

**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

PJM Interconnection, L.L.C.)	Docket No. ER24-98-000
)	
PJM Interconnection, L.L.C.)	Docket No. ER24-99-000
)	
)	(Not consolidated)

COMMENTS OF THE ELECTRIC POWER SUPPLY ASSOCIATION

Pursuant to Rule 212 of the Federal Energy Regulatory Commission’s (“FERC” or “Commission”) Rules of Practice and Procedure, 18 C.F.R. § 385.212 (2023), the Electric Power Supply Association (“EPSA”)¹ respectfully submits these comments in response to the October 13, 2023, tariff filings submitted concurrently under Section 205 of the Federal Power Act (“FPA”) by PJM Interconnection, L.L.C. (“PJM”) in the above-captioned proceedings.²

The companion PJM Capacity Market Reform Filings propose a range of market rule changes following an almost two-year stakeholder process through PJM’s Resource Adequacy Senior Task Force (“RASTF”) and continued through the PJM Board-initiated Critical Issue Fast Path (“CIFP”)³ on resource adequacy. Specifically, the

¹ EPSA is the national trade association representing competitive power suppliers in the U.S. EPSA members provide reliable and competitively priced electricity from environmentally responsible facilities using a diverse mix of fuels and technologies. EPSA seeks to bring the benefits of competition to all power customers. These comments represent the position of EPSA as an organization but not necessarily the views of any particular member with respect to any issue. EPSA filed a timely document-less motion to intervene in each docket on October 16, 2023.

² PJM Interconnection, L.L.C., *Proposed Enhancements to PJM’s Capacity Market Rules – Market Seller Offer Cap, Performance Payment Eligibility, and Forward Energy and Ancillary Services Revenues*, Docket No. ER24-98-000 (filed October 13, 2023) and PJM Interconnection, L.L.C., *Capacity Market Reforms to Accommodate the Energy Transition While Maintaining Resource Adequacy*, Docket No. ER24-99-000 (filed October 13, 2023) (together, the “PJM Capacity Market Reform Filings”).

³ PJM Board of Managers Letter to Stakeholders Initiating CIFP-RA Process, February 24, 2023, available at <https://www.pjm.com/-/media/about-pjm/who-we-are/public-disclosures/20230224-board-letter-re-initiation-of-the-critical-issue-fast-path-process-to-address-resource-adequacy-issues.ashx>.

CIFP accelerated stakeholder process was initiated to address reliability and resource adequacy challenges in the PJM Reliability Pricing Model (“RPM”), or capacity market, largely in response to Winter Storm Elliott and PJM’s Report on Resource Retirements, Replacements and Risks (“4R Report”) prepared as part of the RTO’s ongoing effort to analyze energy transition-related issues and impacts.⁴

Given the expedited pace to develop these near-term changes for the next auction, there are many specific details for these critical enhancements that were not available until the formal filings were submitted and there are additional details related to the proposed changes that must still be developed to provide the necessary transparency to market participants, including in the PJM Business Manuals. However, the PJM Capacity Market Reform Filings represent an incremental improvement to ensure a durable capacity market framework going forward. But, further reforms will still be needed across the PJM markets to maintain resource adequacy and reliability,⁵ including the capacity market, as acknowledged by both PJM⁶ and supported by the PJM Board.⁷ In particular, the PJM Board recognizes that “additional changes to PJM’s market are necessary to ensure prices align with the evolving reliability needs.”⁸

⁴ PJM Interconnection, L.L.C., *Energy Transition in PJM: Resource Retirements, Replacements and Risks* (issued February 24, 2023), available at <https://www.pjm.com/-/media/library/reports-notices/special-reports/2023/energy-transition-in-pjm-resource-retirements-replacements-and-risks.ashx>.

⁵ See e.g., Pre-Conference Statement of Nancy E. Bagot, Senior Vice President, Electric Power Supply Association, 2023 Annual Reliability Technical Conference, Docket No. AD23-9-000 (October 31, 2023), providing recommendations to improve gas-electric interdependence to facilitate system reliability.

⁶ PJM Capacity Market Reform Filing in Docket No. ER24-99-000 at 7. (“These reforms are a critical but certainly not final step in maintaining resource adequacy in the PJM region given a changing resource mix and increased customer demands for reliable energy supplies to meet an increasingly digital economy.”)

