

STATE OF NEW JERSEY
BOARD OF PUBLIC UTILITIES

I/M/O the Board's Investigation of Resource Adequacy Alternatives)))))	Docket No. EO20030203
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REPLY COMMENTS OF CALPINE RETAIL HOLDINGS, LLC

Calpine Retail Holdings, LLC (“Calpine Retail”) hereby submits its reply comments regarding the possibility of utilizing the Fixed Resource Requirement (“FRR”) alternative established under the tariff of PJM Interconnection, LLC (“PJM”) to satisfy New Jersey’s needs for adequate electricity resources. These reply comments focus of the comments of PSEG/Exelon (collectively, “PSEG”), which invite the Board to embark on a new course for New Jersey that is contrary to both existing law and long-established policy favoring competition and retail choice as the preferred approach to ensure efficient and innovative products that meet the needs of New Jersey customers.

In its initial comments, Calpine Retail argued that the FRR alternative cannot co-exist with a vigorous competitive retail market.¹ Shifting a Third Party Supplier’s (“TPS”) individual and unique demand-based wholesale risk into rates of all distribution customers of the utilities based on their average demand removes innovative products and services from the market that are based on their own customers’ needs and requirements. Calpine Retail appreciates that PSEG has been forthright enough to acknowledge that Calpine Retail was correct.

¹ *In the Matter of the BPU Investigation of Resource Adequacy Alternatives Rate Counsel’s Response to Staff Request for Written Comments, BPU Docket No.: EO20030203, Calpine Retail Holdings LLC Comments, May 20, 2020 (“Calpine Retail Comments”), page 1.*

New Jersey has long been a national leader in advancing a transition to clean energy, In addition, it has also been a leader in supporting retail competitive outcomes and customer choice in a similar time period. Clean energy goals and retail electric markets are not mutually exclusive. In fact, New Jersey should continue to rely on the retail competitive markets to further its transition to a fully renewable retail electric market.

Removing competition and subsidizing distribution monopolists for the provision of renewable electricity is neither efficient nor cost effective. New Jersey can certainly reach its goals and transition to 100% renewables in a much less costly manner and in a way that does not re-entrench monopolists. New Jersey should maintain customer choice and competitive discipline to reach its goals as efficiently as possible. Making use of the competitive retail electric market that New Jersey carefully built over more than 20 years after the passage of the Electric Discount and Energy Competition Act (“EDECA”) can help to accelerate the displacement of higher emitting resources in favor of renewables. Utilizing the target RPS requirements of the Third Party Suppliers and allowing those suppliers to meet those needs by going to the market is the better solution. Certainly having a market where renewable suppliers must compete will drive cost efficiency, transparency and avoid potential new stranded costs while leaving the risk to the market and not on the ratepayers provides a better outcome for New Jersey. Allowing the existing retail electric market to continue to provide for these requirements will keep the focus on the consumer’s choice and needs rather than certain monopolist’s shareholder revenues. While competitive renewable sources are being built, renewable energy credits (“RECs) that are verifiably sourced from clean power can be used to support the green power development market.

PSEG errs in its over simplified summation that other “load serving entities continue to obtain capacity through a PJM auction mechanism that is indifferent to a resource’s

environmental profile.”² A retail market exists in NJ and those retail market participants meet their customers’ needs. Customers in all three rate classes want renewable energy and many corporations as well as municipalities, with the help of TPSs/LSEs, have incorporated renewable and sustainability requirements into their strategic planning to meet those policy goals. In order to meet these internal renewable requirements while minimizing costs, these customers rely on the existing competitive retail market to provide the products and services tailored to their specific needs. Third Party Suppliers like Calpine Retail help customers meet their renewable energy needs by engaging in competitive market transactions such as contracting with renewable assets (either directly or indirectly on behalf of our customers) or purchasing RECs. Unlike a forced “one-size-fits-all” system, New Jersey can meet its renewable policy goals by developing renewable programs that are flexible, cost effective and market-based. Establishing regulatory policy that works with market forces will create efficient competitive responses that lead to innovation.

As PSEG acknowledges, the FRR option puts the utility in charge of buying capacity for everyone, with everyone paying the same price.³ This system of Take and Pay or Don’t Take but Still Pay allows the distribution monopolist, regardless of potential conflicts of interest and self-dealing, to obtain a set amount of capacity from which its parent holding company would benefit, regardless of the customer’s choices or needs. Such a system would be unjust and unreasonable. It also completely ignores existing contracts in the retail market. Plain and simple, this is rebundling of non-monopoly service. It reduces transparency and would commit New Jersey to a monopoly path for at least five years, and presumably indefinitely beyond that

² *In the Matter of the BPU Investigation of Resource Adequacy Alternatives Rate Counsel’s Response to Staff Request for Written Comments, BPU Docket No.: EO20030203*, Joint Comments of PSEG and Exelon Generation Company LLC, May 20, 2020 (“PSEG/Exelon Comments”), page 2.

³ PSEG/Exelon Comments, page 10.

as competitors would be forced out of the market. This is the poster child for inefficiency, waste and cost.

PSEG argues that customers will pay no more for capacity than they have paid in the PJM Market.⁴ This argument ignores the amount of capacity that is needed to serve non-utility customer needs. As PSEG elsewhere acknowledges, the market is oversupplied with capacity.⁵ Such a situation is perfect for competition. Those suppliers that procure capacity more efficiently will be able to compete more effectively, and others will risk failure, to the detriment of their shareholders. FRR removes this dynamic and treats both the smart and the not-so-smart exactly the same. It is a form of corporate welfare, where shareholders of inefficient providers are protected from the costs of their management's own business decision, choices and failures.

Contrary to PSEG's supposition that one size fits all, because marketers only compete for energy and not capacity,⁶ Calpine Retail is in the capacity market all the time. Calpine Retail, as well as any other TPS, has its own respective load obligations, and these obligations do not look exactly alike. In contrast, FRR would force unneeded capacity and its associated costs onto all retail customers in the state, regardless of their existing arrangements and regardless of whether they want or need it. PSEG glosses over the multiple demand components within PJM that recognize the fact that not every LSE's load looks like a utility's load. This is not compatible with the current retail market structure and interferes with the contractual relationships between TPSs (which are also LSEs) and their customers.

Finally, Calpine Retail and PSEG do agree that integration of FRR in New Jersey requires changes to EDECA.⁷ PSEG's solution is to amend the law and roll back the clock to a

⁴ PSEG/Exelon Comments, page 4.

⁵ PSEG/Exelon Comments, page 13.

⁶ PSEG/Exelon Comments, page 13.


⁷ PSEG/Exelon Comments, pages 15-16.

time of monopoly control. Calpine Retail argues that the Legislature was right in 1999 that competition is the way to go, and that the Board should continue to work within the requirements of EDECA.

Conclusion

As New Jersey’s regulatory landscape continues to evolve, Calpine Retail urges the Board to move carefully and avoid hasty shifts in policy that could have lasting impacts. Calpine Retail submits that there is far too much uncertainty regarding FRR to justify such a radical about-face after 20 years of effective competition and retreat to a monopoly control system that led to some of the highest electric costs in the nation.

Calpine Retail appreciates the opportunity to express its comments, and looks forward to participating in the remainder of this proceeding.

	Respectfully submitted, 
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