



INDEPENDENT ENERGY PRODUCERS OF NEW JERSEY

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**COMMENTS ON BEHALF OF  
THE INDEPENDENT ENERGY PRODUCERS OF NEW JERSEY  
ON THE DRAFT 2019 ENERGY MASTER PLAN (EMP)**

My name is Nic Freschi, Associate of Gabel Associates. I am here today to testify on behalf of the Independent Energy Producers of New Jersey – referred to as IEPNJ. We appreciate the opportunity to present our views.

IEPNJ is a not-for-profit trade association that represents New Jersey’s generators of wholesale electric power. Members include companies that sell electricity into the wholesale market for sale to the state’s utilities and PJM, which, in turn, sell that power to New Jersey homes and businesses.

As such, members of IEPNJ are active participants in the region’s wholesale power market and have a continuing interest in assuring that there are adequate supplies of electricity to fuel the region’s growth in an environmentally and economically sound manner.

IEPNJ and its members have been on the forefront of the dramatic changes that continue to transform the power business. Since 1992, IEPNJ has been directly involved in shaping the laws and policies that affect New Jersey’s power industry at the legislature,

DEP, and BPU and has also been an active contributor to the State's Energy Master Planning process over the years.

We support New Jersey's direction to create a cleaner, more environmentally advanced energy industry throughout the consumption, transportation, and production chain. The power generation industry is a vital component of this chain and serve as a "bridge" to the future, and generators are committed to continuous improvements in the efficiency, reliability, and environmental performance of its plants. In this regard, the one factor we wish to emphasize is that the most efficient way for New Jersey to achieve its goals is to rely on competitive markets and let them work. Competition forces market participants to respond to competitive pressure by improving efficiency which in turn reduces costs and improves environmental quality. New Jersey's generation fleet has evolved and improved significantly over the years through this process. New Jersey's power generators are currently one of the cleanest fleets in the United States.

We recommend that you continue your work in fostering the competitive energy marketplace. The Energy Master Plan should clearly indicate that it will continue to rely on a competitive market design to achieve New Jersey's goals. It should also recognize the importance of maintaining a diverse and balanced generation fleet, including renewable and non-renewable sources, to ensure grid reliability. While we appreciate the trajectory toward renewable resources, the State must be mindful and realistic regarding the important role that traditional generation plays in keeping the lights on and costs

reasonable. This role must be factored into New Jersey's generation portfolio plan to ensure continued reliability and grid security.

In addition, IEPNJ supports New Jersey's overarching goal to reduce greenhouse gas emissions through its imminent participation in the Regional Greenhouse Gas Initiative (RGGI). However, it is critical that New Jersey implement an effective leakage mitigation strategy before the State's participation in RGGI commences in January 2020. Leakage, which results in a shifting of emissions, arises when lower-emitting generators in the State become less competitive than high-emitting generators in neighboring states due to RGGI costs. Because generators in New Jersey compete for the opportunity to participate in PJM's regional power market, generator offer prices and PJM's dispatch protocol will be highly sensitive to the addition of RGGI allowance prices imposed unequally across states. If leakage is not mitigated, New Jersey's emissions will go down, while emissions will **increase** throughout the region -- more than offsetting New Jersey's RGGI-related emission cuts. This result is counterproductive to the draft EMP, the Global Warming Response Act, and New Jersey's overarching policy goals to reduce greenhouse gas emissions and to fight climate change. It is not a win for New Jersey, the environment, or the fight against climate change if joining RGGI results in a net increase in greenhouse gas emissions.

While we recognize that the BPU has taken some recent actions to evaluate leakage, PJM has also recently initiated a stakeholder process to investigate carbon pricing. IEPNJ appreciates the BPU's state-level efforts, but believes that accounting for

the cost of carbon emissions from all resources across the PJM footprint presents a comprehensive solution to leakage. Therefore, in addition to its current efforts, we highly encourage the State to take an active advocacy role in PJM's process. We view this as a strong opportunity for New Jersey to take a leadership role in increasing the green economy on a larger and more impactful level.

In closing, we strongly urge the State to evaluate and implement a strong and effective leakage mitigation plan before New Jersey joins RGGI in January 2020. If leakage is left unresolved, it will drastically set New Jersey back in its fight against climate change.

IEPNJ looks forward to continuing to work with New Jersey to promote policies that encourage the development of diverse generation resources needed to meet New Jersey's demand for power. In addition, we are always available to serve as a resource of information as you think through important issues.

Thank you for the opportunity to submit these comments.