



## Organization of PJM States, Inc. (OPSI)

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October 9, 2017

### VIA ELECTRONIC DELIVERY

The PJM Board of Managers  
c/o Mr. Howard Schneider, Chairman  
PJM Interconnection L.L.C.  
PO Box 1525  
Southeastern, PA 19399-1525

Re: **Concerns with PJM's Capacity Construct/Public Policy Senior Task Force (CCPPSTF)**

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Dear Chairman Schneider and PJM Board of Managers

The OPSI Board (OPSI) has been monitoring the developments in PJM's CCPPSTF with increasing concerns regarding possible consequences (intended or not) to the OPSI jurisdictions if certain of the current proposals were to be implemented.<sup>1</sup> As discussed further below, certain of the proposals would affect the lawful pursuit of public policies of the OPSI jurisdictions which reflect citizens' preferences for electricity supply resources within their jurisdictions. Some of these proposals would also impose significant cost impacts, both directly in the Reliability Pricing Model (RPM) and extending to other aspects of PJM markets.

As an initial matter, OPSI would observe that, unlike PJM's initiative to implement the Capacity Performance proposal, there has been no demonstration of facts, data, or information other than hypothet-

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<sup>1</sup> This letter was adopted at the October 5, 2017 meeting of the OPSI Board. States in support; Delaware PSC, PSC of District of Columbia, Illinois CC, Indiana URC, Kentucky PSC, Maryland PSC, Michigan PSC, New Jersey BPU, Pennsylvania PUC, PSC of West Virginia; Abstain; North Carolina UC, Oppose; PUC Ohio, Virginia SCC.

ical fears supporting the concerns of the CCPSTF.<sup>2</sup> For example, Key Work Activity (KWA) 3 of the CCPSTF was to: “Identify areas where state actions and the current RPM capacity construct may not be aligned.”<sup>3</sup> As shown in PJM’s Matrix for KWA 3, The Key Components of the RPM Construct studied either “had no impact” or at most “may have” results for Impact of State Actions.<sup>4</sup> For example, for all of the Demand/Cost/Planning Parameters of the RPM, i.e., reliability requirement, Net Cone, Sloped VRR Curve, there was no impact from state actions identified.

Despite the lack of facts, data, and information identified in KWA 3, the CCPSTF pursued proposals for the hypothetical fears of the Impact of State Actions on the RPM Construct. Some of the proposals would revise the procedures for resource eligibility to participate in the Base Residual Auction (BRA) and the implementation of the RPM to administratively adjust resource offers and raise the price for capacity. Based on estimations provided in the CCPSTF, it appears customers are at significant risk of increased cost for capacity. Additionally, to the extent that supply resources reflecting particular attribute preferences of a state’s citizens could be subject to added procedures for participation in (or exclusion from) the BRA, the lawful pursuit of state public policies could be unjustifiably restricted. PJM recognized the potential for the unjustified restriction to states’ lawful pursuit of public policies in questions it posed to sponsors of proposed solutions in the CCPSTF.<sup>5</sup> Regardless of intention, neither artificially and unnecessarily higher capacity costs nor improper restrictions on state public policies would be acceptable to OPSI.

Also, given the complexity of RPM and its relationship to energy and ancillary services markets, it would seem that the CCPSTF’s sole focus on RPM without even the capability to assess whether there is an impact beyond the capacity market, much less attempt to measure such an impact to the extent that it might occur, will almost certainly raise the potential for distortions in total supply costs paid by cus-

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<sup>2</sup> OPSI would recognize that while many entities did not necessarily (and maybe still do not) agree with PJM’s assessment of those data, facts, and information, e.g., actual generation outage data, causes, etc., leading to the Capacity Performance proposal by PJM, there was still other than hypothetical fear to support that proposal.

<sup>3</sup> PJM CCPSTF. Issue Charge. Available at: <http://pjm.com/-/media/committees-groups/task-forces/ccppstf/postings/ccppstf-issue-charge.ashx?la=en>

<sup>4</sup> PJM CCPSTF. Matrix. Sep. 26, 2017. Available at: <http://pjm.com/-/media/committees-groups/task-forces/ccppstf/20170926/20170926-ccppstf-matrix.ashx>

<sup>5</sup> PJM CCPSTF. Proposal Questions for Package Sponsors. Sep. 11, 2017. Available at: <http://www.pjm.com/-/media/committees-groups/task-forces/ccppstf/20170911/20170911-trigger-questions.ashx>

tomers.<sup>6</sup> OPSI is particularly concerned that, given the accelerated timeline currently scheduled for the CCPPSTF, there is not sufficient time to fully address the intended, and unintended, consequences of any measure that might be implemented as a result of the CCPPSTF. Ignoring these factors will likely produce overly narrow, inefficient, and excessively costly results. Such consequences would be detrimental to stakeholders including retail customers potentially paying yet another increase in supply costs.

The accelerated timeline for filing at the FERC of yet another overhaul to the PJM capacity market will create even more uncertainty regarding the stability of the PJM capacity market. OPSI has been informed that such a filing would follow 27 previous significant revisions to the RPM design. OPSI is concerned that the significant and repeated changes to the RPM will result in continued and increased uncertainty in the PJM capacity market which would create more risk and result in additional costs for customers.

PJM's timeline for the filing of the capacity construct revisions does not appear to recognize that the FERC is only beginning in their September open meeting to address the backlog of dockets, issues, and policies resulting from the lack of a quorum. PJM should carefully consider that pursuing the existing accelerated FERC filing timeline for capacity construct revisions will add to the significant backlog at the FERC. Pushing the FERC into rushed evaluation and hasty decision-making could be a counter-productive strategy.

In sum:

- If implemented, several proposals from the CCPPSTF could result in unjustified restrictions of lawful state public policies regarding preferences for characteristics and attributes of electricity supply resources within their jurisdictions.
- Flaws in the CCPPSTF charter prevent it from comprehensively addressing the issues in capacity, energy, as well as ancillary service markets within the current timeline increase the risk that a perceived solution could create more distortion in PJM markets rather than resolve the intended issues.
- Given the backlog of dockets, issues, and policies resulting from the lack of a quorum at the FERC, there is little certainty that the timeline for an accelerated filing with the FERC will achieve the desired implementation prior to the upcoming BRA in May of 2018.

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<sup>6</sup> The Charter of the CCPPSTF limits the scope to the capacity construct. Energy market issues, for example, are out of scope. See: <http://pjm.com/-/media/committees-groups/task-forces/ccppstf/postings/ccppstf-charter.ashx?la=en>

Accordingly, OPSI does not believe PJM has demonstrated any convincing reason to interfere with the lawful pursuit of state public policy in the OPSI jurisdictions. Nevertheless, if PJM persists in proceeding, OPSI would urge PJM to revise its CCPPSTF timeline and process to allow for more robust, comprehensive, and appropriate considerations regarding the manner in which PJM could, if necessary, address the issue of states' public policies for recognizing the preferences of their citizens for the characteristics and attributes of the electricity supply resources within their jurisdictions.

Respectfully Submitted,

*/s/John R. Rosales*

John R. Rosales  
President  
Organization of PJM States, Inc.