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June 24, 2020

**VIA ELECTRONIC MAIL ONLY**

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

**RE: Investigation of Resource Adequacy Alternatives  
Docket No. EO20030203  
JCP&L Reply Comments**

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 Reply Comments in response to the Initial Comments filed by various parties in the above-referenced proceeding. JCP&L appreciates the opportunity to provide these Reply Comments. While the Company offers comments in response to only two specific issues at this time, JCP&L observes that the complex and conflicting nature of the Initial Comments received from various parties perfectly underscores the continued need for the New Jersey Board of Public Utilities (“Board” or “BPU”) to continue this effort in a structured and methodical fashion in order to ensure that the chosen course of action does not give rise to unforeseen risks and additional costs for utility customers.

- I. To enable the continuation of State renewable and clean energy programs, any Fixed Resource Requirement (“FRR”) Alternative implemented in New Jersey should require each electric distribution company (“EDC”) to procure capacity outside of PJM’s Reliability Pricing Model (“RPM”) auction from only those renewable and clean energy generation facilities that are receiving subsidies.**

In its Initial Comments, JCP&L expressed its belief 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 parties’ interests and assists New Jersey with achieving its clean energy goals.” JCP&L continues to hold this belief and supports New Jersey’s efforts toward obtaining its clean energy goals by considering available options for managing the State’s resource mix.

As JCP&L has argued at the Federal Energy Regulatory Commission (“FERC”) for some time, the Company believes there is a need for holistic reform of the markets operated by PJM.<sup>1</sup> Still, JCP&L cautions against hasty departure from competitive markets and the proven Basic Generation Service (“BGS”) process without a market-based, economic alternative. To that point, JCP&L believes it is unnecessary to establish an FRR Alternative methodology that withdraws the EDCs’ entire load from the PJM RPM capacity market. Rather, close reading of the PJM Reliability Assurance Agreement (“RAA”) allows for and contemplates the option to withdraw only a portion of a load zone and define it as an FRR Service Area.<sup>2</sup> The RAA further contemplates that state rate mechanisms will govern such an approach.<sup>3</sup> As such, nothing would prohibit an approach (assuming the use of appropriate aggregated metering) where each EDC purchases capacity, at market prices, directly from renewable and clean energy resources that receive subsidies under State programs. In turn, each EDC can designate and aggregate an equivalent amount of its BGS load to be served by its allocated share of this capacity. BGS rates for each EDC would be a blended rate inclusive of all capacity costs for BGS service. This approach permits the State to “right-size” its approach to supporting clean and renewable energy facilities and divides the administrative burden and costs resulting from an FRR Alternative Approach equitably amongst the EDCs and their customers. Moreover, this approach should be implemented by all EDCs around the same time to ensure that qualified suppliers (*i.e.* those resources that meet PJM’s requirements for a capacity resource and New Jersey’s policy goals) are able to compete head-to-head on price alone.

In their joint initial comments, Public Service Enterprise Group (“PSEG”) and Exelon Generation Company, LLC (“Exelon”) suggest a phased-in approach to an FRR Alternative that has a single EDC “pilot” an FRR Alternative by taking responsibility for procuring capacity from all clean and renewable generation in the State.<sup>4</sup> As set forth above, JCP&L believes it is unnecessary to withdraw the EDCs’ (or even a single EDC’s) entire load from the PJM RPM capacity market to support New Jersey’s goal of further supporting its clean and renewable generation resources and, therefore, unnecessary to require a single entity (and its customers) to absorb the costs and burdens associated with such an approach. Further, as referenced above, such a phased-in approach creates the potential for market inefficiencies. If, ultimately, however, the Board decides that “piloting” or “phasing in” this approach may be beneficial, then JCP&L suggests that the Board initiate and conduct a comprehensive statewide analysis and collaborative

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<sup>1</sup> See, e.g., *Calpine Corp. et al. v. P.J.M. Interconnection, LLC*, Comments of the FirstEnergy Utility Companies, FERC Docket Nos. EL16-49-000, ER18-1314-000, ER-1314-001, EL18-178-000 (Oct. 2, 2018).

<sup>2</sup> Page 10 of the PJM RAA defines an FRR Service Area as, “a separately identifiable geographic area that is: (i) bounded by wholesale metering, or similar appropriate multi-site aggregate metering . . . that is visible to, and regularly reported to an Electric Distributor and such Electric Distributor agrees to aggregate the load data from such meters for such FRR Service Area and regularly report such aggregated information, by FRR Service Area, to the Office of Interconnection . . .”

