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VIA EMAIL

The PJM Board of Managers
c/o Mr. Howard Schneider
PJM Interconnection, L.L.C.
2750 Monroe Boulevard
Audubon, Pennsylvania 19408

Re: Proposed PJM Market Reforms

Dear Chairman Schneider and PJM Board of Managers,

Thank you for the opportunity to share our thoughts concerning the mitigation proposals that are presently under consideration. While Exelon continues to believe that PJM should proceed cautiously in this area given that both reserve margins and new entry in our market are at the highest levels ever, we recognize the considerable interest in this topic among a variety of stakeholders. Nonetheless, in light of PJM's acknowledgement of serious price formation flaws in its energy market, we continue to wonder whether PJM might do well prioritizing energy market reforms before embarking on additional changes to the capacity market that could very well undermine state air pollution policies - - policies that aim to achieve environmental objectives that presently are outside the scope of the PJM market design.

In any event, to the extent that PJM decides to act on mitigation, PJM should reject proposals that amount to little more than an invitation to enact discriminatory reforms that lack a sound economic and policy foundation. As the Board is well aware, mitigation proposals will be controversial; this is inevitable. But that controversy only is inflamed by proposals that do not adhere to basic guiding principles that ensure that mitigation programs accommodate rather than undermine state programs, and apply fairly and evenly across all technologies.

Because the MOPR-Ex proposals are neither economically consistent, fuel neutral, nor designed to accommodate state interests, the Board should reject these discriminatory and politically conceived proposals. Of course, it should come as no surprise to the Board that the MOPR-Ex proposals represent a political approach to mitigation. The IMM has conceded on multiple occasions before senior PJM committees that MOPR-Ex is the product of select deal-making with stakeholders - -not economic principle. Likewise, it should not be

surprising that these political deals have achieved significant support in senior committee voting.

Perhaps the most powerful indictment of MOPR-Ex is the IMM’s own pending MOPR proposal before FERC. On April 11, 2016 the IMM filed testimony in support of a PJM MOPR for new and existing resources purportedly based upon the IMM’s economic analysis. Indeed, the IMM continues to claim that revenue or cost abatement outside the PJM market structure affects market competitiveness. As the table below illustrates, just over a year later, the IMM now proposes blanket exemptions to policies that the IMM has continuously claimed distort the capacity market.

Resource Class	Strict MOPR-Ex Submitted to FERC	MRC MOPR-Ex with voting concessions
Public Power	Mitigated if outside thresholds Pursuant to net short and net long thresholds	Relaxed mitigation Net short threshold eliminated and net long threshold relaxed
State RPS Program	Mitigated	Current programs not mitigated Offshore wind, nuclear, and natural gas and coal always mitigated
Qualifying Facilities	Mitigated	Not mitigated

Plainly, as the IMM admitted, he has made these changes to get stakeholder votes and not because his fundamental economic analysis has changed.¹

In closing, we urge the Board to consider the connection between the capacity market reforms under consideration as a result of MOPR-Ex and the energy market reforms that have been identified by PJM. MOPR-Ex targets state programs supporting at-risk baseload nuclear plants that are threatened by the impact of unmitigated state renewable subsidies. These are the very resources that are subject to the discriminatory rules that disallow baseload units from setting price when they are needed by the system to maintain electric service. The Board should move forward with urgency on the energy market reforms that PJM has identified to correct that discrimination and ensure the PJM markets continue to ensure cost-effective service for its customers.

¹ Beyond the mitigation proposals, a fair question for the Board is whether the IMM’s proper scope of duties involves the crafting of political compromises that are not even consistent with the IMM’s own economic analysis.

Sincerely,

A handwritten signature in black ink, appearing to read "J. Dominguez", with a long, sweeping underline that extends to the right.

Joseph Dominguez
Executive Vice President
Governmental and Regulatory Affairs
and Public Policy, Exelon