



# **Perspectives on Development of Clean Resource/Clean Attribute Procurement Options in PJM**

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# About Advanced Energy Economy (AEE)

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- National association of businesses that are making the energy we use secure, clean, and affordable.
- AEE is the only industry association in the United States that represents the full range of advanced energy technologies and services, both grid-scale and distributed. Advanced energy includes energy efficiency, demand response, energy storage, wind, solar, hydro, nuclear, electric vehicles, and more.
- AEE also supports the work of the Advanced Energy Buyers Group ("AEBG"), a coalition of large buyers of advanced energy technologies to meet sustainability goals.
- AEE pursues policy transformation in the states and in wholesale power markets that expand market opportunities for advanced energy technologies and lay the foundation for a 100 percent clean advanced energy future.



# What problem(s) are we trying to solve? Or, alternatively, what opportunities should we try to capture?



Problem: Continued and growing divergence between state and customer clean energy requirements and goals from PJM's markets



Opportunity: PJM can facilitate ability of states and customers to meet clean energy objectives through regional competitive markets

**As state and customer clean energy commitments continue to grow, these issues are central to maintaining PJM's value proposition to the region**



# Alignment of the capacity construct with state and customer clean energy goals remains a priority

- Removal of the Expanded MOPR resolved only the most immediate issue
- The current capacity market construct does not reflect state and consumer demand for clean energy
  - States and buyers increasingly want to buy clean capacity, and object to buying capacity that works against their express policy goals
- Clean and flexible capacity resources will be needed to meet new and different reliability needs in the future while also meeting decarbonization objectives
  - Many of these resources (storage, demand flexibility) are not energy intensive, making stable revenue sources like the capacity construct important to attract and retain them

**As demand for clean energy resources grows in the next decade, this disconnect will become unsustainable**



# Solution options should focus on the capacity market, but could span both capacity and energy markets

In the capacity market...	Outside the capacity market...
Procurement of <b>clean energy product</b> and capacity product within single integrated market	Procurement of unbundled <b>clean energy or carbon product</b> in separate market
Procurement of <b>clean capacity product</b> within capacity market	Use of <b>social cost of carbon</b> to inform clearing for other PJM market products

- Approaches on the left side of the matrix best reflect state and customer values and needs, and provide the best opportunity for PJM to provide value
- Options on the right side would also provide value and should not be ruled out, but don't directly address stated tensions with capacity market; CPSTF also previously addressed issues underlying these options



# Priorities for stakeholder education and discussion

- Jurisdictional questions remain a barrier to discussion of solution options
  - Future preemption risk
  - Implications of differences among the definitions of “clean” of various states and customers
  - Potential options for shared governance and oversight (states and PJM/FERC)
- Identifying commonalities among state definitions of “clean” could help facilitate product and market design discussions
- Identification of and discussion of solution options that optimize for achievement of both state and customer clean energy objectives *and* current and future reliability imperatives
  - Approaches that fit the left side of PJM’s matrix of approaches should be prioritized



# PJM should set reasonable expectations of what can be accomplished in Q1

- Aligning PJM's markets with state and customer clean energy objectives is critical to maintaining PJM's value proposition, and will be a multi-year project requiring deliberate consideration
- Identification of state and stakeholder priorities and key considerations for regional clean procurement options, and education regarding high-level potential market design options, should be the priorities at this early stage
- Achieving stakeholder consensus on particular solution options or a single market where product should be developed should not be a prerequisite to moving forward at the end of Q1



# Thank you!

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