

Mr. Ake Almgren  
Chair, PJM Board of Managers  
PJM Interconnection, LLC  
2750 Monroe Boulevard,  
Valley Forge Corporate Center  
Audubon, Pennsylvania 19403

July 23, 2018

**Re: August 1, 2018 Liaison Committee Meeting Final Agenda**

Dear Mr. Almgren:

The members of the Liaison Committee (“LC”) and I greatly appreciate the Board of Managers’ (“Board”) July 2, 2018 correspondence offering support for the agenda topics provided. We agree as you noted that all three topics are significant and important topics for discussion. Upon consideration of the Board’s much welcomed feedback, the August 1, 2018 LC meeting agenda follows:

**1. Opening Remarks (10 minutes)**

**2. Quadrennial Review (35 minutes)**

In light of the forthcoming filing by PJM to modify certain components of the capacity market, the Members of the Liaison Committee wish to discuss the process by which the Stakeholders, the Independent Market Monitor, and PJM Staff provide recommendations to the PJM Board. While the Open Access Transmission Tariff (“OATT”) is clear that the Members will vote on the recommendations made to the Board, it is our understanding, like all RPM-related issues, that the Board may act independently of the vote of the Members.

The LC Members may wish to address near-term substantive issues such as aspects of the recommendations supplied by the Brattle Group, PJM Staff’s response to those recommendations, and important content from subsequent stakeholder discussions. It may also be productive to explore potential opportunities to improve future quadrennial review processes such as the timing and management of the stakeholder process and the timeline to review required OATT provisions that are ultimately filed with the Commission.

**3. Transmission Planning Matters (35 minutes)**

Issues like cost and transparency for supplemental projects, which is a transmission project category that has garnered significant attention, policies for aging infrastructure replacement, and implementation of PJM’s competitive transmission project sponsorship model are the subject of significant and sometimes contentious debate. At the June 21, 2018 Members Committee meeting, PJM CEO Andy Ott raised concerns that aspects of the current transmission planning regime are at risk of becoming untenable. He also voiced PJM’s growing discomfort that Members are asking PJM to undertake responsibilities that exceed their role and jurisdiction. Mr. Ott suggested that transmission related matters

concerning the competitive transmission planning process, cost containment, supplemental projects, and prioritizing allocation of PJM resources between competing initiatives may be ripe for discussion at the August Liaison Committee meeting. The Members appreciate Mr. Ott's comments and agree that this topic merits discussion at our upcoming meeting.

#### **4. PJM'S Fuel Security Analysis & Potential Direction from the Department of Energy ("DOE") to Subsidize Certain Generation Resources (35 minutes)**

PJM recently published a paper titled "Valuing Fuel Security," focusing on one type of resilience risk – fuel security – and sets out a phased approach to assessing "the vulnerability of fuel supply and delivery to generators and the risks inherent in increased dependence on a single fuel system." PJM states that its goal is to identify triggering thresholds where fuel security assurance is needed, then to model those locations as capacity market constraints to provide a market-based mechanism for valuing fuel security for implementation in time for the May 2019 capacity auction. In addition to ongoing coordination with relevant federal agencies, PJM proposes to perform analytics and modeling in approximately four months to facilitate reforms for the May 2019 capacity auction. PJM has recently obtained written stakeholder feedback regarding its proposal and methods.

Recently, several major media outlets reported that the DOE contemplates "directing System Operators for a period of twenty-four (24) months, to purchase or arrange for the purchase of electric energy or electric generation capacity from a designated list of Subject Generation Facilities sufficient to forestall any further actions towards retirement, decommissioning, or deactivation" of coal and nuclear fueled generators. PJM's response to these reports concluded that "there is no need for such drastic action" since the "electric grid is more reliable than ever" but acknowledged concerns regarding the system's ability to provide long-term resilience and ensure reliability "without the need for government intervention in the marketplace." While the DOE has not formally confirmed the accuracy of these reports, a statement from the White House Press Secretary says that "President Trump has directed Secretary of Energy Rick Perry to prepare immediate steps to stop the loss of these resources and looks forward to receiving his recommendations."<sup>1</sup>

The sectors believe that PJM's fuel security initiative has potentially significant ramifications for the capacity market beginning with the next capacity auction cycle. Stakeholders now wish to engage the Board in a discussion regarding the concepts PJM has set forth in the "Valuing Fuel Security" whitepaper and the stakeholder comments. Similarly, potential for unprecedented intervention into PJM's markets that the media reports suggest being contemplated by the DOE could soon become one of the most pressing issues facing our industry. The Members wish to join the Board in a strategic discussion of these important developments.

#### **5. Closing Remarks (5 minutes)**

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The LC members and I greatly appreciate the Board's consideration of these important issues and look forward to an engaging discussion during our August 1, 2018 meeting at the Cira Center in Philadelphia, Pennsylvania.

Very truly yours,



Chuck Dugan  
East Kentucky Power Cooperative, Inc.  
*Liaison Committee Chair*

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<sup>1</sup>Available at <https://www.whitehouse.gov/briefings-statements/statement-press-secretary-fuel-secure-power-facilities/>

CC: Mr. Andy Ott, PJM Interconnection, LLC  
Mr. Dave Anders, PJM Interconnection, LLC