



# PJM Resource Adequacy Senior Task Force

## PJM Industrial Customer Coalition's Perspective on KWA #1

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# PJMICC in a Nutshell

- **Ad hoc coalition of approximately 30 energy-intensive businesses and institutions located within the PJM footprint**
- **Active in PJM stakeholder process through several PJMICC members that are also PJM Members**
- **Engaged at FERC/appellate courts**
- **Focus: Supporting reliable electric service using competitive forces to discipline ultimate cost to customers**
  - Use markets to realize customer preferences from the type of pricing (e.g., index vs. fixed pricing) to the favored level of reliability
- **Presentation for discussion purposes only and does not reflect the views of any individual PJMICC member**



# It's All Happening ...

- **Significant growth in businesses and institutions pursuing “green power”**
  - Federal and state policies
  - Renewable Portfolio Standard mandates
  - Corporate sustainability goals
- **Declining technology costs and rising capacity and usage factors**
- **Renewable energy procurement has proven to be resilient to pandemic and recession forces**



- **A vibrant bilateral market has developed to support renewable project development as reflected in the PJM generation interconnection queues**
  - Generally developed through RFPs or bilateral negotiations, including development of Letters of Intent and long-term renewable energy power purchase agreements
  - E.g., delivery of physical power and renewable energy credits to customers and virtual power purchase agreements (e.g., contracts for differences) with delivery of renewable energy credits to project off-takers
  - Interlocking suite of agreements, including renewable energy purchase agreements (REPAs) to arrangements with tax equity investors, etc.



# Getting from Here to There ...

- **Current bilateral approach has facilitated customer choice in pursuing sustainability mandates, allowing for counterparties to allocate risk and benefits, including:**
  - Credit risk
  - Supply chain risks
  - Interconnection risks
  - Site development risks
  - Project/REC availability
  - Regulatory change
- **Reflected in tailored, transaction-specific agreements**



# What Is the Problem To Be Solved?

- **There is a lot that is working in the bilateral market to accommodate customer preferences for renewable energy attributes**
  - Accommodates different state mandates
  - Facilitates individual customer preferences – not one size fits all
  - Supports customers’ efforts to build “additionality”
  - Exists independent of evolving state and federal policies
  - Drives innovation, including with respect to the bilateral market platform (e.g., web-based platforms)
- **Concern that dedicating time to forward procurement of clean energy may undercut existing forward momentum in bilateral market**



# What Opportunity Exists?

- **Current approach is not without drawbacks, including**
  - Negotiating offtake arrangements can be very time and resource intensive
  - Lack of standardization adds to transaction costs
  - Lack of transparency
  - Complexity
  - Transaction costs may be a barrier for some businesses/institutions incorporating sustainability mandates
- **As such, there may be value in considering developing a voluntary market around clean attributes**
  - Should complement, not supplant, current market dynamics



# Some Pragmatic Considerations

## ■ Why a voluntary market?

- Differing customer preferences and state requirements across the PJM footprint
- Questionable jurisdictional authority for a regional mandatory clean energy market
- Any mandatory market would need to internalize numerous risks, e.g., supply chain; supply chain integrity; PJM queue reform, that may be better handled bilaterally
- Corollary issue: Provided that robust bilateral markets are not thwarted, a voluntary market could reflect exogenous costs (however defined)
  - PJM's existing markets should not be tied to the social cost of carbon absent a federal mandate



# Some Pragmatic Considerations

## ■ Why PJM?

- In-house tracking through GATS platform
- PJM Member interest
- PJM track-record in operating markets
- Transformative change within an industry with a deep history of transformation
- BUT ... PJM's mission is providing reliable electric supply at least cost - how do clean energy attributes fit?





# QUESTIONS?

