

February 12, 2018

VIA ELECTRONIC DELIVERY  
The PJM Board of Managers  
c/o Mr. Howard Schneider, Chairman  
Andrew L. Ott, President and CEO  
PJM Interconnection LLC  
PO Box 1525  
Southeastern, PA 19399-1525

Dear Chair Schneider and PJM Board Members:

**Re: Recommendation that the PJM Board of Directors Not Approve PJM Staff's Repricing Proposal for Filing at FERC**

The undersigned represent organizations with renewable energy, public health, consumer, and environmental interests. We value the roles PJM and stakeholders play to cost effectively serve the 65 million electricity customers in PJM's footprint, including developing rule changes that would be ultimately deemed just and reasonable by FERC. We also appreciate the Board's longstanding commitment to the stakeholder process. A well-functioning stakeholder process helps to ensure equitable consideration of the interests of suppliers, customers and other stakeholders, affords appropriate access to the Board, and facilitates the Board's consideration of stakeholder concerns and recommendations.

PJM's stakeholder process has, for the most part, shaped competitive electricity markets to weather and adapt to changing economics, shifting consumer preferences, technological innovation, and growing awareness of environmental externalities. Most recently, stakeholders have thoroughly investigated what, if any, changes need to be made to the capacity construct in light of public policy preferences and found that maintaining the status quo is preferable to any of the proposals developed in the Capacity Construct/Public Policy Senior Task Force (CCPPSTF), including PJM Staff's proposal.

We write because PJM Staff's expressed intention to recommend that the Board override the overwhelming stakeholder opposition to PJM's proposal would undermine confidence in the stakeholder process and, if approved by the Board, will result in a filing at FERC that will be widely protested as contravening the Federal Power Act.

The CCPPSTF launched its work in March 2017 to evaluate whether state public policies to support certain generation resources necessitated changes to capacity market rules. Stakeholders dedicated long hours of deliberation over more than 22 (mostly all-day) task force meetings, developed and considered ten proposals, and ultimately completed the taskforce's work within a rushed time frame (at times with meetings every other week). At the conclusion of that process, a straw poll revealed that most stakeholders (64%) preferred the status quo to any of the proposed capacity construct changes. At this juncture, and prior to MRC vote on the

proposal, PJM Staff indicated<sup>1</sup> that they would recommend for Board approval PJM Staff's own Capacity Market Repricing Proposal,<sup>2</sup> which only garnered 26% stakeholder support in the CCPSTF.<sup>3</sup> In an advisory vote at the January 25 MRC, nearly 80% of stakeholders in a sector-weighted vote opposed this PJM Staff proposal.<sup>4</sup> In addition, public interest organizations (many of which are listed below), who do not have a vote at PJM, also oppose the PJM Staff proposal. We acknowledge that PJM maintains Federal Power Act Section 205 filing rights in capacity construct matters; however, PJM's decision to disregard the votes of the taskforce and the MRC devalues the long work and commitment of the stakeholders and erodes stakeholder confidence in that process.

PJM Staff's approach is especially concerning because the proposal Staff is recommending over stakeholder objections would increase cost to consumers by an unknown but likely significant amount (no reliable estimates were provided) and will likely deter state policies favoring newer, cleaner resources. PJM Staff's proposal would increase market revenues to incumbent generators with no benefit to consumers, continue to crowd out new entry by cleaner resources, and render the capacity construct more susceptible to market manipulation. Importantly, PJM Staff's repricing proposal is a fundamental change that would take the capacity construct even further from a true market by divorcing a seller's quantity cleared from the price the seller is paid. This departure from fundamental economics creates perverse incentives that would encourage market gaming, leading to volatile pricing and higher costs. Such changes cannot be just, reasonable, and not unduly preferential.

The undersigned are concerned that raising rates to limit new entrants without benefits to consumers diminishes PJM's ability to ensure the operation of a robust, competitive and non-discriminatory electric power market in which we all share a vital common interest. We therefore urge you not to approve the filing of PJM's Capacity Market Repricing Proposal.

Respectfully submitted,

Bruce Burcat, **Mid-Atlantic Renewable Energy Coalition**

Betsy Beck, **American Wind Energy Association**

Anya Schoolman, **Solar United Neighbors**

Vera J. Cole, **Mid-Atlantic Renewable Energy Association**

Ron Celentano, **PA Solar Energy Industries Association**

Liz Robinson, **Philadelphia Solar Energy Association**

Maureen Mulligan and Dan Griffiths, **Sustainable Futures Communications**

David A. Kraft, **Nuclear Energy Information Service**

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<sup>1</sup> <http://www.pjm.com/-/media/about-pjm/who-we-are/public-disclosures/20180116-pjm-president-and-ceo-letter-regarding-capacity-market-repricing-proposal.ashx?la=en>

<sup>2</sup> <http://pjm.com/-/media/library/reports-notices/special-reports/2018/20180116-capacity-market-repricing-proposal-updated.ashx?la=en>

<sup>3</sup> <http://pjm.com/-/media/committees-groups/task-forces/ccppstf/20171121/20171121-ccppstf-vote-results.ashx>

<sup>4</sup> <http://pjm.com/-/media/committees-groups/committees/mrc/20180125/20180125-mrc-summarized-voting-report.ashx>

Grant Carlisle and Sharon Pillar, **Environmental Entrepreneurs (E2)**  
Mark Kresowik, **Sierra Club**  
Mike Jacobs, **Union of Concerned Scientists**  
Kim Smaczniak, **Earthjustice**  
Frank Rambo, **Southern Environmental Law Center**  
Justin Vickers, **Environmental Law and Policy Center**  
Brian P. Urbaszewski, **Environmental Health Programs, Respiratory Health Association**  
Tracy Fox, **Central Illinois Healthy Community Alliance**  
Rob Sargent, **Environment America**  
Court Gould, **Sustainable Pittsburgh**  
Joe Minott, **Clean Air Council**  
Abe Scarr, **Illinois PIRG and Environment Illinois**  
Andrea McGimsey, **Environment Virginia**  
Mike Roles, **PennPIRG,**  
Doug O'Malley, **NJ PIRG**  
Emily Scarr, **Maryland PIRG and Environment Maryland**  
Rachael Belz, **Ohio Citizen Action**  
David Masur, **PennEnvironment**  
Nathan Murphy, **Environment Michigan**  
Trish Demeter, **Ohio Environmental Council**  
David Rossini, **Environment Ohio and Ohio PIRG**  
Carol Hays, **Prairie Rivers Network, Illinois Affiliate of the National Wildlife Federation**  
Jennifer Chen, **Natural Resources Defense Council**

cc:

Mr. David Anders, Secretary, Director of Stakeholder Affairs, PJM  
Ms. Denise Foster, Vice President – State & Member Services, PJM  
Ms. Evelyn Robinson, Managing Partner – State Government Affairs, PJM