



May 20, 2020

Via E-Mail Only

Aida Camacho-Welch, Secretary
Board of Public Utilities
State of New Jersey
44 South Clinton Avenue
Trenton, New Jersey 08625-0350

RE: Docket No. EO20030203 – In the Matter of BPU Investigation of Resource Adequacy Alternatives

Dear Secretary Camacho-Welch:

NextEra Energy Resources, LLC (“NEER”)¹ is pleased to submit these comments pursuant to the Supplemental Notice for Written Comments issued by the New Jersey Board of Public Utilities’ (“NJBPU” or “the Board”) in the above-referenced proceeding.

NEER commends the NJBPU’s thoughtful approach to considering potential responses to the Federal Energy Regulatory Commission’s (“FERC”) recent decision to mitigate capacity offers for certain resources through a Minimum Offer Price Rule (“MOPR”) (FERC Dockets EL16-49-000, EL18-178-000).² In developing its response to the FERC MOPR Order, the Board should carefully examine the actual impacts of the resulting MOPR Order. Specifically, the Board’s response to the FERC MOPR Order should avoid adversely impacting the state’s successful BGS programs.

¹ NEER, through its affiliates, is the world's largest generator of renewable energy from the wind and sun and a world leader in the development of battery storage. NEER’s strategic focus is centered on the development, construction, and operation of long-term contracted assets throughout the U.S. and Canada, including renewable generation facilities, natural gas pipelines, and battery storage projects. With approximately 21,900 MW of total net generating capacity as of December 31, 2019, NEER is one of the largest wholesale generators of electric power in the U.S., with approximately 21,240 MW of net generating capacity across 37 states, and 520 MW of net generating capacity in 4 Canadian provinces. In New Jersey, NEER, through its affiliates, is a developer, owner, and operator of renewable energy resources, as well as a long-standing participant in the state’s Basic Generation Service (“BGS”) program. As a result, NEER has a direct interest in promoting New Jersey’s clean energy economy and fostering the development of renewable resources that help the State achieve its progressive clean energy goals.

² *Calpine et al. v. PJM Interconnection*, 169 FERC ¶ 61,239 (December 19, 2019), *pending rehearing by Order dated February 18, 2020*. The Board has held that the MOPR Order “establishes a dramatically expanded MOPR with the intent of limiting the transition to a clean energy future. Docket No. EO20030203 – In the Matter of BPU Investigation of Resource Adequacy Alternatives, “Order Initiating Proceeding” (March 27, 2020) at 1.

The Board Should Retain New Jersey's Successful BGS Structure

New Jersey's successful BGS auction program provides cost-effective energy that the state's electric consumers have consistently enjoyed for nearly twenty years. The BGS program has maintained stable prices for New Jersey consumers through fluctuating energy market cycles, evolving capacity market procurement mechanisms, and the transition to New Jersey's clean energy future. The size and composition of the BGS auction drives participants in the BGS auction process to appropriately manage risks and minimize costs. Thus, any response to the FERC MOPR Order, including changes to the manner that New Jersey procures capacity for electric consumers, should preserve the existing BGS process.

Currently, the BGS auction is the mechanism utilized to provide default service to electric customers that have chosen not to select a third-party supplier. With respect to residential and small commercial customers, the BGS-RSCP program procures fixed-price electricity annually for one-third of the anticipated load for three-year terms on a rolling basis. The BGS-RSCP rates paid by residential and small commercial customers are then determined by the weighted average of the clearing price of each procurement. Accordingly, the BGS-RSCP program provides a neutral flattening of prices.

The BGS-CIEP auctions serve full requirements large commercial and industrial customers. These auctions provide commercial and industrial customers wholesale electric spot prices and capacity for a one-year term.

The BGS auctions typically have many bidders seeking to provide energy, capacity, and ancillary services with RPS products bundled into BGS service. Each supplier must risk-manage their three-year offers, thereby insulating default service residential and small commercial customers from market volatility. This process protects these customers from potential price spikes.

New Jersey's clean energy policies are embedded in, and promoted by, the BGS auction process. Under New Jersey law, at least 50 percent of energy consumption must be met from renewable sources by 2030. Thus, renewable resources constitute an ever-increasing portion of the participants in the BGS auction process. In addition, BGS suppliers must comply with New Jersey's RPS requirements by securing RECs necessary to comply with statutorily mandated portion of load served. BGS suppliers participating in the BGS auctions must include these renewable obligations within their full requirement contract offers. As such, in addition to providing customer protection from price spikes, the BGS process is a significant tool utilized to assist New Jersey in achieving its clean energy goals while providing important cost protection for customers.

Thus, as the Board evaluates and contemplates its response to the MOPR Order, NEER respectfully requests that the key elements of the BGS process should be retained, including:

- A procurement of requirements service in a bundled product;
- Retention of no product carve-outs (*i.e.*, all suppliers compete over the full range of default power supply). In particular, customers benefit from the acquisition of energy, ancillary services and RECs, which requires suppliers to have discipline in their management of price and volume risk;
- Continue multi-year contract terms which provide rate stability to customers; and,
- Continue RPS requirements in BGS auction products. These requirements drive revenues to renewable resources while also providing downward pressure on REC prices.

Lastly, in the event the Board determines that an alternative resource adequacy process is the required outcome of this proceeding, NEER recommends that the Board implement a realistic transition period to permit meaningful participation in the PJM capacity market, as well as the BGS process.

Conclusion

The BGS Auction process has resulted in stable electric prices while also supporting New Jersey's clean energy goals through the RPS structure. As set forth above, in order to continue to produce benefits for New Jersey consumers in a manner consistent with the State's clean energy goals, the Board's response to the FERC MOPR Order should avoid adversely impacting the state's successful BGS programs.

Respectfully,



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cc: Abe Silverman, General Counsel