



PJM Interconnection, LLC  
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December 20, 2023

Re: Generation Owner Sector Meeting

Dear Members,

As you may be aware, the PJM Board has agreed to conduct closed session meetings between representatives of the PJM Board and each individual sector in an effort to foster elevated and strategic communications. To this end, at 1 p.m. on December 6, 2023, independent PJM Board members Paula Conboy (remote), David Mills (remote), Dean Oskvig, Mark Takahashi, and President and CEO Manu Asthana met with executive leadership from the Generation Owners Sector. See Attachment A (the "Participants").

At the outset of the meeting, PJM's General Counsel Chris O'Hara reminded attendees of the following principles governing the meeting:

1. The meeting is conducted in accordance with PJM Antitrust Policy and Codes of Conduct, including specifically the Addendum to the Board Code of Conduct;
2. The purpose of the meeting is for the Board representatives to listen to comments from the sector;
3. Discussions will be confined to the agenda and remain at a strategic and educational level, and shall not address matters pending before the Board; and
4. The meeting is ex parte, and PJM will disclose briefly, by public posting on its website, the agenda and topics discussed promptly following the meeting.

Meeting Agenda Topics and Summary of Discussion:

1. Planning – The Participants shared their view that competitive markets are the way to balance affordability, sustainability and reliability, and that reliability is PJM's number one job. The Participants expressed support for PJM's work with respect to reliability. The Participants encouraged PJM to update its Energy Transition in PJM: Resource Retirements, Replacement & Risks report on a regular basis to provide accurate information on the status of the energy transition. The Participants stated that room for improvement exists as the industry goes through the energy transition. The Participants expressed concern about the pace of PJM's interconnection process. The Participants identified potential options for moving generation projects through the interconnection process more quickly, such as improvements to the Capacity Interconnection Rights (CIR) transfer process and pursuing opportunities made available by surplus interconnection service. The Participants articulated five recommendations for PJM's consideration: (i) the non-queue process should apply to surplus interconnection service requests; (ii) CIR transfers between electrically equivalent Points of Interconnection should be permitted outside of the interconnection process; (iii) parallel dispatch should be implemented to facilitate the concurrent operation of new and existing generation technologies; (iv) the pace of the interconnection process should be increased by specifying how the System Impact

Study will be used in the CIR transfer process; and (v) PJM should dedicate staff to surplus interconnection service requests. The Participants recognized that significantly revising long-term transmission planning is a challenge that requires significant additional efforts by PJM but could improve the prospects for the new entry resources necessary to maintain reliability. The Participants further recognized the success of the State Agreement Approach and expressed support for building on those opportunities to improve generation interconnection.

2. Energy and Ancillary Services Markets – The Participants shared their position that the Market Seller Offer Cap (MSOC) is significantly impairing the economically rational operation of the capacity market and, accordingly, will not be sufficient to sustain investment. The Participants expressed concern that PJM is not adequately considering the levels of revenue necessary to sustain existing generation and support new entry and encouraged PJM to holistically examine the energy and ancillary services markets as improvements will be necessary to sustain generators. The Participants expressed support for stronger pricing signals in the energy market if capacity market pricing is weakened due to over-mitigation. The Participants expressed concerns that conservative out-of-market operations and Reliability Must Run (RMR) agreements that allow for energy market participation will further erode efficient price signals, and they requested that PJM reassess the services that it needs and ensure that such services are priced appropriately to obtain the correct result.
3. Capacity Market – The Participants expressed concerns regarding the disconnect between the capacity market pricing and the significant reliability need facing PJM, in a large part due to the improper application of the MSOC and a failure to appreciate the risks associated with the operation of thermal generation in addition to the potential risks of non-operation during a Performance Assessment Interval. According to the Participants, although capital is available for certain renewable projects, capital is not available for the development of thermal or conventional generation at this time, largely due to regulatory instability and potentially unlimited environmental limitations on permitted plants. The Participants noted that financing costs have increased, and higher costs are making it difficult to develop generation projects. The Participants stated that new resources will be needed in the future, but there are no price signals to prompt that development. The Participants called on PJM to set the capacity rules and allow them to work. The Participants further commented on the conduct of the Independent Market Monitor who seeks to unilaterally nullify the outcome of the extensive recent stakeholder Critical Issue Fast Path process and Board determination. According to the Participants, existing generation owners require confidence that new and existing resources will be competing on a level playing field.

The Participants further stated that if RMR agreements further mitigate price signals, such price signals will not incent new development. In the Participants' view, PJM is not looking ahead but rather reacting to market issues. The Participants stated that expectations for data center load continue to grow and urged PJM to model load in a more granular way. The Participants also stated that transmission solutions alone will not address all of the anticipated future load growth. Finally, the Participants expressed concern about states pursuing environmental policies without regard to the reliability impact of such policies and then relying upon PJM to address the resulting reliability impacts and forcing customers to pay for those solutions. The Participants requested that PJM examine how states can be better held accountable for their policy decisions.

The meeting concluded approximately 1.5 hours after its start.

Sincerely,

/s/ Vasiliki Karandrikas

Vasiliki ("Vicki") Karandrikas  
Assistant Secretary

**Attachment A**

Organization	Attendee
<b>Calpine</b>	Andrew Novotny, President
	David Scarpignato, Director of Government & Regulatory Affairs
<b>Constellation</b>	Joseph Dominguez, President and CEO
<b>Competitive Power Ventures</b>	Sherman Knight, President
<b>Earthrise Energy</b>	Steve Vavrck, President
<b>EDP Renewables</b>	Tom LoTurco, Executive Vice President, Eastern US/Canada
<b>LS Power</b>	Nathan Hanson, President
<b>Rockland Capital</b>	Scott Harlan, President
<b>Talen Energy</b>	Mac MacFarland, CEO
<b>VC Renewables</b>	Dave Munsky, President and CFO
<b>Vistra</b>	Stacey Doré, Chief Strategy & Sustainability Officer, Executive Vice President of Public Affairs