

APR 08 2019

BOARD OF PUBLIC UTILITIES
TRENTON, NJBEFORE THE STATE OF NEW JERSEY
Board of Public Utilities

Fwd 4/8/19

IN THE MATTER OF THE PETITION OF PUBLIC : DOCKET NOS. G018101112 & E018101113
SERVICE ELECTRIC & GAS COMPANY FOR
APPROVAL OF ITS CLEAN ENERGY FUTURE -
ENERGY EFFICIENCY ("CEF-EE") PROGRAM ON
A REGULATED BASIS

Comments of EMC Development Company, Inc dba EMC – Electric Market Connection

March 18, 2019 - EMC applauds PSE&G's effort to incent energy efficiency projects and make New Jersey a national leader in energy efficiency. While we support the current filing, we oppose one specific aspect of the proposed program – the participation in the PJM capacity market.

To provide context, EMC's business is uniquely focused as an energy efficiency capacity provider in the PJM capacity market. EMC is a member of the PJM Interconnection and as such we have qualified over 25,000 energy efficiency ("EE") projects totaling over 500 MW as EE resources in the PJM RPM capacity market. Bidding capacity in the market is generally only available for large-scale projects; however, we work with our local NJ partners to aggregate smaller projects and qualify them for participation in the PJM market as capacity resources. In PSE&G's territory, we have qualified over 4,000 C&I projects, including schools, universities, hospitals, multi-family housing buildings, plus state and municipal buildings. Those projects were completed under the NJ Clean Energy Program. We bid those qualified projects into the capacity auctions and provide net proceeds to the building owner. We provide a cost-effective means for NJ ratepayers who have completed EE projects to derive value in PJM's capacity market. This business model further incents the implementation of EE projects.

In their filing, PSE&G acknowledges that there is performance risk associated with participation in PJM capacity market, and further, there is uncertainty with PJM market rules. Consequently, they have assumed no capacity revenue for the CEF-EE program.

We ask the Board to consider the prudence of exposing New Jersey ratepayers to potential performance risk associated with participation in PJM's capacity market when there are competitive market alternatives available today. The PJM market is extremely efficient and produces a very competitive market construct. PJM business rules and processes provide a transparent framework for participation in the capacity market. There are many qualified players in PJM, and if there is an economically viable opportunity to participate in the market then parties will seize that opportunity.

EMS
Energy
Legal
DAG
S. Richardson, Legal
R. Boylan, Legal

In their filing, PSE&G acknowledges that,

"to the extent that EE projects are eligible to offer, represent an acceptable performance risk to customers and are cost-effective when considering the cost of measurement and verification, PSE&G will offer measures in the RPM auctions. All auction proceeds net of measurement verification and other administrative cost will be credited to the ratepayers."

We question the prudence of that approach given there is already an efficient competitive market construct in place today. Companies like ours accept the risk and make firm commitments to pay those New Jersey ratepayers who have completed EE projects. Even though PSE&G seeks to mitigate the performance risk associated with its RPM participation, it may still pass on some performance risk to the New Jersey ratepayer.

On one hand, PSE&G can attempt to mitigate risk and bid only completed and approved projects into PJM's Incremental Auctions. However, incremental auctions have cleared at only fractions of the main Base Residual Auction (BRA) capacity prices. Consequently, it is possible the Incremental Auction capacity value derived will not cover measurement and verification and administrative cost associated with participation. On the other hand, PSE&G could participate in the BRA three years forward, but then face the performance risk that the unknown future projects will be sufficient to satisfy their commitments. As a result, PSE&G will expose the New Jersey ratepayer to potential penalties associated with PJM non-performance. Given that there is a competitive market alternative today that assumes the risk and participates in the auctions to maximize possible return for ratepayers, we question the prudence of PSE&G moving into this market.

PSE&G seeks to earn a rate of return for the implementation of this program. As the Board considers whether all rates associated with cost recovery under this program are just and reasonable, we also ask the Board to consider the prudence of having PSE&G exclusively participate in the PJM RPM Market. From our perspective, we question the judiciousness of having PSE&G take on performance risk, potentially adversely affecting the ratepayer, when there is a competitive market accepting that risk and providing that PJM capacity value to the ratepayer today.

Respectfully submitted,

Timothy J. Seelaus, President