



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

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About Advanced Energy Economy (AEE)

- 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 clean energy product and capacity product within single integrated market	Procurement of unbundled clean energy or carbon product in separate market
Procurement of clean capacity product within capacity market	Use of social cost of carbon 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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