



Mark Takahashi
Chair, PJM Board of Managers

2750 Monroe Blvd.
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VIA Electronic Delivery

March 10, 2023

David E. Schleicher
President and CEO
Northern Virginia Electric Cooperative

Marcus Harris
President and CEO
Old Dominion Electric Cooperative

Sonja Cox
President and CEO
Southern Maryland Electric Cooperative, Inc.

Dear Mr. Schleicher, Mr. Harris and Ms. Cox,

Thank you for your correspondence dated February 8, 2023, wherein the Northern Virginia Electric Cooperative, Old Dominion Electric Cooperative and Southern Maryland Electric Cooperative (collectively referred to herein as the “Cooperatives”) expressed a desire for the PJM Board of Managers (“PJM Board”) to direct PJM management to file a “circuit breaker” with the Federal Energy Regulatory Commission (“FERC”) to limit consumer exposure to prolonged high energy pricing during a scarcity event. The PJM Board takes the opportunity to inform PJM stakeholders of its path forward on this issue via this response.

The PJM Board remains supportive of the “circuit breaker” concept. The Board also recognizes the concept’s inherent nature of requiring certain tradeoffs to be made amongst parties, such as the potentially significant increases in uplift that could stem from implementing lower price caps during scarcity conditions and the detrimental impact on forward hedging that could result, and the potential, negative impacts on reliability should price cutting cause disincentives to resources, such as import transactions that could support reliability. Given the difficulty in setting parameters around the concept that addresses these tradeoffs, the PJM Board believed that the stakeholder process and its codified intent to achieve consensus by seeking mutual gains was the best venue for the concept to be designed. However, since the stakeholders were unable to obtain the requisite two-thirds sector weighted vote for a “circuit breaker,” the PJM Board has further considered its path forward on the issue.

The PJM Board has instructed management to propose a “circuit breaker” and has been suggestive on the parameters for such a concept. In particular, the PJM Board has requested that management utilize as its initial basis the PJM proposals previously considered in the stakeholder process and indicated its priority that any proposed “circuit breaker” should not negatively impact reliability. The PJM Board has further directed PJM management to present its proposal to stakeholders to obtain feedback. PJM management will consider any feedback received and then present its proposal, including any revisions based on feedback received to the PJM Board no later than July 2023. The PJM Board will then consider whether to file a “circuit breaker” proposal with FERC under FPA Section 206.

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We appreciate the stakeholders' attempts to try and resolve this issue within the stakeholder process. Given that stakeholder consensus on this concept was not achieved despite considerable stakeholder and PJM staff efforts, the PJM Board believes that future stakeholder focus is most productively directed toward market rule enhancements that would best ensure both reliability and the efficient operation of the markets such that the perceived need for a "circuit breaker" is significantly reduced.

Sincerely,

Mark Takahashi
Chair, PJM Board of Managers

cc: Members Committee