



New Jersey Senate Environment and Energy Committee S 2804

Testimony of Asim Z. Haque, Vice President – State and Member Services

PJM Interconnection, L.L.C.

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For Public Use

Introduction

Good morning, Chairman Smith, Vice Chairwoman Greenstein and respected members of the Senate Environment and Energy Committee. My name is Asim Haque, and I am the vice president of State & Member Services for PJM Interconnection, L.L.C. Thank you for the opportunity to speak before you today. As you discuss Senate Bill 2804, my testimony provides information about: (1) PJM's role as a regional transmission organization (RTO); and (2) how, through 90 years of partnership, New Jersey's customers have benefited from PJM's services.

As an RTO, PJM functions as an independent, federally regulated entity responsible for operating the bulk electric power system within our footprint, which includes all or parts of 13 states and the District of Columbia. Quietly working behind the scenes to provide reliable electric service, PJM operates over 84,000 miles of transmission lines, and our member utility companies serve 65 million people. Our service territory includes the entire state of New Jersey, and, in fact, the "J" in PJM's name comes from New Jersey, as our long-standing partnership with your state goes back to 1927 when PJM originally operated as a power pool for parts of Pennsylvania, New Jersey and, later, Maryland.

In addition to our role as the electric grid operator, we coordinate the planning of the regional transmission system and administer the wholesale electricity markets for our members – which now includes over 1,000 entities. We are fully independent from our members, are technology and fuel neutral, and do not own or maintain any transmission or generating assets. I also want to note that PJM is a revenue-neutral organization that is not here to make a profit, but rather to provide the essential public service of reliable and affordable electricity to millions of people who rely on our services each and every minute of the day. The transmission system we plan and operate has remained incredibly dependable over the years. You don't typically hear of outages related to PJM, because we do our job well – and very quietly – behind the scenes.

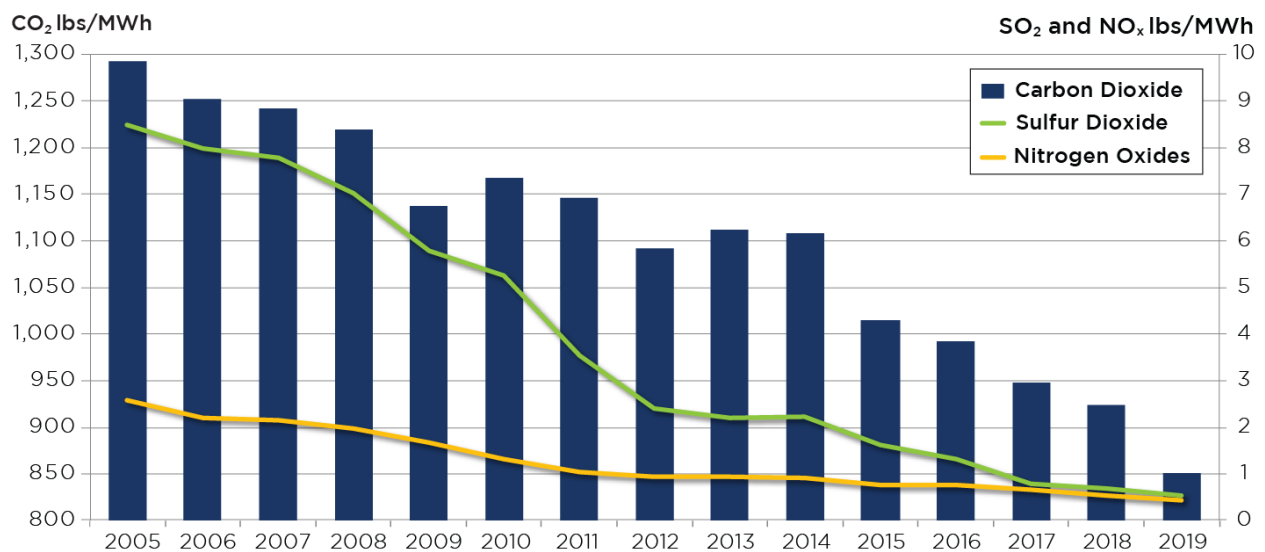
Value to Customers

While keeping the lights on is our No. 1 job, there is additional value for customers in New Jersey and the rest of our states with how PJM operates and fulfills its critical mission. Our regional perspective in planning transmission upgrades helps us identify the most cost-effective set of solutions across all state boundaries, as we plan the entire system as if it were one harmonized network. In fact, the transmission grid in the United States is broken out into two major harmonized networks, with New Jersey existing in what is called the "Eastern Interconnection." The physics and engineering of the grid actually mandate interstate cooperation. Also, the price signals coming from our markets have facilitated the entrance of new, cleaner and more efficient generation to replace the aging facilities on our system. See Figure 1 below for the reduction in average system emissions.

