

December 3, 2021

PJM Board of Managers  
Mr. Mark Takahashi, Chairman  
Mr. Manu Asthana, President and CEO  
PJM Interconnection, LLC  
2750 Monroe Boulevard  
Audubon, PA 19403

**RE: Long-Term Load Forecasting**

Dear Mr. Takahashi, Mr. Asthana, and the PJM Board of Managers:

Developing accurate peak load forecasts are one of PJM's core responsibilities and crucial for delivering just, reasonable, and reliable electric service for the more than 65 million customers in PJM's footprint. Under-forecasting may create significant reliability risks, potentially leaving consumers without life-sustaining services at critical times. However, over-forecasting also has significant negative consequences—resulting in consumers purchasing excess capacity they don't need at a cost that can be in the billions. These extra costs are not without consequence, whether it be the business that can no longer afford to operate in the PJM service territory or the residential ratepayer forced to choose between electricity and other vital needs like food or medicine. *Electricity that is not affordable is not reliable.* Additionally, over-forecasting leads to retaining older, higher-cost and carbon-intensive resources that are not needed, meaning that over-forecasting creates a significant barrier to cost-effectively meeting many state, local, and corporate decarbonization goals.

The Board has recognized the importance of accurate load forecasts, and in its April 6, 2021 letter to stakeholders instructed that “[e]valuating all aspects surrounding the appropriate level of capacity procurement”<sup>1</sup> be include in the Phase II capacity market reforms. Similarly, PJM staff has been engaged in improving the current load forecasting methodology. Over the past year, representatives of the undersigned have met with PJM's Load Analysis Team, and we appreciate the constructive dialogue with Tom Falin, John Reynolds, and Andrew Gledhill, among others.

At several recent stakeholder meetings, PJM staff has mentioned its intention to hire an independent consultant to review the existing load forecast methodology. We support PJM's decision. We believe this represents an important opportunity to address several methodological issues in PJM's current approach, which has undergone substantial changes over the past few years and grown much more complex.

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<sup>1</sup> PJM Board Letter Initiating Critical Issue Fast Path – Minimum Offer Price Rule Process, <https://www.pjm.com/-/media/about-pjm/who-we-are/public-disclosures/20210406-board-letter-regarding-capacity-market-minimum-offer-price-rule-and-initiation-of-the-critical-issue-fast-path-process.ashx> (April 6, 2021).

In order to ensure that the work of the consultant is as beneficial for PJM and stakeholders as possible, we recommend the following in regard to this process:

1. The RFP should be broad in scope to ensure a comprehensive and deep review of PJM's methodology. The effort should be adequately funded to ensure PJM receives detailed recommendations for addressing all identified issues.
2. We also recommend that the scope of work include the consultant working with PJM and the electric distribution companies to collect sector load data and survey the EDC's knowledge of the main drivers of their sector loads. PJM staff have repeatedly noted their lack of zonal sector load data, resulting in reliance on publicly-available annual data and weak sector models.
3. Finally, we also recommend that PJM engage stakeholders throughout this process, including the process to finalize the scope of the RFP and select the consultant. Stakeholders should also be engaged early and regularly while the consultant's work is underway, including opportunities to voice concerns about the current methodology up front; to review initial findings and recommendations as they become available; and to review and comment on the final work product in draft form.

Similarly high levels of stakeholder engagement occurred during London Economics International's review of the ARR/FTR market and are currently occurring as part of Brattle Group's engagement on the Quadrennial Review. A high level of stakeholder engagement ensures that the consultant's work leads to recommendations that are both broadly beneficial and widely accepted.

We share PJM's belief that accurate load forecasts are central to PJM's responsibility to ensure reliability at just and reasonable rates. We appreciate the prior engagement on this issue and look forward to working with PJM, its consultant, and all stakeholders to further improve PJM's load forecast methodology.

Sincerely,

Delaware Division of the Public Advocate

Office of the People's Counsel for the District of Columbia

Citizens Utility Board of Illinois

Maryland Office of People's Counsel

Natural Resources Defense Council

New Jersey Division of Rate Counsel

Pennsylvania Office of Consumer Advocate

Sierra Club