

October 25, 2019

Susan J. Riley
Interim President and CEO
PJM Interconnection, L.L.C.
2750 Monroe Boulevard
Audubon, PA 19403

PJM Board of Managers
c/o Ake Almgren, Ph.D., Chairman
2750 Monroe Boulevard
Audubon, PA 19403

RE: *Ex Parte* Communication on PJM Capacity Market

Dear Ms. Riley, Dr. Almgren, and the PJM Board:

PJM Industrial Customer Coalition (“PJMICC”) and the PJM Power Providers Group (“P3”), representing large energy-intensive consumers and independent generators of electricity in PJM, acknowledge the challenging predicament facing PJM as it considers the schedule for capacity auctions after issuance of a FERC Order on the Minimum Offer Price Rule/Resource Carve Out. Any rule changes put forth by the Commission may require some time to codify and implement. We do not presume to know the direction the FERC’s Order may take or the scope of required changes. Until the Commission issues its Order in the above-referenced docket, it is premature to plan next steps. All market participants and affected interests should be afforded an opportunity to review and digest the Commission’s Order. PJMICC and P3 will supplement this letter, after issuance of the FERC Order, to share their thoughts on the steps and timeline for implementation of the FERC Order.

In the interim, PJMICC and P3 take this opportunity to share their collective thoughts on PJM’s forward capacity market. While our respective constituencies may have different perspectives on PJM’s markets, we share a common interest in preserving the benefits afforded by key aspects of PJM’s capacity market and seek to ensure any transition plan considers the interests of affected parties that directly depend upon the PJM capacity market to plan and operate their businesses.

From a customer’s perspective, a forward capacity auction provides businesses like PJMICC members with the ability to manage energy costs and make appropriate business decisions knowing the magnitude of future capacity costs. Many customers in states with retail access have retail contracts that incorporate the three-year forward-capacity construct. Those arrangements are likely already impacted by the delay in the capacity auction. Moreover, many businesses either participate or anticipate participating in capacity auctions as demand resources. A forward view of those commitments supports business decisions either to invest in new facilities or commit to limited production in the future. Industrial customers also value the coordination that occurs between the resource adequacy and transmission planning functions at PJM to support more efficient investment of customer resources.

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From a generator's perspective, the existence of a forward capacity commitment is critical to decisions related to construction, activation or deactivation of a capacity resource. While recipients of out-of-market payments or those resources seeking to exit the market through a FERC-sanctioned carve out may be able to better manage a capacity auction delay, those resources solely dependent on market revenues to determine their viability rely heavily on the three-year forward capacity construct to make decisions related to investments in existing units, construction of new units or retirement of uneconomic units. Moreover, many resources have lending arrangements that are predicated on a three-year forward capacity commitment and payment. The current delay of the 2019 auction is challenging many of these financial arrangements that are so critical to the overall vitality of PJM's markets.

While P3 and PJMICC may disagree on many aspects of the capacity market, both organizations share a common view on the value of a capacity construct that maximizes the benefits of competitive forces and affords both generators and consumers the opportunity to make important business decisions.

Thank you for the opportunity to offer these comments. PJMICC and P3 look forward to future stakeholder conversations on this and other matters.

Very truly yours,

/s/ Susan E. Bruce

Robert A. Weishaar, Jr.

Susan E. Bruce

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Attorneys for PJM Industrial Customer Coalition

/s/ Glen Thomas

Glen Thomas

GT Power Group, LLC

On behalf of PJM Power Providers Group