The integration of these new resources keeps wholesale generation electricity prices down for New Jersey consumers. Not only have prices in PJM decreased over the last two decades, but energy prices in 2019 were the lowest they had been since our market was first established¹ with this trend continuing in 2020.²

Altogether, PJM’s three core functions of operations, transmission planning and markets provide an annualized value of approximately \$3.2 billion to \$4 billion in cost savings to consumers in our footprint. While “going it alone” would be very challenging based upon the interstate nature of the transmission grid, it could also be financially harmful to families and businesses in the state of New Jersey. You would essentially forfeit the regional value an RTO like PJM provides.

Figure 1. 2005–2019 PJM Average Emissions



Meeting State Energy and Emissions Policy Objectives

As part of Gov. Murphy’s *Energy Master Plan*, and based upon legislation passed by this body, New Jersey now finds itself pursuing very strong policy objectives that will reshape the state’s resource portfolio and reduce carbon emissions. This reduction in emissions has already begun, in part due to the competitive entry of newer and cleaner resources that I previously discussed. Between 2005 and 2019, New Jersey’s average CO₂ emissions decreased by 23 percent. Over that same period, carbon emissions across the entire PJM footprint dropped by 34 percent. PJM’s market services continue to contribute to this downward trajectory we are seeing across the region.

¹ See “2019 State of the Market Report for PJM,” *Monitoring Analytics, L.L.C.* (March 12, 2020).

² See “2020 State of the Market Report for PJM: January through June,” *Monitoring Analytics, L.L.C.* (August 13, 2020) “Energy prices were lower in the first six months of 2020 than in the first six months of any year since the creation of PJM markets in 1999.”

The question now turns to how can PJM help states like New Jersey meet their energy policy objectives, such as the integration of 7,500 MW of offshore wind by 2035 and 100 percent clean energy by 2050. This year, PJM implemented a new unit called State Policy Solutions, an arm of our organization that is tasked specifically with helping our states advance their energy policy initiatives. PJM has been planning and operating the system for a long time, and our subject matter experts are exceptionally valuable resources available to New Jersey as it navigates the road map laid out in the *Energy Master Plan* and state law. The New Jersey Board of Public Utilities (BPU) has already engaged PJM's Solutions team to assist them in advancing New Jersey's clean energy goals, and we have received very positive feedback on the work we have accomplished so far.

I should also note that PJM is an active participant in the BPU's current Resource Adequacy investigation. The BPU's objectives associated with this endeavor are largely the same as those study initiatives that S2804 seeks to investigate.

COVID Impacts on a Changing System

To say that this year has been a very trying time for all of us would be a tremendous understatement. Beyond the notable health concerns, the economic and societal impacts of COVID-19 are far-reaching and potentially long lasting. We have all been forced to adapt as this situation continues to unfold. From an RTO's perspective, we have faced changing load dynamics across our system and have had to retool our forecast assumptions to navigate this new paradigm. Despite this uncertainty COVID-19 has put before us, PJM has continued to provide reliable and affordable electric service.

I want to emphasize the word *affordable*, because as the former chairman of the Public Utilities Commission of Ohio, I know firsthand how important it is to keep utility costs reasonable, particularly during times of economic crises. The residents of New Jersey need reliable power delivery during this time, and they need it at a price that families can continue to live on. Injecting a cloud of uncertainty over reliable service and stable electricity costs would be an added complication for New Jersey and all states seeking to recover from this pandemic.

Conclusion

PJM recognizes that this is a study bill and not a bill to extricate New Jersey from PJM. PJM feels confident that New Jersey would continue to find the greatest value for its consumers in being part of PJM. We believe that the study would show that PJM is the best option for New Jersey and all states in our footprint. Reliability. Affordability. All while trying to assist states in advancing their policy objectives.

However, the timing of this study is challenging based upon the ongoing work being conducted with the BPU to advance the state's energy policy objectives; the fact that an FRR proceeding is already pending at the BPU; that this study's overhang creates uncertainty for families and businesses during COVID-19 recovery; and, last, because PJM's membership is voluntary. Transmission owners can choose to leave whenever they wish.

We remain committed to the State of New Jersey in helping them maintain reliable, affordable power delivery to its citizenry, in tandem with helping New Jersey achieve its clean energy objectives. I would like to thank you again for the opportunity to speak on this today, and I look forward to answering any questions you may have.