

March 22, 2021

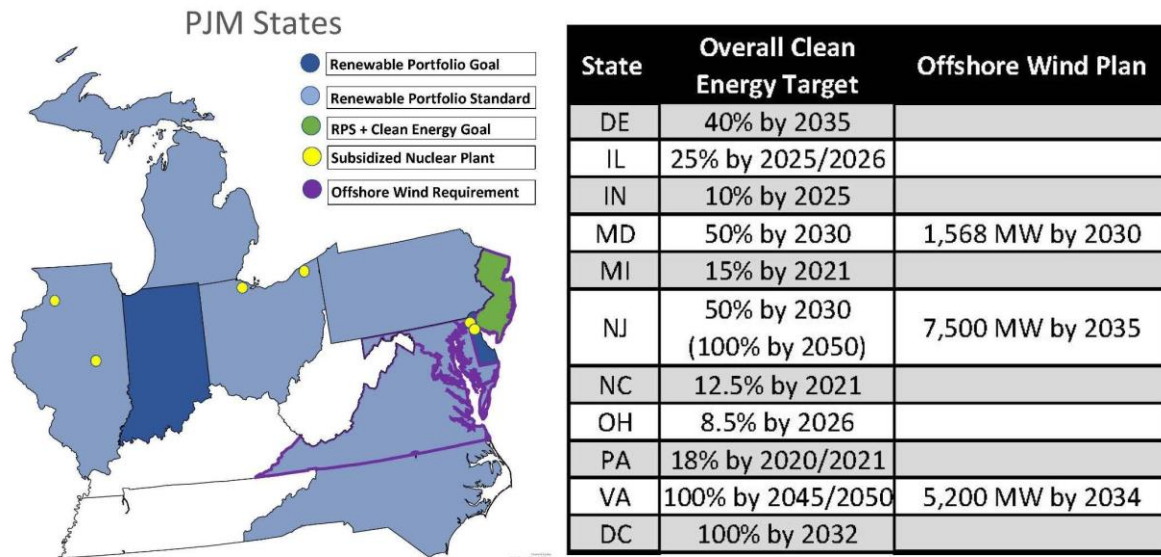
 Manu Asthana  
 President and CEO  
 PJM Interconnection, L.L.C.  
 2750 Monroe Boulevard  
 Audubon, PA 19403

Re: PJM Capacity Market Workshops and Reforms

Dear Mr. Asthana,

Recent headlines from Texas and California have demonstrated the dire consequences faced by grid operators who are unprepared for increasingly extreme weather events. Given the overlapping crises of the Coronavirus pandemic and climate change, it is imperative that regional transmission operators like PJM proactively engage in the steps necessary for a rapid transition to a clean energy grid that is resilient, reliable, and affordable.

We recognize that this effort requires partnership across all participants in the electric sector. As members of the National Caucus of Environmental Legislators, we are committed to doing our part in tackling this complex challenge. While more remains to be done, as the graphic below demonstrates, considerable progress has been made across PJM member states to enact state policies necessary to drive a just transition to clean energy generation. Many of these states are considering more clean energy policies and requirements each legislative session, so these standards may become even stronger over the next several years.



But if state clean energy goals are to be achieved, PJM must be an active and engaged partner in this endeavor. However, in recent years, developments in the PJM market have presented considerable obstacles to achieving state clean energy goals. Primary among our concerns is application of the minimum offer price rule (MOPR) to state-supported clean energy resources in PJM's capacity market. As PJM is aware, many of our states have been involved in proceedings before the Federal Energy Regulatory Commission on PJM's decision to seek application of the MOPR to state policy-supported resources, noting extensively the adverse effects of the MOPR on our states' consumers and our states' ability to exercise jurisdiction over generating resources within our own borders.

We have also been gathering information concerning the effects of the MOPR and tools available to minimize the harm to our states. As PJM itself recently noted, the existing MOPR will prevent thousands of megawatts of offshore wind planned for Maryland, Virginia, and New Jersey from clearing in the fast-approaching capacity auctions, which will cover energy delivery years 2022-23 through 2025-26.<sup>1</sup> It is also quite possible if not likely that other clean energy generation from existing nuclear plants or new fixed solar, onshore wind, storage, distributed energy resources, or energy efficient resources, will also fail to clear. This market effect of MOPR can both threaten the economic viability of clean energy development and also unnecessarily raise the capacity charge paid by every electricity ratepayer across PJM. These excess charges will grow significantly over time, as increasing percentages of new clean energy generation fail to clear the capacity market and require most PJM consumers to "pay twice for capacity" – once for the clean energy they are demanding and once again to build redundant fossil fuel resources that they do not want or need.

In addition to the excess costs of the MOPR, for several years PJM's capacity market has grossly exceeded PJM's required reserve margins. This excess reserve requirement has been filled primarily with fossil fuel plants and imposes unnecessary costs on consumers without assurances that these resources (and their fuel supplies) will be able to reliably operate under increasingly challenging weather conditions. Furthermore, many states have raised concerns about significant and persistent barriers to the interconnection of clean energy resources at PJM.

