



Organization of PJM States, Inc. (OPSI)

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September 24, 2021

Via Electronic Delivery Only

The PJM Board of Managers
c/o Mark Takahashi, Chairman
c/o Mr. Manu Asthana, PJM President and CEO PJM Interconnection L.L.C.
2750 Monroe Boulevard
Audubon, Pennsylvania 19408

Dear Mr. Takahashi and Mr. Asthana,

OPSI understands that the FERC-approved changes to reserve pricing, and specifically a new downward sloping ORDC framework, are set to take effect on May 1, 2022. Further, OPSI has followed the recent ORDC discussions and actions amongst PJM stakeholders, including the re-emergence of the Energy Price Formation Senior Task Force (EPFSTF) with an MRC-approved Issue Charge.

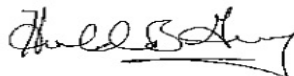
The May 1, 2022 implementation of the new reserve pricing framework represents a significant cost risk to the retail customers for whom we are responsible. During an emergency event, the combination of reserve product structure, the absence of any circuit breaker or stop loss mechanism for the ORDC, and the current Transmission Constraint Penalty Factor rules, could lead to extreme pricing for an undefined duration at a cost that would easily eclipse the value of any gained benefit to grid reliability.

The new ORDC framework will significantly increase the maximum clearing price of the energy component of Locational Marginal Pricing (LMP) from \$3,750/MWh to \$12,050/MWh beginning in May 2022. This maximum increase alone multiplies the effects of any long-term exposure to extreme pricing due to an emergency event. The balance of increased pricing and reliability within the new construct is not clear to OPSI members, and the lack of protection against prolonged increased prices with zero marginal reliability is concerning.

This issue is important, and there is a short timeline for a FERC filing regarding a rule change and the implementation of any possible solution in advance of May 2022. OPSI therefore requests that the PJM

Board direct its staff to prioritize the development of a circuit breaker or similar mechanism and provide all necessary assistance in getting stakeholders to a resolution which adequately addresses OPSI's concerns.¹

Sincerely,

A handwritten signature in black ink, appearing to read "Harold B. Gray". The signature is written in a cursive style with a horizontal line underneath the name.

Harold B. Gray, President
Organization of PJM States, Inc.

¹This letter was adopted on September 16, 2021 by the OPSI Board of Directors. States in support: DE PSC, IL CC, IN URC, KY PSC, MD PSC, MI PSC, NJ BPU, NC UC, PSC of OH, PA PUC, TN PUC, PSC of WV. Abstain: PSC of DC.