

February 14, 2022

The PJM Board of Managers  
c/o Mark Takahashi, Chairman  
PJM Interconnection, L.L.C.  
2750 Monroe Boulevard  
Audubon, PA 19043

Dear Chairman Takahashi and Board Members,

We write in response to the February 1, 2022, letter to you from PJM Power Providers Group (“P3”) regarding capacity accreditation.<sup>1</sup> That letter provides an inaccurate description of the work PJM does and is an inappropriate attack on the stakeholder process and federal regulatory review that are the bedrock of PJM’s legitimacy. For these reasons, we believe the Board should understand the P3 letter as an attempt to bypass the mechanisms for resolving competitive and technical matters established by both PJM under its Operating Agreement and the Federal Energy Regulatory Commission under the Federal Power Act.

***P3’s assertion that PJM currently ignores transmission constraints when determining capacity obligations is incorrect***

The core of P3’s complaint is that PJM considers intermittent resources’ full historical output in determining their capacity value. P3 asserts this longstanding practice somehow violates PJM’s tariff and Reliability Assurance Agreement and raises imminent reliability risks<sup>2</sup>. The alarmist tone of P3’s letter is inappropriate given that PJM has calculated the capacity value of intermittent resources based on historic output, including output in excess of capacity interconnection rights (CIRs), since at least 2010.<sup>3</sup> In contrast to P3’s dramatic claims that current practice “undermin[es] fundamental tenets,” the relationship between renewables, transmission rights, and the capacity market have been well established for many years.

P3 members raised these concerns at great length as stakeholders developed new capacity accreditation rules for intermittent resources at the Capacity Capability Senior Task Force. Neither PJM staff nor stakeholders found them convincing, as evidenced by PJM supporting rules continuing the former practice of recognizing renewable’s actual performance as part of its new effective load carrying capability (“ELCC”) methodology. Those rules gained 80% stakeholder support at the September 17, 2020 MRC, including majority support from all stakeholder sectors.<sup>4</sup>

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<sup>1</sup> Letter from Glen Thomas, President, PJM Power Providers Group (Feb. 1, 2022), at <https://www.pjm.com/-/media/about-pjm/who-we-are/public-disclosures/20220201-p3-letter-regarding-capacity-resource-accreditation.ashx> (hereinafter “P3 Letter”).

<sup>2</sup> We also note that the “hundreds of megawatts” P3 claims are at stake in no way constitute a reliability issue on a system with PJM’s size and high reserve margin. Additionally, because ELCC resources are limited to offering the lesser of their ELCC accredited capacity and the CIRs they obtained under older accreditation rules, resources that entered the PJM interconnection queue before July 30, 2021 can only see their capacity offers *decrease* under the new rules.

<sup>3</sup> The practice is in the oldest copy of Manual 21 we could find, Version 10 from May 2010.

<sup>4</sup> See [Summarized Voting Report](#).

P3 itself supported PJM's ELCC filing at FERC.<sup>5</sup> However, certain P3 members raised the same concerns about how transmission constraints factor into the ELCC model that P3 repeats now. FERC specifically approved PJM's approach, which it found "reasonable in contrast to artificially limiting a Variable Resource's output to its CIRs within the ELCC model."<sup>6</sup> In other words, FERC has explicitly rejected the argument made in P3's letter that PJM's current approach fails to adequately account for transmission constraints.

The Commission explained that PJM's approach does consider transmission constraints in two ways. First, it would "account for historically binding transmission constraints by considering each Variable Resource's historic performance, including instances of curtailment due to transmission constraints."<sup>7</sup> Second, "after PJM has determined ELCC Resources' Accredited UCAP, PJM will limit an ELCC Resource's capacity market offer to be no greater than its CIRs, ensuring that the capacity market clearing process will not give an ELCC resource a capacity supply obligation that exceeds the capacity the resource can physically deliver."<sup>8</sup>

Thus, P3's letter is incorrect when it asserts that PJM's rules permit resources to "acquire a capacity obligation greater than what is deliverable." As PJM has told FERC, "a resource cannot offer more capacity than it is capable of providing nor more capacity than it is capable of delivering."<sup>9</sup>

### ***The stakeholder process is the appropriate forum to discuss future rule changes***

Discussion of transmission needs for generators' deliverability is currently in front of PJM stakeholders through the Planning Committee and the Resource Adequacy Senior Task Force. P3 and its members are well aware of these discussions. In fact, P3 endorsed this stakeholder process in their comments to FERC supporting ELCC.<sup>10</sup> Their sudden reversal simply reflects their disagreement with PJM's proposed solution.<sup>11</sup> P3 should not be bringing an alarmist letter to the Board now while these discussions are addressing the whole set of needs and possible reforms, nor should it attempt to disguise its members' commercial interests as reliability issues.

### ***PJM staff has taken no discretionary action to increase the capacity value of any resource***

The most troubling of P3's misrepresentations is its insinuation that PJM staff has intentionally privileged some resources at the expense of reliability.<sup>12</sup> Nothing could be further from the truth. The RAA sets forth the procedures to determine the capacity value of ELCC resources in detail. PJM staff have faithfully implemented these tariff provisions in a manner consistent with the letter of the tariff and PJM's prior representations to stakeholders and FERC.

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<sup>5</sup> *PJM Interconnection, LLC*, 176 FERC ¶ 61,056 at P 45, *Order Accepting Tariff Revisions and Terminating Section 206 Proceeding* (July 30, 2021).

<sup>6</sup> *Id.*, p54.

<sup>7</sup> *Id.*, p53.

<sup>8</sup> *Id.*

<sup>9</sup> *Updated Effective Load Carrying Capability Construct*, Filed June 1, 2021 in FERC docket ER21-278, p51.

<sup>10</sup> *Comments of the PJM Power Providers Group*, filed July 22, 2021 in FERC Docket ER21-2043, pp4-5.

<sup>11</sup> P3 Letter at 2.

<sup>12</sup> *Id.*

***P3 requests PJM to act unlawfully***

Nothing in PJM's tariff gives PJM staff or the Board the authority to unilaterally change resources' capacity accreditation, much less simply remove resources from the supply stack as P3 requests.<sup>13</sup> PJM's governing documents are clear on how to calculate the capacity value of intermittent resources. The Commission has both specifically endorsed PJM's approach as adequately accounting for transmission constraints and rejected arguments, such as those espoused in P3's letter, that additional adjustments to the capacity value of intermittent resources to reflect transmission constraints are necessary. P3 requests that PJM's Board require actions by PJM that would be contrary to its tariff. The Board should reject this self-serving request as the illegal and anticompetitive action it would be.

Sincerely,

Robert Altenburg  
Senior Director, Energy and Climate  
Citizens for Pennsylvania's Future (PennFuture)

Danielle Fidler  
Senior Attorney  
Earthjustice

Mike Jacobs  
Senior Energy Analyst  
Union of Concerned Scientists

Will Kenworthy  
Regulatory Director, Midwest  
Vote Solar

Dave Kolata  
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Citizens Utility Board

John Moore  
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Sustainable FERC Project

Casey Roberts  
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Sierra Club

Tom Rutigliano  
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<sup>13</sup> P3 Letter at 2.