

November 21, 2024

Mr. Mark Takahashi, Chair, PJM Board of Managers  
Mr. Manu Asthana, PJM President, and CEO  
PJM Interconnection, L.L.C.  
2750 Monroe Boulevard  
Audubon, Pennsylvania 19403

Dear Mr. Takahashi and Mr. Asthana:

I am writing as the representative of the consumer advocates and agencies representing electric consumer interests within the PJM footprint. Unfortunately, there is no opportunity for my comments to be heard by the PJM Board during the limited slots provided on November 21<sup>st</sup> during the Members Committee meeting.<sup>1</sup> Simply stated, the issues with the PJM capacity construct are too important to be relegated to a back-of-the-envelope, catch-me-if-you-can process with limited stakeholder involvement. PJM needs to do better.

The 25/26 PJM Base Residual Auction (BRA) resulted in \$14.7 billion in cumulative annual payments in the capacity market that begins June 1, 2025. This is up from \$2.2 billion in the prior BRA and exceeds the amount paid in any prior year in PJM's history. Meanwhile, competitive new entry of capacity to discipline (and respond to) this increase in future BRAs will struggle to respond with the shortened auction timeframes through the end of the decade. For the next, and possibly several BRAs, the result will be price signals that are ineffective, windfall payments to generators, and huge increases in electric consumers' costs. This a great concern. Furthermore, PJM's recent efforts at capacity market and queue reforms to address the substantive deficiencies in PJM's capacity market construct will not be as effective as they need to be because of PJM's rushed and deficient procedure for their adoption.

Over the years, stakeholders (and PJM) have gone to great lengths to create a set of guidelines to provide stakeholders opportunities in all situations to give pertinent information and allow for feedback. For example, the Critical Issue Fast Path process was developed with the understanding the process can be completed in as little time as one month. The minimal expectation is that PJM would provide a proposal, detailed information, and an opportunity for all sectors to provide feedback within a stated timeframe. Unfortunately, PJM's chosen path for this process provides virtually no details and has left some sectors on the sidelines.

I have serious concerns about the process PJM has created here for such important solutions to our resource adequacy issues. Last-minute proposals that include virtually no details, data, or analysis

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<sup>1</sup> There are no representatives from the end-use-customer sector on the list of presenters for the Nov. 21,2024 meeting. Thus, the Board will not get to hear from any consumer perspective. For my part, the novel, three-day window to sign up to speak on this critical topic was not sufficient. The three-day window was almost perfectly aligned with the National Association of Regulatory Utility Commissioner ("NARUC")/National Association of State Utility Consumer Advocate ("NASUCA") meetings in Anaheim, California and the federal Veterans' Day holiday.

and leave room for little input, have no place in developing such important policies. I recognize that time is of the essence with the compressed BRA schedule, but these issues were acknowledged back in February 2023 as part of the PJM “4 R Report”,<sup>2</sup> or at the very least, with the presentation of 25/26 BRA results in July 2024.

Furthermore, rushed decisions have not gone well in the past, and the actual impact of each failure has always fallen upon customers. Therefore, under this process, a significant amount of risk is shifted to consumers of the region - both reliability and cost risks.

A strong case can be made that PJM’s proposals, to the extent PJM has disclosed them, will not address the deficiencies in PJM’s capacity market construct, so that even if adopted, the upcoming BRA will continue to distort the supply/demand balance. Perhaps, more significantly, it is my understanding that these proposals simply address the current state of affairs and not the 50 GW of load forecasted to enter the situation in the next 5 years - by 2030.

I appreciate the PJM Staff’s efforts to come up with solutions as fast as possible as I believe action is necessary. In addition, the concepts have some merit, but PJM has not provided information to show that these proposals would be sufficient for the market to produce just and reasonable prices. Many of the Capacity Construct issues and PJM’s proposals were introduced during the one and only meeting on November 7<sup>th</sup>, 2024. Consumers have virtually no information to assess what PJM has done or evaluated.

Furthermore, in the initial Reliability Resource Initiative (RRI) formula proposal there appears to be 1) an over-weighting of generation performance, 2) a lack of weighting for In-Service date, and 3) no category for cost/benefit. Over the course of the last month PJM has provided stakeholders with two presentations with very little detail or data. The lack of details in conjunction with the impact and consequences of the proposed changes is certainly a cause for concern. Without time and details to meaningfully evaluate and respond to this and other PJM proposals, consumer advocates cannot adequately assess the impact of these proposals on consumers who pay the costs capacity prices.

Moving forward, consumer advocates recommend two essential reforms to ensure that consumer advocates are both informed about PJM actions and also that PJM hears the voices of consumers. First, an independent audit is necessary to evaluate how PJM got so far behind the curve on this matter and how PJM can avoid putting the stakeholders in situations like this in the future – where we are provided essentially no notice of PJM’s intentions to make significant changes to the BRA and other critical issues. PJM must provide sufficient levels of information to stakeholders to stay informed and to provide meaningful input. An independent audit would provide a blueprint for this essential realignment of how PJM involves consumer advocates when PJM makes massive changes that impact the pocketbook of consumers.

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<sup>2</sup> PJM issued the Energy Transition in PJM: Resource, Retirements, Replacements & Risks (4 R report), February 24, 2023.

Finally, PJM clearly needs a consumer voice ***and*** a commissioner from the region on the Board. PJM needs to have a better understanding of the risks that consumers in the region face. At this point, it appears that recognition is not happening at PJM.

Sincerely,

/s/ Gregory J. Poulos

Executive Director,  
Consumer Advocates of the PJM States