As currently structured, the combination of MOPR, persistent over-procurement, and barriers to transmission will thwart state environmental and energy policies and exacerbate harms to consumers, especially including those already overburdened by the negative impacts of fossil fuel emissions. These critical problems also threaten PJM's ability to provide a clean, resilient, reliable, and affordable grid in the future. Fundamental reform is needed to ensure that PJM's markets continue to provide benefits for customers and help achieve state clean energy objectives.

Given these concerns, we are encouraged by PJM's decision to hold a series of workshops to discuss capacity market reforms and its acknowledgment that the MOPR is unsustainable.

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<sup>1</sup><https://www.pjm.com/-/media/committees-groups/committees/mic/2021/20210212-workshop-1/20210212-capacity-markets-workshop-session-1-presentation.ashx>, slide 35.

We are particularly interested in seeing whether PJM will follow its words with action to address the urgent need for reform and whether PJM will more actively seek out and accommodate state perspectives and requirements. States will hold PJM responsible for ensuring its capacity market helps, rather than hinders, state efforts to reduce emissions, promote economic development, and protect consumers. If PJM is unable to adapt to the needs of a changing electrical system, then states may continue to explore alternatives to PJM's capacity market.

In an effort to promote improved dialogue between PJM and the states, we anticipate inviting PJM's senior leadership to a meeting of NCEL members in April to discuss next steps for fundamental market and transmission reforms in PJM.

Thank you for your attention and consideration of our input.

Sincerely,

Delegate Lorig Charkoudian  
*Maryland*

Senator Joanne Benson  
*Maryland*

Delegate David Fraser-Hidalgo  
*Maryland*

Delegate Benjamin Brooks  
*Maryland*

Senator Laura Fine  
*Illinois*

Delegate Al Carr  
*Maryland*

Representative Andre Thapedi  
*Illinois*

Senator Jill P. Carter  
*Maryland*

Representative Sue Errington  
*Indiana*

Delegate Charlotte Crutchfield  
*Maryland*

Representative Mary Lou Marzian  
*Kentucky*

Delegate Dereck Davis  
*Maryland*

Delegate Vanessa Atterbeary  
*Maryland*

Delegate Eric Ebersole  
*Maryland*

Delegate Heather Bagnall  
*Maryland*

Senator Brian Feldman  
*Maryland*

Delegate Darryl Barnes  
*Maryland*

Delegate Jessica Feldmark  
*Maryland*

Delegate Kumar Barve  
*Maryland*

Delegate Michele Guyton  
*Maryland*

Senator Shelly Hettleman  
*Maryland*

Delegate Terri Hill  
*Maryland*

Delegate Julian Ivey  
*Maryland*

Delegate Steve Johnson  
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Delegate Dana Jones  
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Senator Delores Kelley  
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Delegate Ken Kerr  
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Delegate Marc Korman  
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Senator Ben Kramer  
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Delegate Carol Krimm  
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Senator Susan Lee  
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Delegate Robbyn Lewis  
*Maryland*

Delegate Karen Lewis Young  
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Delegate Brooke Lierman  
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Delegate Mary Ann Lisanti  
*Maryland*

Delegate Lesley Lopez  
*Maryland*

Delegate Sara Love  
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Delegate Maggie McIntosh  
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Delegate David Moon  
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Delegate Julie Palakovich Carr  
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Delegate Edith J. Patterson  
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Delegate Joseline Pena Melnyk  
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Delegate Susie Proctor  
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Delegate Lily Qi  
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Delegate Kirill Reznik  
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Senator Jim Rosapepe  
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Delegate Sheila Ruth  
*Maryland*

Delegate Emily Shetty  
*Maryland*

Senator William Smith  
*Maryland*

Delegate Jared Solomon  
*Maryland*

Delegate Dana Stein  
*Maryland*

Delegate Vaughn Stewart  
*Maryland*

Delegate Kriselda Valderrama  
*Maryland*

Senator Mary Washington  
*Maryland*

Delegate Pat Young  
*Maryland*

Senator Bob Smith  
*New Jersey*

Representative Kelly Alexander  
*North Carolina*

Representative Rosa Gill  
*North Carolina*

Representative Verla Insko  
*North Carolina*

Representative Julie von Haefen  
*North Carolina*

Representative Tim Briggs  
*Pennsylvania*

Representative Mary Jo Daley  
*Pennsylvania*

Representative Danielle Friel Otten  
*Pennsylvania*

Representative Steven Malagari  
*Pennsylvania*

Representative Jennifer O'Mara  
*Pennsylvania*

Representative Chris Rabb  
*Pennsylvania*

Representative Ben Sanchez  
*Pennsylvania*

Representative Christina Sappey  
*Pennsylvania*

Representative P. Michael Sturla  
*Pennsylvania*

Delegate Sam Rasoul  
*Virginia*

Delegate Evan Hansen  
*West Virginia*

Delegate Kayla Young  
*West Virginia*