⁷ PJM Board of Managers Letter to Stakeholders regarding its decision within the CIFP-Resource Adequacy stakeholder process at 6 (issued September 27, 2023), available at <https://www.pjm.com/-/media/about-pjm/who-we-are/public-disclosures/20230927-pjm-board-letter-re-its-decision-within-the-cifp-ra.ashx>. (“PJM Board Decision on CIFP-RA”).

⁸ Id. at 2.

EPSA therefore urges the Commission to act on the PJM Capacity Market Reform Filings by December 12, 2023, as requested by PJM, to allow orderly implementation of the proposed market rule changes beginning with the upcoming Base Residual Auction (“BRA”) scheduled to commence in June 2024 for the 2025/2026 Delivery Year. However, with specific respect to the PJM proposal to limit performance payments to committed capacity resources, EPSA requests that this portion of the PJM Capacity Market Reform Filing in Docket No. ER24-98-000 should be severed (as consented to by PJM)⁹ and rejected by the Commission. While EPSA appreciates the intention of this proposal to encourage resources to participate in the auction, in times of system stress all resources capable of addressing system needs should have every incentive to perform regardless of whether those resources are “committed” or not.

I. Comments

The PJM Capacity Market Reform Filings propose reforms that are intended to address the region’s changing resource mix and decarbonization goals, and importantly, to incorporate lessons learned from winter operations during Winter Storm Elliott.¹⁰ The proposed changes are in capacity market areas that provide a direct benefit to reliability: (1) enhanced risk modeling with Expected Unserved Energy (“EUE”) as the reliability metric; (2) improved accreditation through adoption of a marginal effective load carrying capability (“ELCC”) approach for all resources, other than energy efficiency; (3) modifications to the Capacity Performance construct and alignment of permitted offers

⁹ To provide further flexibility for the Commission, PJM consents to make the proposed revision regarding the eligibility of Performance Payments and associated Balancing Ratio update severable from the remaining items in the Capacity Market Reform Filing in Docket No. ER24-98-000 at 4.

¹⁰ PJM Interconnection, L.L.C., *Winter Storm Elliott, Event Analysis and Recommendation Report* (issued July 17, 2023), available at <https://pjm.com/-/media/library/reports-notice/special-reports/2023/20230717-winter-storm-elliott-event-analysis-and-recommendation-report.ashx>.

to the risk taken by suppliers, including changes to the Market Seller Offer Cap (“MSOC”); and, (4) synchronization between the RPM and Fixed Resource Requirement (“FRR”) rules.

It is notable that the CIFP process culminating with the PJM Capacity Market Reform Filings has been utilized only once previously and “is to be used on major issues only in extraordinary circumstances (broad impacts to markets or significant reliability issue) and is expected to be used very infrequently.”¹¹ This very limited use of the underlying process underscores the magnitude of the issues to be addressed, the proposed reforms filed in response, and the need to “evolve” the PJM capacity market now and in the future to meet future reliability and resource adequacy requirements for the system. The use of this accelerated process for multiple issues also explains why there are a significant amount of details that must be spelled out in PJM’s manuals to make these reforms transparent.

EPSA has consistently supported consideration and adoption of necessary market rule reforms to ensure well-structured, competitive markets, which are the best mechanism to secure reliable and least cost electricity, shield ratepayers from investment risk, and allow PJM to meet rising demand while adapting to future electricity grid stress. While EPSA members have varying views on certain details or approaches based on their unique circumstances, the range of proposed changes in the PJM filings are generally reflective of capacity market reforms that EPSA has supported in concept and identified as key areas for improvement. In particular, EPSA has generally

¹¹ PJM Manual 34: PJM Stakeholder Process, Section 8.6.4 at 61.

supported efforts to improve risk modeling, including adoption of EUE;¹² use of a marginal ELCC approach for all resources as the preferable mechanism to ensure that the reliability contribution of each resource is accurately determined and aligned with compensation;¹³ and, aligning FRR requirements with those of capacity market resources.¹⁴

With respect to the MSOC, EPISA acknowledges that the proposed changes are responsive to the PJM Board directives and reflect incremental improvement, particularly with respect to the unit-specific review process and *should be approved*. But, while such reforms are an initial response, even PJM concedes such reforms do not fully address the Board's directives. Further reforms will be required in the future to address over-mitigation of capacity resources while also allowing resources to understand PJM's proposed modeling of risk and how that can reflect the resource specific risks based on the resource owners' commercial judgement. While not specific to the capacity market, there remains on-going risk to generation resources from various market issues that should be addressed, including load forecasting errors, the inability to change offer parameters in real time, and continuing challenges because of the lack of coordination between gas-electric nomination and delivery schedules.