<sup>3</sup> See PJM RAA, Section 8.1 (D)(8) (“In a state regulatory jurisdiction that has implemented retail choice, the FRR Entity must include in its FRR Capacity Plan all load, including expected load growth, in the FRR Service Area, notwithstanding the loss of any such load to or among alternative retail LSEs. In the case of load reflected in the FRR Capacity Plan that switches to an alternative retail LSE, where the state regulatory jurisdiction requires switching customers or the LSE to compensate the FRR Entity for its FRR capacity obligations, such state compensation mechanism will prevail.”)

<sup>4</sup> JCP&L understands that PSEG/Exelon intend to make certain representations regarding the Company in their Reply Comments. JCP&L reserves the right to supplement its own Reply Comments to address any such representations.

process to determine the potential benefits and risks associated with a “phase-in” approach and the appropriate FRR Alternative methodology to implement under such a circumstance. Such a comprehensive statewide analysis and collaborative process could contribute to the issuance of a fully-informed recommendation on whether to implement a phased-in approach.

Finally, should New Jersey believe it necessary to pursue a course where all of the State’s capacity is procured outside of the PJM RPM auction (presumably through the use of long-term capacity contracts with these resources), then the Company believes the Board should consider broader reforms to BGS to increase the options available to the State to reach its clean energy goals. To that end, JCP&L reminds the Board of the excessive costs borne by customers as a result of long-term PURPA contracts. As such, under this approach, JCP&L believes the State should consider amending the Electric Discount and Energy Competition Act (“EDECA”) to permit the State’s EDCs to again construct, own, and operate all forms of clean electric generation under a regulated model, opening up another potentially viable economic alternative to meet New Jersey’s clean energy goals.

**II. Calls for the redesign of New Jersey’s default service offering are unwarranted and ignore the widely recognized success of the BGS product provided by the EDCs.**

In their Initial Comments, several commenters expressed a desire to have the Board reconsider the EDCs’ role in the offering of default service to their customers.<sup>5</sup> While proposals of this sort come in many forms, the basic concept is to migrate from a wholesale model, where the EDCs purchase generation service on behalf of retail customers by dividing the BGS load among wholesale suppliers, to a retail model, where the utility divides its (individual) customers among third-party suppliers (“TPS”). Commenters arguing for this change assert that it would result in increased competition and allow for the provision of unbundled products to default service customers.

JCP&L disagrees with the arguments and assertions made by these commenters and believes there are several reasons why removing the EDCs from the default service provider role will result in suboptimal results for (and may even harm) customers. First, the removal of the EDCs as the default service provider would most likely result in customers losing the ability to, if they choose, have all of their power supply needs met by their EDC. Eliminating this choice for customers would be counter to New Jersey’s market achieving competitive and efficient outcomes, the spirit of “choice” contemplated by the Electric Discount and Energy Competition Act (“EDECA”), and ultimately the public interest. Second, the infusion of multiple third-party providers into the default service process would inject confusion and informational complexity for customers. Such confusion could even lead to customers believing they are shopping for service when that is not actually the case. Third, the use of third-party providers for the default service role could increase the risk of default during periods where a less financially stable provider is responsible for the service. At a minimum, such periods could result in increased costs for customers. Finally, and most importantly, these commenters completely ignore the stability provided to the EDCs’ customers as a result of BGS and the widespread support for the BGS

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<sup>5</sup> See, e.g., Initial Comments of Advanced Energy Management Alliance, p. 13-14.

product in New Jersey. Indeed, throughout the Initial Comments in this proceeding, various stakeholders voiced their strong support for the BGS auction process and the BGS product offered by the EDCs.<sup>6</sup>

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JCP&L again thanks the Board for the opportunity to provide Reply Comments on these important issues. As set forth in the Company's Initial Comments, JCP&L continues to encourage the Board to move forward on these issues in a structured and methodical fashion to ensure that New Jersey's customers are not harmed by the unintended consequences resulting from making fundamental changes to the State's energy market. 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

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<sup>6</sup> See, e.g., Initial Comments of the Division of Rate Counsel, p. 2 (“The BGS auction was created to ensure a stable and affordable supply of energy for residential and small commercial customers who do not wish to or cannot shop for their electricity from Third Party Suppliers. It has been as success.”); see also Initial Comments of Independent Energy Producers of New Jersey, p. 2 (“Each approach has potential limitations that must be carefully evaluated to determine how effectively they: . . . maintain the state’s commitment to competitive markets and to the positive Basic Generation Service (BGS) design that has served New Jersey well for almost two decades.”).