Unfortunately, while the RPM has proven adequate in securing least cost resources for reliability, it does not provide revenue predictability over a sufficiently long enough term to incent new generation resources which offer the features or characteristics that states may value.

I'd like to be clear here and emphasize that the issue here is not necessarily one of price. In fact, recent RPM clearing prices have approached levels potentially high enough to support new generation. The issue instead is the length of time that such prices can be "locked in." RPM only provides revenue certainty for a period of one year for most resources, though in limited circumstances a three-year commitment is possible via the New Entrant Pricing Adjustment provision. It's an irrelevant distinction, however, as neither tenor is sufficient to attract the debt or equity financing necessary to construct new generation resources with useful lives of 30 or more years.

This ought not to come as a surprise to anyone in the room. CPV and many others (including, notably, lenders and other financial institutions) have stated repeatedly that it is impossible to finance investments of hundreds of millions of dollars in large infrastructure projects on the basis of a three-year forward commitment. Collectively, this flaw has been highlighted in a variety of forums over the years, including legislative hearings in Maryland, proceedings before the BPU and the Public Service Commission of Maryland, PJM stakeholder and settlement meetings, and FERC dockets. Regrettably, the duration of commitment under RPM remains unadjusted.

In our view, it is perfectly logical that New Jersey and other states have turned towards establishing alternative policies and tools that can provide private-sector developers with economic and risk mitigation incentives that promote the construction of new power generation facilities. While there are a variety of methods available to help to incent the development of new generation, CPV believes that the use of long term contracts through open, transparent competitive solicitations represents an optimal approach by which a state can achieve its economic, reliability and environmental objectives. In fact, the extensive response by market participants in the Board's LCAPP process stands as evidence that there is significant appetite to invest in the development and construction of new generation resources.

While we believe a long-term contract with commitments of 15-20 years is the correct approach to fostering new development, it is clear that the issue of how to integrate these longer term contract into existing capacity markets has yet to be resolved to the satisfaction of all affected market participants, in particular the states, load interests and developers such as CPV. Any sustainable resolution to this fundamental disconnect will require a difficult and honest dialogue amongst states, PJM and its stakeholders, and FERC.

In this regard, CPV remains committed to participate in this effort and supports New Jersey's resolve to remove these barriers to entry while addressing its long term energy needs and policy objectives.

Thank you for your time and I would be happy to answer any questions from the Board.

Respectfully Submitted,

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