

# PSEG MOPR Proposal

PJM MOPR CRITICAL ISSUE  
OPTION ASSESSMENT MEETING  
JUNE 16, 2021



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# PSEG MOPR Proposal

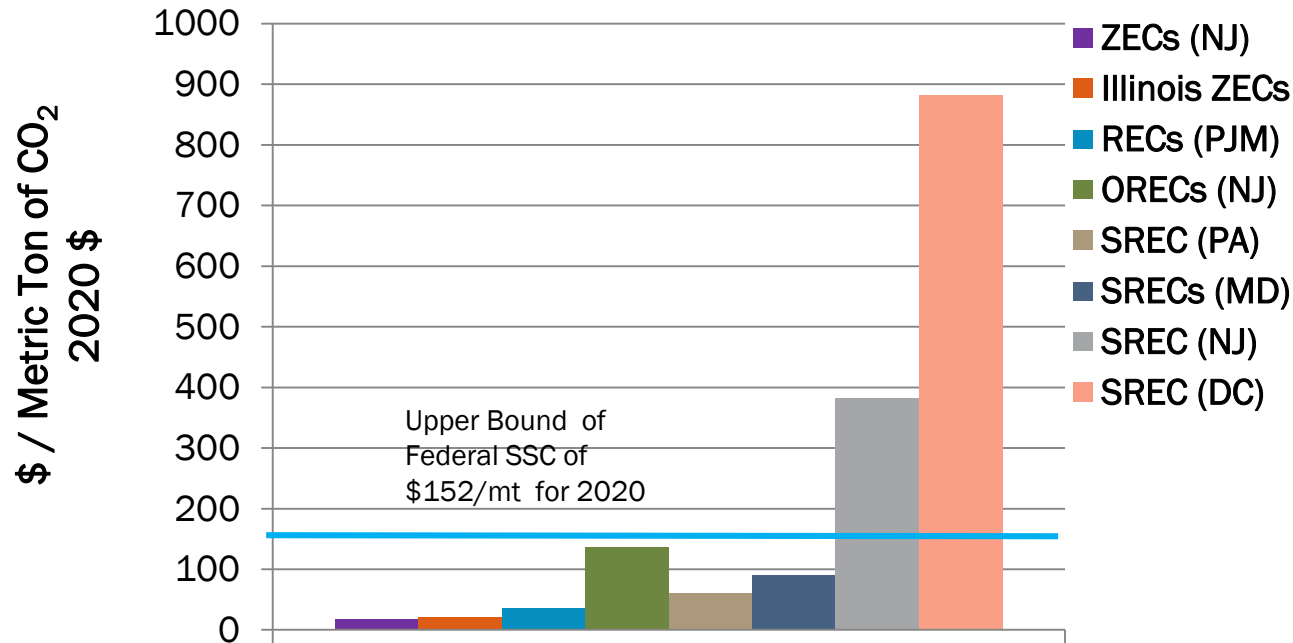
- Same “Buyer Side Market Power” coverage as PJM proposal, e.g., attestation provisions and no net short/net long provisions for self-supply resources but with a standard for state policy resources focused on whether state subsidies will promote a resource mix expected from a competitive market that considered production costs including the SSC.
- MOPR not applicable to state programs that support zero-carbon resources but is applicable to state programs for other policies:
  - Economic analysis shows that economic efficiency is increased by state programs supporting zero-carbon resources when subsidies do not exceed SSC
  - Subsidies for most state programs supporting zero-carbon resources are less than outer bounds of Federal SSC; other programs would be expected to have de minimis impacts.
  - No similar demonstration for state programs designed to achieve other policy goals.
- PJM/IMM make decisions regarding application of MOPR, not FERC; if disagreement, affected entity can make Section 206 filing at FERC but MOPR applicable until FERC decides; if FERC/court reverses PJM/IMM, affected unit given option to be paid at zonal/RTO clearing price.
- MOPRed units that clear are not subject to MOPR in future.
- Other provisions not directly inconsistent with the above are the same as for the PJM proposal.

# PSEG Proposal versus PJM Proposal

- More Robust To Potential Legal Challenges:
  - Exemption for state programs that support zero carbon resources is economically justifiable because of SSC impacts
  - State policies that have not been shown to be economically justified remain subject to MOPR
  - Gives FERC defensible basis to “change course” from rationale in Expanded MOPR decision
- Clearer Test For Application of MOPR To State Supported Resources
  - PJM proposal requiring determination whether the state policies “result in benefits to a capacity market seller for the sale of a jurisdictional product that are conditioned on clearing in an RPM Auction” may be unclear in certain situations in which there may be incentives to clear but not express obligations.
  - PSEG proposal creates a “bright line”: exempts all state programs supporting zero carbon resources and applies to all other state programs supplying subsidies.
- Better Procedures to Address Disagreements:
  - PJM proposal effectively delays challenges of MOPR decision pending PJM Section 205 filing
  - Section 205 limitations may affect ability of FERC to devise remedy for affected company short of MOPR application; Section 206 offers more flexibility to FERC.
  - PSEG proposal provides compensation consistent with filed rate doctrine if challenges successful; PJM proposal does not permit any recompense for improperly MOPRed unit
- Consistent with Earlier FERC Precedent that MOPRed Units That Clear Are Economic
- Explicit Recognition of SSC Impacts Under PSEG Proposal Moves a Step Closer to a Price on Carbon in the PJM Energy Market

# Implied Cost Of Carbon Under Most State Zero Carbon Programs in PJM Is Less Than The Upper Bound for Federal SSC Values

## Implied Cost of Carbon Abatement



Only two zero carbon support programs within the PJM footprint -- SREC programs in NJ and DC - appear to exceed the upper bound for federal SSC values.

# Impact on RPM of Zero Carbon Programs Paying More Than the SSC Will Be Negligible

- **New Jersey Grid Connected Solar**
  - Quantity estimates vary: generally from around 2,000 MWs to 3,500 MWs in installed capacity by 2030 of which about 600 MWs currently exists
  - UCAP value of *new* grid connected solar could be in range of about 700 MWs to 1750 MWs depending upon number and size of projects and the capacity derate factors applied.
  - A reasonable estimate would be about 70 MWs to 175 MWs UCAP per year compared with current EMAAC resources of about 32,000 MWs of UCAP. UCAP levels could be even lower after ELCC implementation.
- **District of Columbia Grid Connected Solar**
  - Currently no grid connected solar in DC.
  - UCAP quantity estimates for DC are not expected to have remotely material impact on RPM outcomes.

# Final Thoughts

- States have the right to choose their own resource mix and to pursue the economic policies they want.
- PJM's role is maintaining the integrity of the PJM markets: taking account of the potential economic impacts of state subsidy programs on market outcomes will help assure that PJM has met this responsibility.
- The Social Cost of Carbon is undeniably a real cost related to the production of electric energy from fossil fuels but is not at present properly recognized in the PJM energy market.
- Economic analysis shows that most zero carbon support programs within the PJM footprint will improve economic efficiency but there has not been a similar demonstration for state programs designed to achieve other goals.
- Exempting state programs that support zero carbon resources from MOPR while applying the MOPR to other state policy initiatives will result in a MOPR that would be more robust to potential legal challenges, would result in more economically efficient market outcomes and would be a step towards imposing a price on carbon in the PJM energy market.