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May 20, 2020

VIA ELECTRONIC MAIL ONLY

Aida Camacho-Welch, Secretary
New Jersey Board of Public Utilities
44 South Clinton Avenue, 9th Floor
Trenton, New Jersey 08625
Board.secretary@bpu.nj.gov

RE: Investigation of Resource Adequacy Alternatives
Docket No. EO20030203
JCP&L Comments on March 27, 2020 Notice

Dear Secretary Camacho-Welch:

On behalf of Jersey Central Power & Light Company (“JCP&L” or the “Company”), please accept this letter as JCP&L’s Comments in response to the March 27, 2020 Notice (“Notice”) issued by the Staff of the New Jersey Board of Public Utilities (“Board” or “BPU”) in the above-referenced matter. JCP&L appreciates the measured approach that New Jersey is now taking to consider alternatives for the State’s energy future and thanks the Board for the opportunity to provide these comments. While JCP&L understands the Board’s desire to take action in light of recent events at the Federal Energy Regulatory Commission (“FERC”) and the findings of the Energy Master Plan (“EMP”), the Company encourages the Board to continue this effort in a structured and methodical fashion to ensure that the chosen course of action does not give rise to unforeseen risks and additional costs for utility customers.

As a practical matter, JCP&L believes that it is possible for the New Jersey electric distribution companies (“EDCs”), Load Serving Entities (“LSEs”), and other interested parties in the State to work together with the Board to develop a Fixed Resource Requirement (“FRR”) Alternative approach that properly aligns all parties’ interests and assists New Jersey with achieving its clean energy goals. As described below, JCP&L encourages the Board to carefully consider the potential impacts and attempt to mitigate the risks that this fundamental change may impose on the EDCs and New Jersey’s customers.

Mitigating Risk to Customers

For the past twenty years, after the passage of the Electric Discount and Energy Competition Act (“EDECA”), the EDCs have procured basic generation service (“BGS”) for their standard service customers through an annual auction process. The winning bidders in the BGS auction are required to provide for a full-service product to the EDCs’ non-shopping customers, including, but not limited to, meeting the necessary obligations for the provision of capacity,

transmission, and generation or renewable energy credits that comply with the State's renewable product standard ("RPS"). This competitive approach has ensured reasonable prices for customers while promoting New Jersey's clean energy goals. This outcome is particularly noteworthy as PJM's markets have been—and absent holistic market reform—are likely to continue to be in an uncertain and unsettled state.

Any generation resource alternative chosen by New Jersey must continue to mitigate risks to customers by utilizing a competitive, market-based procurement approach. Indeed, the requirement to procure generation at market-based prices is enshrined in New Jersey law. *See N.J.S.A. 48:3-57(d)*. In the Notice, Board Staff asks for feedback on the prospect of removing New Jersey from PJM's Reliability Pricing Model auctions and using an FRR Alternative approach to meet the State's generation capacity needs. JCP&L believes that such an approach can be implemented in a competitive manner through the use of a BGS-style auction process for power purchase agreements ("PPAs") for capacity resources.

Prior to making any changes, JCP&L also encourages the Board to consider the collateral impacts that will occur as a result of New Jersey's withdrawal from the PJM capacity market. For example, Board Staff's straw proposal for energy efficiency ("EE") programs in New Jersey contemplates that the utilities will be required to offer projected EE savings into available markets. As such, any utilization of an FRR approach must account for EE savings if the utilities' customers are going to receive the "EE as a Resource" benefit contemplated by the straw proposal.

JCP&L is encouraged by the Board's structured approach to receiving feedback on potential options to meet New Jersey's resource requirements going forward. As discussed above, JCP&L believes that the continuation of a competitive approach is necessary to mitigate risks to customers and ensure reasonable prices. The Company looks forward to continuing discussions about these potential customer impacts during a thorough process that is focused on meeting both customers' needs and New Jersey's clean energy goals.

Mitigating Risk to Utilities

The EDCs procure the generation services necessary for their BGS customers through a competitive auction and provide those services at cost. Consistent with EDECA, the EDCs receive full and timely recovery of these costs "based on the reasonable and prudent cost to the [EDC] of providing [BGS] service, including the cost of power purchased consistent with market conditions, by the [EDC] in the competitive wholesale marketplace and related ancillary and administrative costs, as determined by the board or shall be based on the result of a competitive bid." *N.J.S.A. 48:3-57(d)*. This long-standing Board-approved approach to providing generation services to the EDCs' non-shopping customers ensures compliance with EDECA's mandate that "[p]ower procured for basic generation service . . . be purchased at prices consistent with market conditions." *Id.*

Under an FRR Alternative approach, it may be necessary for the EDCs to enter into capacity-supply PPAs with generation resources in order to meet their PJM capacity obligations. Under these circumstances, the EDCs, as the LSE, may be responsible for non-performance penalties in the event of an unscheduled outage at a capacity resource. As the EDCs have no

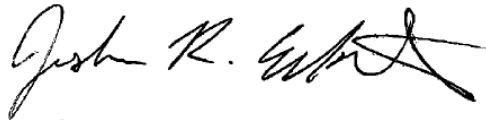
control over such events and, as indicated above, do not profit from the offering of BGS, the Board needs to make clear that the EDCs will receive timely recovery of any such penalties and/or costs, to the extent that such penalties and/or costs are not recovered directly from capacity resources.

In short, the EDCs' provision of BGS is for the benefit of its default service customers and is not intended as a money-making (or losing) endeavor. Whatever path forward is chosen by New Jersey, the Board needs to provide clarity and assurance that the EDCs will be held harmless and that protections will be put in place to mitigate the risks faced by both the EDCs and their customers.

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JCP&L again thanks the Board for the opportunity to provide comments on this important issue. As set forth above, there are numerous unintended consequences that may flow from making a fundamental change to New Jersey's procurement of generation resources and it is vital that careful deliberation and planning occur before making any change. JCP&L looks forward to working with the Board through this process to ensure that New Jersey can meet its clean energy goals while minimizing the risks and costs to the State's customers.

Very truly yours,

A handwritten signature in black ink, appearing to read "Joshua 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