



The PJM Board of Managers  
c/o Mark Takahashi, Chairman  
PJM Interconnection, L.L.C.  
2750 Monroe Boulevard  
Audubon, PA 19043

Dear Chairman Takahashi and Board of Managers,

We write in response to the February 1, 2022 letter of the PJM Power Providers Group (“P3 Letter”), and urge the Board of Managers to reject the extraordinary requests therein.<sup>1</sup> As explained below, the P3 Letter seeks an extreme and unjustified intervention in the market by the PJM Board to remove competitors and circumvent the stakeholder process, a result that would further undermine confidence in PJM’s capacity market. Rather than take hasty action—one that P3 asks it to take with no approval by the Federal Energy Regulatory Commission (“FERC”)—the Board should direct PJM staff to continue with their stakeholder process regarding the intersection of Capacity Interconnection Rights (“CIRs”) and the Effective Load-Carrying Capability (“ELCC”) of certain capacity resources (specifically wind, solar, and energy storage). Moreover, we implore PJM’s Board of Managers to address the profound disparate treatment in which some resources in the capacity market are now accredited recognizing fuel and weather-related correlated outage risk (ELCC resources), and the remainder (thermal resources) are not.

The P3 letter seeks an undeniably extreme action—to administratively “remove these MWs [of wind and solar] from the supply stack for the 2023-24 planning year as well as subsequent auctions.”<sup>2</sup> This represents an extraordinary step, as it would administratively remove resources from the market based on unproven assertions about the deliverability impact of changes in PJM’s process that were made long after those resources were interconnected. The likely result would be to increase capacity clearing prices, to the benefit of existing thermal generators in PJM, and to the detriment of customers. Such an action would be a startling circumvention of the stakeholder process considering that PJM’s Planning Committee is actively considering options proposed by both PJM staff and stakeholders.<sup>3</sup> PJM’s capacity market has been the source of nonstop litigation for at least the past half-decade, and an 11<sup>th</sup> hour removal of resources, with no regulatory approval, would lead to further litigation and market uncertainty. The Board should allow the stakeholder process to continue and reject P3’s request to exclude resources from the competitive markets.

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<sup>1</sup> The positions expressed in this letter do not necessarily reflect the official position of each individual member of ACP, AEE, or SEIA.

<sup>2</sup> P3 Letter at 2.

<sup>3</sup> <https://www.pjm.com/committees-and-groups/issue-tracking/issue-tracking-details.aspx?Issue=83aadda8-b6c1-4630-9483-025b6b93fc28>

Additionally, to the extent that there is discrepancy between the deliverability determined through CIRs at the time resources interconnected and the ELCC capacity accreditation methodology that was adopted later, we note both that (1) this discrepancy did not take place due to any action taken by existing resources, and (2) is instead the result of adopting ELCC only for *some* of PJM’s generation fleet.

First, existing wind, solar, and storage resources—as well as those in the interconnection queue—were fully studied for specific quantities of CIRs consistent with PJM’s rules at the time, and these resources have paid for those rights. To the extent that after-the-fact adoption of ELCC has required PJM to reconsider its *future* process for determining CIRs to align it with the new accreditation methodology, P3’s proposed “solution” seeks to apply that *future* process retroactively and penalize these resources by removing them from the capacity market. PJM staff has been cognizant of this fact to date, which the Clean Energy Trades commend.

Second, the Clean Energy Trades note that PJM’s current capacity accreditation methodology creates significant differences in treatment among capacity resources, which P3’s “solution” would only exacerbate. At present, PJM applies ELCC to wind, solar, and storage, while accrediting thermal resources for their nameplate capacity adjusted by only the unit’s Equivalent Forced Outage Rate on demand (EFORd) to determine UCAP. This effectively subjects wind, solar, and storage resources to an ever-shifting capacity value based upon *fleetwide* entry and exit decisions. To the extent that inevitable ELCC changes create inconsistency with CIRs, it further emphasizes the need for a durable, stakeholder-driven solution rather than abruptly removing resources from the BRA.

PJM’s current approach treats 93% of PJM’s fleet<sup>4</sup>—thermal generators—as near-perfect capacity resources with no correlated outage risk. Load assumes that risk by paying for a higher reserve requirement on the demand side. As recent events such as Winter Storm Uri have demonstrated, this implicit assumption is demonstrably false. Thermal resources have substantial covariance, whether, for example, due to weather conditions or drawing their fuel from the same constrained sources. PJM has acknowledged this disparate treatment.<sup>5</sup> P3’s “solution” not only misrepresents PJM’s analysis and circumvents the stakeholder process, but ignores the more pressing need for PJM to ensure that capacity accreditation methodologies must capture on the supply side the correlated risk faced by all resource types.

Finally, P3’s reliability assertions have no merit or basis in fact. P3 incorrectly asserts that PJM has over-accredited capacity value to “certain intermittent resources” that were not studied in a manner consistent with all other technology types. This is not the case. PJM conducts tests in accordance with established practice to ensure “sufficient transmission capability exists to deliver generating capacity reliably from a defined area to the rest of PJM load.”<sup>6</sup> These tests assess “summer and winter peak load conditions when capacity is most needed to serve load, as well as under light load conditions to ensure

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<sup>4</sup> Monitoring Analytics, LLC, State of the Market Report 2020 (2021) at Table 5-3. Available: [https://www.monitoringanalytics.com/reports/PJM\\_State\\_of\\_the\\_Market/2020/2020-som-pjm-sec5.pdf](https://www.monitoringanalytics.com/reports/PJM_State_of_the_Market/2020/2020-som-pjm-sec5.pdf)

<sup>5</sup> PJM RASTF, “Education: Uncertainties in PJM’s Resource Adequacy Construct”, available: <https://www.pjm.com/-/media/committees-groups/task-forces/rastf/2021/20211217/20211217-item-04-education-reliability-risks-and-drivers-post-meeting.ashx>.

<sup>6</sup> The Benefits of the PJM Transmission System issued April 16, 2019 at page 14, <https://www.pjm.com/-/media/library/reports-notice/special-reports/2019/the-benefits-of-the-pjm-transmission-system-appendices.ashx>

that a range of resource combinations and conditions are examined.”<sup>7</sup> Further, PJM’s ELCC procedures incorporate historical transmission constraints, and so accurately measure the effects of curtailments on resources’ UCAP value. Therefore, PJM studied capacity from all resource types under identical standards and identified upgrades necessary to deem their capacity deliverable throughout the year. P3 seeks to have the Board retroactively apply new and different standards, despite the fact that FERC rejected the P3 position when it accepted PJM’s approach to accounting for transmission constraints in its ELCC procedures.<sup>8</sup>

The Clean Energy Trades appreciate the Board’s consideration of this letter and urge you to unequivocally reject P3’s attempt to bypass the ongoing stakeholder process to exclude renewable resources from the capacity market.

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<sup>7</sup> *Id.*

<sup>8</sup> *PJM Interconnection, L.L.C.*, 176 FERC ¶ 61,056 at P 53 (2021).