



# **FERC Ruling on PJM MOPR**

Initial Reactions of EDP Renewables, N.A.

John Brodbeck, May 8, 2020

# EDP Renewables North America

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- **Large renewable generator in North America**
  - 6,500 MW of wind and solar generation in North America
- **Large wind generator in PJM**
  - Over 2,000 MW of wind generation in PJM footprint
  - Mostly Indiana and Illinois
- **Significant wind and solar development portfolio in PJM**
  - 3,000 + MW of wind and solar in various stages of development
  - 325 MW under construction

# Existing Units

What does this mean for Renewables

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- **Existing seems simple:**
  - An ICSA executed or on-file before the order
  - Successfully cleared an auction
- **Renewables previously had no obligation to offer into the capacity market**
- **Could submit partial orders**
- **Order provides that a unit that has not offered counts as existing**
- **For Renewables:**
  - Does a unit that never offered – due to an exception – count as existing or not?
  - Does a unit that offered part capacity, in an effort to mitigate CP risk or otherwise, and cleared that portion of capacity - count as existing or not?
  - Does a unit that only has a specific percentage of its nameplate count as capacity (such as 13% for wind) only count as existing for that 13% or for full nameplate?
    - This is especially important in that stakeholders are considering a re-rating of wind and solar capacity in the Planning Committee process



# Impact on Renewables

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- **Many renewables are developed based on customer willingness to purchase**
  - State based programs such as RPS programs
  - Individual customer willingness voluntarily to purchase for their own reasons
    - “commercial transactions”
  - This order seriously undermines this standard.
- **RECs are developed by act of generation**
  - RECs can be considered a commodity unto itself
  - Restricting the right to profit from the sale of the commodity is problematic
  - RECs are used not only in satisfaction of the state-sponsored RPS programs
    - Used in Commercial Transactions
    - Environmental groups have purchased and retired RECs outside of the energy markets
- **Can a unit sell attributes and agree not to use them in state programs?**
- **The issue of treatment of RECs outside of RPS programs is decided in this Order, but not rationally for all uses of a REC**



# Energy Overhang

Harm to the primary Energy Market

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- **Capacity is the “market” to recover the “missing money”**
  - Energy market does not recover all the revenues needed by generation
  - Due to market mitigation, cost-based pricing and other reasons
  - Long-standing recognition in PJM that capacity has value to reliability
- **This order denies many MW access to capacity revenues**
- **The order will not stop the replacement of existing capacity by renewables**
- **Net result will be a growing overhang of Energy on the marketplace**
  - Not all bad, since we all consume energy
  - Additional pressure on prices for energy and related ancillary services
    - Energy will become less valuable as a commodity
    - Encouraging more value into the capacity element
- **Increased need for reforms to the energy and ancillary services market**
- **ARE WE LOSING THE NATURAL MARKET IN DEFENDING THE ADMINISTRATIVE MECHANISM**



# Carbon Pricing

An answer?

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- **Renewables are driven by concerns for climate change**
  - Carbon, like NOX and SOX before it, is a pollutant that many want to eliminate
  - Renewable portfolio standards and carbon-free standards are growing in the PJM footprint as well as elsewhere
- **This order significantly harms the ability of the states to pursue these goals**
  - Out of market solutions are forestalled by this Order
  - Overhang of Energy will reduce the value of energy and hence generation
  - Capacity revenues will be severely limited
- **Answer may be Carbon Pricing**
  - NYISO has moved well along in providing this option
  - PJM has started process to incorporate Carbon
- **Does Carbon Pricing work – is RGGI or C-Tax considered a state support?**