



# NUCLEAR ENERGY CAUCUS

Caucus Co-Chairs: **Senator Ryan P. Aument • Senator John T. Yudichak**  
**Representative Becky Corbin • Representative Rob Matzie**

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February 9, 2018

Mr. Howard Schneider  
Chair, PJM Board of Managers

Dr. Ake Almgren  
Vice Chair, PJM Board of Managers

PJM Interconnection, LLC  
2750 Monroe Boulevard  
Valley Forge Corporate Center  
Audubon, Pennsylvania 19403

**Re: Energy Price Formation**

Dear Mr. Schneider, Dr. Almgren, and Members of the PJM Board of Managers,

Over the past several years, members of the Pennsylvania General Assembly have expressed concerns about the loss of baseload generation resources in our Commonwealth.

While Pennsylvania currently benefits from numerous sources of electric generation – including coal, nuclear, natural gas, hydroelectric, and renewables – we are losing confidence in the ability of wholesale electric markets to ensure Pennsylvania maintains a diverse supply of baseload generation resources that ensure stable prices for our citizens and a reliable and resilient electrical grid.

Pennsylvania's baseload power plants continue to face the risk of premature retirement, and we do not see expeditious and sufficient action being taken by PJM or the Federal Energy Regulatory Commission ("FERC") to correct the market flaws at the heart of this problem - flaws that PJM itself acknowledges.

As recently as October of 2017, this General Assembly adopted, nearly unanimously, resolutions calling on the FERC to take swift action to address the concerns about the loss of baseload generation and its impact on grid diversity and resiliency raised in the U.S. Department of Energy's Notice of Proposed Rulemaking.

Our concern has only been heightened by the recent bomb cyclone and the role of our diverse power supply in ensuring that PJM was able to avoid interruptions. The dramatic increase in wholesale power prices during that period highlight the risk of overreliance on any single fuel source, a risk we believe PJM can and should avoid by swiftly enacting market reforms.

We were pleased to see that on January 8, the FERC ordered PJM to begin analyzing the issue of resilience more thoroughly by submitting specific information regarding grid resilience. While we recognize that FERC's proceeding on grid resilience is an early step, we are encouraged that the FERC valued our concerns and those of numerous other stakeholders. You should know that as elected lawmakers ultimately responsible for our Commonwealth's energy policy, we will engage in the discussion and strongly support urgent implementation of critical findings.

We were also encouraged to learn that late last year, PJM issued a whitepaper outlining a potential solution to address a flaw in its market rules that unfairly disadvantages certain low-cost baseload generation resources. The PJM market flaw prevents certain baseload generation resources from setting energy market clearing prices, *even when the plants are running and their power is required to meet customer demand*. Consequently, market prices are artificially low and do not reflect the true cost of meeting customer demand.

To its credit, PJM has recognized this flaw and is developing a potential solution that will allow these baseload resources to set the wholesale energy market clearing price when their power is needed to meet customer demand.

PJM's proposal is technology-neutral, evenly applying to all resources, including natural gas and renewable resources. PJM's proposal puts baseload resources on par with other energy resources that have long been eligible to set the market price, and will provide baseload resources with additional energy revenues needed to help cover their costs.

We believe that this is an important first step in recognizing the benefits of fuel diversity within this market, and one that will help keep our grid – and power prices – stable for many years to come.

Moreover, the PJM proposal is entirely consistent with the October 2017 resolutions adopted by the General Assembly urging the implementation of policies and tariff provisions to ensure baseload electricity generation resources receive proper compensation for the positive attributes they provide our nation's and this Commonwealth's electric system.

While this one potential solution will not fully correct the existing market flaws nor fully provide the compensation necessary to maintain baseload resources, a failure by PJM to implement more just and reasonable energy pricing in its wholesale market will continue to inequitably exacerbate the financial challenges facing baseload resources in the Commonwealth.

Without action, our Commonwealth, its communities, people and economy will continue to lose substantial economic benefits as more power plants prematurely close.

As the co-chairs of the General Assembly's 80 member bipartisan, bicameral Nuclear Energy Caucus, we request that PJM move swiftly to take the next step forward in this effort by submitting the necessary filings and revisions with the Federal Energy Regulatory Commission so that reform of this energy market design flaw that is disadvantaging Pennsylvania's baseload generation resources is achieved in 2018.

Respectfully submitted,



RYAN P. AUMENT  
State Senator  
36<sup>th</sup> Senatorial District



JOHN T. YUDICHAK  
State Senator  
14<sup>th</sup> Senatorial District



BECKY CORBIN  
State Representative  
155<sup>th</sup> House District



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State Representative  
16<sup>th</sup> House District

NEC/jgs

Enclosures

cc: Pennsylvania Public Utility Commissioners  
Senator Scarnati, Senate President Pro Tempore  
Senator Corman, Senate Majority Leader  
Senator Costa, Senate Minority Leader  
Mike Turzai, Speaker of the House  
Dave Reed, House Majority Leader  
Frank Dermody, House Minority Leader  
Andy Ott, President and CEO, PJM Interconnection