¹² Post-Forum Comments of the Electric Power Supply Association at 12, PJM Capacity Market Forum, Docket No. AD23-7-000, (filed August 14, 2023), available at https://episa.org/wp-content/uploads/2023/08/FINAL-EPISA-Post-Forum-Comments_PJM-Capacity-Market-Forum_8.14.23.pdf.

¹³ Comments of the Electric Power Supply Association at 4-5, New York Independent System Operator, Inc., *Excluding Certain Resources from the "Buyer-Side" Capacity Market Power Mitigation Measures, Adopting a Marginal Capacity Accreditation Market Design, and Enhancing Capacity Reference Point Price Translation*, Docket No. ER22-772-000 (filed January 26, 2022).

¹⁴ See generally Reply Comments of the Electric Power Supply Association, Post-Technical Conference Comments on Resource Adequacy in the Evolving Electricity Sector, *Modernizing Electricity Market Design*, Docket No. AD21-10-000, (filed May 10, 2021) available at <https://episa.org/wpcontent/uploads/2021/05/EPISA-Reply-Comments-re-AD21-10.pdf>.

As highlighted by recent winter operations during Winter Storm Elliott when a subset of capacity resources lost more than \$1 billion in a two-day period and the 4R Report, capacity resources face significant risks, and resource owners must have the ability to reflect that risk in their capacity offers or capacity resources will likely continue to retire and at an accelerated pace; precisely the opposite impact that will assure a reliable grid transition.

Importantly, NERC has recently identified that energy policies *are the number one system risk to reliability* and offers recommendations to enhance reliability and manage these risks.¹⁵ The NERC report emphasizes that energy policy has broad implications across other risk areas and can drive change in bulk power system planning and operations in short time periods, affecting reliability and resilience.

EPSA members have invested billions of dollars in PJM and provide more than 50,000 MW of generation capacity in the region. These companies are at the forefront of the energy transition and develop, own, and invest in all resources and technologies. With the threat of at least 40,000 MW of generation identified in the PJM 4R Report as at-risk for retirement without sufficient replacement, it is critical that the remaining resources needed for reliability have adequate information and incentives to remain in the market. EPSA appreciates the efforts by PJM, the PJM Board, and stakeholders to make necessary adjustments to the capacity construct and the recognition that further

¹⁵ NERC, *2023 ERO Reliability Risk Priorities Report*, (issued August 21, 2023), available at <https://www.nerc.com/news/Headlines%20DL/August%2021%20Announcement%202023%20ERO%20Reliability%20Risk%20Priorities%20Report.pdf>. (“Decarbonization, decentralization, and electrification have been active policy areas. Implementation of policies in these areas is accelerating, and, with changes in the resource mix, extreme weather events, and physical and cyber security challenges, reliability implications are emerging. Demonstrated risks, such as energy sufficiency as well as natural gas and electric interdependence, are becoming increasingly critical. Emerging potential risks, such as aggregate DERs, are increasingly concerning.”)

steps will be required to ensure resources are available to meet the future system needs.

II. Conclusion

Wherefore, EPSA requests that the Commission consider these comments in its review of the PJM Capacity Market Reform Filings and issue an order on both filings by December 12, 2023, so that the reforms align and to allow orderly implementation of both sets of proposed changes ahead of the upcoming BRA for the 2025/2026 Delivery Year. With specific respect to the PJM proposal to limit performance payments to committed capacity resources, EPSA requests that this portion of the PJM Capacity Market Reform Filing in Docket No. ER24-98-000 should be severed (as consented to by PJM) and rejected by the Commission. Additionally, EPSA urges the Commission to encourage PJM to continue to work with stakeholders to file additional, needed capacity market reforms in the near future, and in particular, regarding risk mitigation and MSOC.

Respectfully submitted,

/s/Nancy Bagot

Nancy Bagot, Senior Vice President
Sharon Theodore, Vice President, Regulatory Affairs
Electric Power Supply Association
1401 New York Avenue, N.W., Suite 950
Washington, D.C. 20005
(202) 628-8200
nancyb@epsa.org

Dated: November 9, 2023

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document via email on each person designated on the official service list compiled by the Secretary of the Federal Energy Regulatory Commission in this proceeding.

Dated at Washington, D.C., this 9th day of November, 2023.

/s/Sharon R. Theodore

Sharon R. Theodore