THE P3 GROUP

Senator Bob Smith

Senator Linda R. Greenstein

Senator John F. McKeon

Senator Parker Space

Senator Latham Tiver

New Jersey Senate

State House

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Sent via Email

March 2, 2024

Re: SCR-11 (Smith)

Dear Members of the Senate Environment and Energy Committee,

The PJM Power Providers Group (P3)[1] respectfully submits these comments in opposition of SCR-11, which is listed for Committee consideration on Monday March 4, 2024. SCR-11 proposes to amend the State Constitution to prohibit construction of new fossil fuel power plants.

[1] The views expressed in these comments represent the views of P3 as an organization and do not necessarily reflect the views of individual P3 member companies with respect to any issue. For more information on P3, visit www.p3powergroup.com

P3 is a non-profit organization made up of power providers whose mission is to promote properly designed and well-functioning competitive wholesale electricity markets in the 13-state region and the District of Columbia served by PJM Interconnection, L.L.C. ("PJM"). Combined, P3 members own more than 83,000 megawatts of generation assets in PJM. P3 member companies are generation owners and active suppliers of energy in the state of New Jersey.

The passage of SCR-11 is, plainly stated, an ill-conceived and unnecessary action at a time of grid transition creating significant reliability concerns. It is extremely important for the Committee to note that generation adequacy continues to be a going concern, and SCR-11 will add to, and likely exacerbate those concerns. PJM, the grid operator, recently has highlighted the challenges of maintaining resource adequacy as its resource mix evolves. PJM has been conducting an ongoing study of impacts associated with the energy transition, and exploring the pace of resource retirements and replacements through 2030 and has issued a report that highlights potential reliability risks to meeting growing electricity demand.[2] PJM's research identifies several trends that together present increasing reliability risks during the transition to renewable energy, due to a potential timing mismatch between resource retirements, load growth and the pace of new generation entry. The PJM study highlights the growth rate of electricity demand that is likely to continue to increase from electrification and electric vehicles, in addition to high-demand data centers in the region. Further, thermal generators are retiring faster than once anticipated and these retirements are outpacing the construction of new resources. Moreover, PJM's interconnection queue is composed primarily of intermittent and limited-

[2] *See*, PJM "Energy Transition in PJM: Resource Retirements, Replacements & Risks", February 23, 2024, https://www.pjm.com/-/media/library/reports-notices/special-reports/2023/energy-transition-in-pjm-resource-retirements-replacements-and-risks.ashx

duration resources. Given the operating characteristics of these resources, the grid requires for each 1 MW of thermal generation retirement multiple megawatts of replacement intermittent and limited-duration.[3]

In addition to PJM sounding the alarm on reliability concerns, the North American Electric Reliability Corporation ("NERC") also has conducted studies, and NERC's Long-Term Reliability Assessment likewise raises concerns about electric reliability over the next 10 years due to sharp increases in peak demand forecasts and the potential for higher generator retirements.[4]

Lastly, a state's decision to prohibit the construction of new fossil fuel power plants could lead to increased consumers' costs as PJM conforms its market rules to accommodate state policy. The Federal Energy Regulatory Commission ("FERC") recently agreed with PJM that a state, in this case Illinois, that chooses to effectively ban a new combined cycle natural gas unit will no longer be able to use such a unit for purposes of setting the demand curve used to calculate capacity market prices.[5] Under current rules, PJM assumes that a new generation resource in New Jersey will be a new natural gas combined cycle plant. If SCR-11 passes, PJM will be forced to ask FERC for a new "reference unit" which will likely be a higher cost unit that will translate into higher costs to consumers. This Committee should have a clear picture of

[3] *See*, https://insidelines.pjm.com/pjm-details-resource-retirements-replacements-and-risks/

[4] *See*, https://www.publicpower.org/periodical/article/nerc-long-term-assessment-raises-reliability-concerns-over-next-10-years

[5] *See*, FERC Order 186 FERC ¶ 61,053 (January 19, 2024). Note that in the case of Illinois, state law effectively requires that a new natural gas combined cycle plant cease operations in 2045. PJM recommended, and FERC accepted, PJM's proposal to adjust the asset life to align with the state law.

what the future reference resource in New Jersey would be and the costs associated with that unit before moving forward with SCR-11.

Passage of SCR-11, which would limit flexible and reliable generation resources, would be seriously detrimental to New Jersey residents and businesses. P3 urges the Committee to oppose the passage of SCR-11.

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Respectfully submitted,

On behalf of The PJM Power Providers Group

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