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March 6, 2018

Nuclear Energy Caucus  
Senate Box 203036  
Harrisburg, PA 12120-3036

Dear Senator Aument, Senator Yudichak, Representative Corbin, and Representative Matzie:

Thank you for your letter dated February 9, 2018 regarding Energy Price Formation. PJM values input from lawmakers in the states served by PJM and appreciates the opinions, perspectives, and priorities stated in your correspondence. Your input enriches the consideration and discussion of reliability, resilience, and price formation.

Over the last 20 years, PJM markets have yielded reliability at the lowest cost for Pennsylvania and the region. The PJM market, the Pennsylvania energy industry, and the Commonwealth's policies have, and continue to, produce this result. Specifically, Pennsylvania has built over 12,000 megawatts of new generation with more under development. This a direct result of the investment signals sent by the PJM wholesale market. This allows Pennsylvania, on average, to produce enough power to meet the energy needs of the Commonwealth and to provide additional low cost electricity to consumers outside of the state. Over the last six years alone Pennsylvania produced between 18 to 27 percent *above* the Commonwealth's own power demand needs. For perspective, that would represent power produced from 6,500 megawatts of power generation, or, nearly two-thirds of Pennsylvania's nuclear fleet.

Both PJM and Pennsylvania hold a more diverse fuel mix portfolio today than has been the case historically. Coal, natural gas, and nuclear power generation now comprise a more balanced share of the overall portfolio for both installed capacity and energy production. Pennsylvania's forward-looking policies in natural resource development have allowed the generation market to deploy advanced technologies near low cost fuel sources. Fuel diversity, however, is not a metric with which PJM can measure reliability. Instead, fuel security – the certainty of fuel availability for power production – affects reliability. PJM's role is to define clear requirements for the power grid's needs; then, use market-based mechanisms that allow all resources types to compete in offering such a service.

PJM's markets are both designed and functioning to ensure reliability at the lowest cost. However, considering the historic changes in the industry over the last 20 years, particularly as it relates to fuel security, there is room for markets to more sharply define power grid requirements. Efforts are underway to improve wholesale market price efficiency for all the resources that rely upon the wholesale market to compensate them for their services, and appropriately to provide transparent investment signals.

PJM is working with various groups in PJM's stakeholder process on both resilience and energy price formation initiatives that will serve as a means to address the important topics that both the Department of Energy and the Federal Energy Regulatory Commission addressed in the Notice of Proposed Rule-making docket. PJM thanks the Caucus for its support of the initiative underway exploring improvements to energy market price formation.

I anticipate continued interest in the impacts of plant retirements, resilience, fuel security and energy market price formation over the next several months and I welcome the opportunity for PJM to meet with the Caucus to review the status of various initiatives. I encourage you to coordinate such a discussion with Stephen Bennett, PJM's Manager of Regulatory Affairs. The initiatives underway will enhance resilience and better ensure wholesale market price efficiency for the benefit of Pennsylvania and the entire PJM region.

Sincerely,



Andrew L. Ott

cc: President Pro Tempore Joseph B. Scarnati III  
Majority Leader Jake Corman  
Minority Leader Jay Costa  
Chairman Robert M. Tomlinson  
Chairman Lisa M. Boscola  
Chairman Gene Yaw

PUC Chairman Gladys M. Brown

Speaker Mike Turzai  
Majority Leader Dave Reed  
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