



March 4, 2020

Manu Asthana  
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 Timeline for Delayed Base Residual Auctions**

Dear Mr. Asthana, Dr. Almgren, and the PJM Board:

The Electric Power Supply Association (EPSA)<sup>1</sup> writes<sup>2</sup> to address the appropriate timetable for PJM to conduct the delayed 2019 Base Residual Auction (BRA) and the upcoming 2020 BRA pursuant to the Federal Energy Regulatory Commission (FERC) Order issued last December directing revisions to PJM's forward capacity market (the MOPR Order).<sup>3</sup> In that Order, the Commission directed PJM to provide an updated timetable for the 2019 and 2020 BRAs, as well as the related Incremental Auctions (IAs). PJM should propose that these overdue auctions take place as soon as practical after FERC has approved PJM's compliance filing revising its tariff, certainly no later than six months after such approval. There is no compelling reason to further delay the 2019 auction. Rather, both the 2019 BRA (2022/23 DY) and 2020 BRA (2023/24 DY) should be held as soon as practical to ensure regional reliability, achieve the lowest cost for the most efficient resources, and deliver innovation, resilience, and environmental progress to PJM's 65 million customers.

---

<sup>1</sup> EPSA is the national trade association representing competitive power suppliers, including generators and marketers, that provide reliable and competitively priced electricity from environmentally responsible facilities using a diverse mix of fuels and technologies. EPSA member companies own and operate over 50,000 MW of generation resources in the PJM region, representing the greatest investment in one regional market by our members in a diverse array of technologies and resources. These competitive resources rely *entirely* on PJM's wholesale markets to sustain and enhance current investments, drive decisions to invest in new resources, indicate when and where new resources are needed, and signal when deactivation of an existing resource is appropriate.

<sup>2</sup> This letter represents the position of EPSA as an organization, but not necessarily the views of any particular member with respect to any issue.

<sup>3</sup> *PJM Interconnection, L.L.C.*, 169 FERC ¶ 61,239 (December 19, 2019).

As many stakeholders have emphasized, the orderly and timely completion of the BRAs and related IAs is needed to restore transparency and certainty to all PJM market participants, including resource developers, operators, and consumers. EPSA agrees.

We understand that some states and others wish to delay the auction to allow for consideration of individual state legislation, but this is impracticable and ultimately harms both market participants and consumers who are being asked to make forward decisions without the necessary cost information. Moreover, even PJM has recognized that the legislative process is unique to each state and lacks any deadlines so does not provide a justification to delay the auction beyond the time necessary to prepare after a FERC compliance order.

The next BRA will provide the greatest clarity to inform operational, business, and policy decisions going forward, illuminating both price impacts and how resources will be able to participate in the auction based on opportunities such as the unit specific exemption—particularly for cost competitive renewable and advanced technologies.

The signals provided by these auctions are critical to PJM's competitive suppliers, which rely solely on price signals from PJM markets to make investment decisions for existing or new resources. These signals are essential to retiring old or unnecessary generation facilities and encouraging innovation and the adoption of more efficient, cleaner resources that can reliably serve energy demand when needed. And it is not just generation developers who rely on timely and orderly capacity actions:

- States rely on the timely completion of, and results from, capacity auctions in order to conduct default service procurements and ensure power supply to homes and businesses in those states.
- Demand response developers and providers rely on capacity markets to provide forward commitments to support their offerings.
- Large industrial and manufacturing businesses manage their energy costs and make appropriate contractual arrangements knowing the magnitude of future capacity costs, with some retail contracts based on the three-year forward capacity construct.

EPSA urges PJM to establish an auction schedule that acknowledges the critical role that PJM's capacity market plays in ensuring reliability in PJM, and therefore reschedules the 2022/2023 BRA as soon as practically possible so as to limit the already compromised lead time for that delivery year. Expeditiously conducting the delayed BRA expeditiously will provide much needed clarity to the states so that informed decisions based on actual results can be made rather than relying on one party or another's assertions and speculations about the impact to consumers and the market.

The rhetoric surrounding FERC's MOPR Order's impact on capacity market clearing prices, renewable integration, and consumer costs has been heated and loud. EPSA, however, believes—and the PJM IMM has stated—that those alleged impacts may be overstated. In order to determine the Order's true impact, we must conduct the auctions. States are looking for additional data to inform potential next steps, and auction outcomes

are a critical data point that would lead to a more well-informed decision surrounding the best path forward after FERC's order.

EPSA welcomes and encourages discussion on longer-term market-based mechanisms that utilize regional markets and allow all resources to compete to deliver environmental goals. In the interim, however, it is critical that the next capacity auction is completed in an orderly and timely manner.

Thank you for your attention and consideration of our input.

Sincerely,

A handwritten signature in black ink, reading "Todd A. Snitchler". The signature is written in a cursive style with a prominent initial "T" and a long, sweeping underline.

Todd A. Snitchler  
President & CEO  
Electric Power Supply Association