

UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

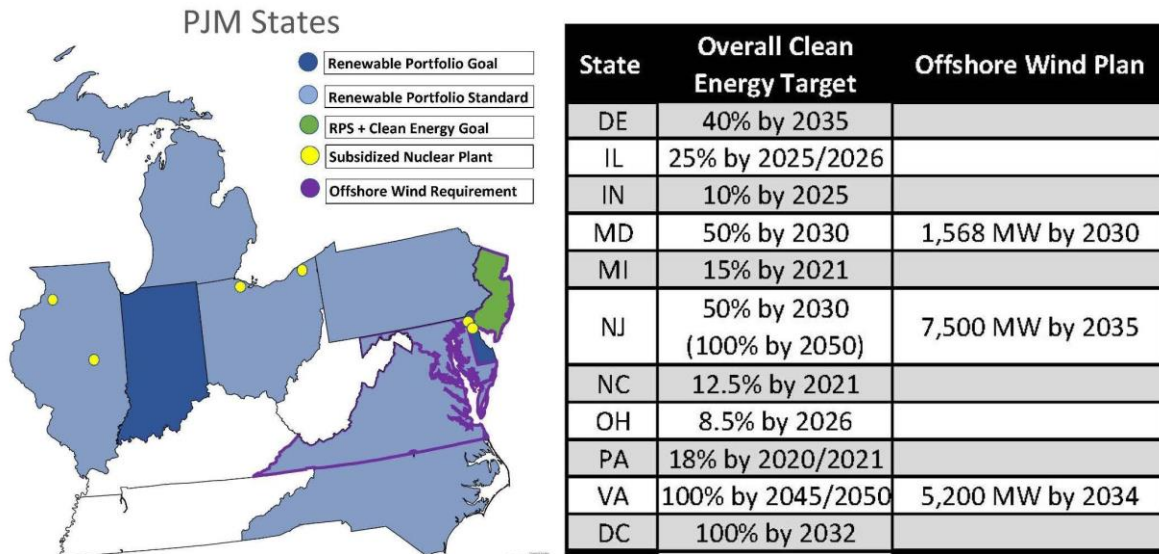
Modernizing Electricity Market Design

Docket No. AD21-10-000

POST-TECHNICAL CONFERENCE COMMENTS

Pursuant to the Federal Energy Regulatory Commission’s (Commission, or FERC) April 5, 2021 notice in the above-captioned matter, state legislators submit the following comments in response to questions raised by the Commission in its April 5 notice.

Resource adequacy, and reliability more generally, are extremely important issues for both state and federal governments, especially as climate disruption is already resulting in extreme weather events that challenge our existing systems. A rapid transition to a clean energy grid that is resilient, reliable, and affordable will require partnership across all participants in the electric sector. As state legislators, we are committed to doing our part in tackling this complex challenge. As the graphic below demonstrates, considerable progress has been made across PJM member states to enact state policies necessary to drive a just transition to clean energy generation. Much more remains to be done, and many of these states are considering expanded clean energy policies and requirements each legislative session.



In recent years, developments in the PJM market have presented considerable obstacles to achieving these state clean energy goals and constituent responsibilities. Primary among our concerns is application of the minimum offer price rule (MOPR) to state-supported clean energy resources in PJM’s capacity market.

Response to Questions 3 and 22

Reconciling PJM capacity market rules and state generation policies is urgently needed. The expanded MOPR will prevent thousands of megawatts of offshore wind planned for Maryland, Virginia, and New Jersey from clearing in the fast-approaching capacity auctions, which will cover energy delivery years 2022-23 through 2025-26. It is also quite possible, if not likely, that other clean energy generation from existing nuclear plants or new solar, onshore wind, storage, distributed energy resources, or energy efficient resources, will also fail to clear. This market effect of MOPR can both threaten the economic viability of clean energy development and also unnecessarily raise the capacity charge paid by every electricity ratepayer across PJM. These excess charges will grow significantly over time, as increasing percentages of new clean energy generation fail to clear the capacity market and require most PJM consumers to “pay twice for capacity” – once for the clean energy they are demanding and once again to build redundant fossil fuel resources that they do not want or need.

It is imperative that steps be taken to eliminate the MOPR before it prevents state policy resources from clearing in the upcoming capacity auctions. Whether phased or immediate, the chosen solution must be sustainable over the long-term. Given our experience with capacity market changes at PJM, we believe that the only sustainable solution is one that exempts state policy resources from the MOPR.

Response to Question 4

In addition to the excess costs of the MOPR, for several years PJM’s capacity market has grossly exceeded PJM’s required reserve margins. This excess reserve requirement has been filled primarily with fossil fuel plants and imposes unnecessary costs on consumers without assurances that these resources (and their fuel supplies) will be able to reliably operate under increasingly challenging weather conditions.

Response to Question 5

Many of our states have been involved in FERC’s proceedings on PJM’s decision to seek application of the MOPR to state policy-supported resources, noting extensively the adverse effects of the MOPR on our states’ consumers and our states’ ability to exercise jurisdiction over generating resources within our own borders.

As currently structured, the combination of MOPR, persistent over-procurement, and barriers to transmission will thwart state environmental and energy policies and exacerbate harms to consumers, especially including those already overburdened by the negative impacts of fossil fuel emissions. These critical problems also threaten PJM’s ability to provide a clean, resilient, reliable, and affordable grid in the future. Fundamental reform is needed to ensure that PJM’s markets continue to provide benefits for customers and help achieve state clean energy objectives.

Response to Question 15

A number of our states have expressed interest in having utilities elect the Fixed Resource Requirement (FRR) option and believe it offers considerable benefits to states, not only as a source of potential relief from the MOPR for state policy resources, but as a structure through which states could establish innovative and competitive clean energy procurement mechanisms, such as a forward clean energy market or integrated clean capacity market. Such mechanisms

offer the potential to address the negative externalities of fossil fuel production that are not being addressed by the PJM capacity market while potentially leveraging market solutions to achieving state clean energy policy goals. The Illinois state legislature is currently considering SB1718/HB0804, which contains provisions allowing for the implementation of an FRR option. In the 2020 legislative session, the New Jersey Senate passed S2804, which would require the Board of Public Utilities to study whether the state should pursue an FRR option. Discussions in other legislatures are ongoing.

In order to encourage this kind of innovation, the FRR option should be reformed to maximize flexibility - including the ability of opting utilities to procure less than 100% of load via an FRR and permit one-year FRR election periods in lieu of having to meet an initial 5-year election. This kind of flexibility will better enable states and local utilities to assist in the transition to a clean, resilient grid.

We will continue to follow FERC's process with interest and engage with our perspectives.

Thank you for your attention and consideration of our input.

Sincerely,

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Maryland

Delegate Dereck Davis
Maryland

Delegate David Fraser-Hidalgo
Maryland

Delegate Eric Ebersole
Maryland

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