October 17, 2017

Mr. Howard Schneider
Mr. Andy Ott
PJM Interconnection, L.L.C.
2750 Monroe Boulevard
Audubon, PA 19403

RE: *Independent Power Producers Concern Regarding the Effects of State Subsidies on PJM's Markets*

Dear Messrs. Schneider and Ott:

The undersigned parties represent a coalition of Independent Power Producers ("IPPs" or "Undersigned") that own more than 45,000 MWs of active generation and generation development projects throughout PJM's footprint. Collectively, the IPPs have invested billions of dollars in generation and other services to participate in PJM's competitive markets and ensure reliable electricity service across thirteen states and the District of Columbia. Additionally, the undersigned own, operate, or developed a significant amount of the new entry capacity committed to the market. These collective investments reflect confidence that PJM's markets will provide the long-term investment signals needed to support such substantial capital deployment. Indeed, PJM's competitive markets have been successful, resulting in historically low prices while maintaining a high degree of reliability.

However, there are currently active and nascent state programs to pick winners and losers through out-of-market mandates and subsidies that are interfering in PJM's markets, and threaten the ability of PJM to continue to attract and retain capital going forward. If left unchecked, these initiatives threaten the continued viability of competition in the region. PJM's markets are at a crossroads: One path ensures that market-based investment decisions continue to support the ongoing reliability of PJM's system, while the other path deters market-based investment, and requires increasing amounts of out-of-market actions to stimulate new investment to maintain reliable and cost-effective service. FERC Commissioner Cheryl LaFleur highlighted this looming inflection point clearly when she stated, "When companies don't have confidence in their ability to recover cost through the market, they won't invest – potentially impacting the reliability and increasing cost to customers."[1] Increased out-of-market activity, whether as the

[1] Utility Dive. http://www.utilitydive.com/news/ferc-chair-outlines-three-paths-for-power-market-reforms-ahead-of-technical/440777/

result out-of-market subsidies targeted to specific uneconomic generators or other state public policy initiatives, threatens the ability to recover investment over the long term. If PJM does not act to mitigate the negative market impact of state-subsidized resource decisions, the IPP and finance communities will lose confidence and will take their capital elsewhere.

While the Undersigned recognize that state policymakers clearly have a role to play in the development of energy policy within their respective states, we also recognize they agreed to be part of a regional competitive wholesale electricity market, and taking actions that unfairly tilt the playing field have adverse consequences not only within their state but also for consumers and resources in other states. To the extent state policymakers want to continue enjoying the benefits of participation in PJM's markets, but at the same time continue pursuing targeted subsidies (some of which are currently being challenged in court) that are inconsistent with competitive outcomes, PJM must take action to maintain the integrity of its markets.

There is no time to wait. Although only one state in the PJM region has so far successfully passed legislation to target subsidies to specific uneconomic resources, there are several others where the debate is actively ongoing. For this reason, we believe it is imperative that PJM reach a timely conclusion of the CCPPSTF process, which has already been ongoing for several months, and file a proposal at FERC for implementation in time for the 2018 BRA as per the task force's original timeline.

With regard to the energy market, PJM management introduced in June a conceptual proposal to refine locational marginal price ("LMP") formation, including allowing market clearing prices to reflect the cost of all units dispatched by PJM to maintain system reliability, not just "the next dispatchable MWh." Although the details of this pricing reformation proposal remain to be worked out, it could provide important improvements for energy market price formation. Given the importance of having proper price formation in place, we urge the Board and PJM management to move quickly on fleshing out these proposals.

If PJM does not take measures to ensure proper valuation of energy market services and to protect its markets from out-of-market price suppression, reliability will be compromised, leaving PJM with fewer tools to ensure the efficient operation of the system. PJM has made great strides in implementing competitive mechanisms that ensure grid stability without reliance on out-of-market band-aids such as reliability must run ("RMR") contracts. This progress will be irrevocably compromised and RMR contracts will become more prevalent if PJM does not act quickly on needed capacity and energy market reforms.

In conclusion, we urge you to act swiftly to ensure the continued operation of a robust, competitive and non-discriminatory electric power market in the PJM region. We greatly appreciate PJM's leadership on these issues, and we look forward to working closely with PJM and its stakeholders to continually evolve and make enhancements to PJM's tariff and its competitive markets.

Respectfully submitted,

Advanced Power
Ares EIF Management, LLC
Caithness Energy, LLC
Calpine Corporation
Clean Energy Future, LLC
Cogentrix Energy Power Management, LLC
CPV Power Holdings, LP
Dynegy Inc.
Eastern Generation, LLC
Homer City Generation, LP
Invenergy LLC
LS Power Development, LLC
Moxie Energy, LLC
NRG Energy, Inc.
NTE Energy, LLC
Rockland Capital, LLC
Tenaska Inc.