

September 4, 2019

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PJM Board of Managers  
c/o Ake Almgren, Ph.D., Chairman  
2750 Monroe Boulevard  
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Dear Sue, Ake and the Board:

As you know, the RPM capacity auction for the 2022/23 delivery year has now been delayed indefinitely, pending the outcome of FERC's consideration of new market rules, including the possibility of a partial Fixed Resource Requirement Alternative (partial FRR) to accommodate state clean energy programs.

Regardless of what FERC decides as to these new market rules, states will need time to react by redesigning their own clean energy programs and utility procurement programs. This is no easy task. In many states, legislation will be needed to use a partial FRR (if allowed by FERC), or states may wish to explore a full FRR given the fundamental changes being made to RPM. Moreover, even after FERC's order is issued, states and other stakeholders may still be operating under significant uncertainty as to the details of the final market rules, to which any legislation and utility procurement programs must sync. PJM's compliance filing is likely to be complex and require PJM to make a number of market design and policy judgments, which some stakeholders may contest.

When the capacity auctions for 2022/23 and 2023/24 ultimately are held, they will be most successful if they occur against a backdrop of stable and settled market rules, as well as state policies enacted in response to those new rules. Indeed, it would be counterproductive to hold an auction when major portions of the auction framework remain in flux. A main purpose of the capacity auction is to provide price signals to market participants to guide entry and exit decisions. But when basic auction rules remain unsettled, market participants cannot rely on the auction's price signals. Such price signals may even be counterproductive, signaling the entry of new resources that will not actually be needed once states revise their clean energy programs in light of the new auction rules.

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Erroneous price signals will result in stranded costs for developers and higher costs for customers.

Accordingly, we write to request that PJM develop schedules for the 2022/23 and 2023/24 auctions that allow states the opportunity to make any legislative or regulatory changes needed to use a partial FRR, implement a full FRR, or to otherwise preserve their clean energy initiatives. To that end, we ask that, immediately upon issuance of a FERC order, PJM convene a meeting with state commissions and impacted stakeholders to establish a schedule that would ensure the orderly management of the capacity procurement processes in light of the legislative and regulatory steps that will need to be taken by states.

As you may know, over two dozen parties in the FERC proceeding, including many state representatives, emphasized the importance of time between the issuance of a FERC order and the PJM auction to allow states the opportunity to take any necessary action. These parties included:

<i>States</i>	Organization of PJM States, D.C. Attorney General, Illinois Attorney General, Illinois Commerce Commission, Maryland Public Service Commission, New Jersey Board of Public Utilities, and Pennsylvania Public Utilities Commission
<i>Consumer Advocates</i>	D.C. Office of People's Counsel, Delaware Division of the Public Advocate, Illinois Citizens Utility Board, Maryland Office of People's Counsel, Virginia Consumer Advocate Division, and West Virginia Consumer Advocate Division
<i>Load Interests</i>	Electricity Consumers Resource Council, Illinois Industrial Energy Consumers, Industrial Energy Consumers of America, Industrial Energy Consumers of Pennsylvania, Ohio Manufacturer's Association, Pennsylvania Energy Consumer Alliance, and PJM Industrial Consumer Coalition
<i>Suppliers</i>	Exelon, PSEG, and Talen
<i>Public Power</i>	American Public Power Association
<i>NGOs</i>	Natural Resources Defense Council, Nuclear Energy Institute, Sierra Club, and Sustainable FERC Project

For your reference, attached is a table excerpting the portions of these parties' comments discussing the importance of lead-time for state legislative action. All of these parties

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agree that failing to provide states the time needed to respond to FERC's orders would adversely impact customers and undermine the ability of states to fulfill their energy policies.

Given the significant reserve margins in the PJM market and the fact that no impending reliability concern exists, we urge PJM to take actions necessary to honor these parties' requests to ensure that states have adequate time to develop a coordinated and sound policy approach. We believe that it is important for PJM to hold a meeting soon after the issuance of FERC's order so that appropriate timelines can be established to ensure the orderly implementation of a partial FRR mechanism, if adopted.

Thank you for considering this request.

Nicholas K. Akins  
American Electric Power

Thomas F. Farrell, II  
Dominion Energy

Christopher M. Crane  
Exelon Corporation

Charles E. Jones  
FirstEnergy Corp.

Ralph Izzo  
Public Service Enterprise Group Inc.

<b>Organization of PJM States, 10/2/18 Comments at 4-5.</b>	If states lack “sufficient time and opportunity” to “pass legislation” that will make the “FRR-Alternative ... meaningful for owners of state-sponsored resources,” then “certain state-sponsored units may be forced offline, thus superseding state policy decisions and nullifying an accommodative features or intent of measures the Commission ultimately approves.”
<b>Illinois Commerce Commission, 10/2/18 Comments at 5.</b>	“Illinois, and likely other states, will require time to consider and enact legislation to enable the FRR-Alternative or other accommodating measures to be meaningful and usable by the owners of resources targeted for MOPR.”
<b>Illinois Attorney General, 11/6/18 Reply Comments at 15-16.</b>	“[S]tates, generators, and other stakeholders will need sufficient time to develop, adopt, and respond to statutes, policies, rules, and regulatory action to implement an FRR-Alternative.”
<b>Maryland Public Service Commission, 10/2/18 Comments at 8.</b>	States should not be required “to hastily enact legislation and promulgate regulations to align with a new PJM market construct.”
<b>New Jersey Board of Public Utilities, 10/2/18 Comments at 18.</b>	“The Commission must not accept unreasonable deadlines that will preclude States from utilizing any accommodative approach accepted by the Commission.... To the extent such a proposal would include a period of time wherein States can trigger the MOPR, but not avail themselves of the proposed FRRa, the outcome would fail to be just and reasonable.”
<b>Pennsylvania Public Utilities Commission, 11/6/18 Reply Comments at 19.</b>	“Participating States may require additional time to conduct stakeholder processes to determine the level of replacement capacity prices, how capacity prices will be recovered and from whom, pass necessary legislation and regulations, and create implementation plans.”
<b>DC Public Service Commission, 10/2/18 Comments at 9.</b>	“Regardless of exactly how the Commission rules on reforming PJM’s capacity market, it would require the District 9 to 12 months to undertake the necessary statutory and rule changes to begin to implement the new rules.”
<b>DC Attorney General, 10/2/18 Comments at 10 n.44.</b>	“To accommodate the time needed to address difficult implementation issues, ... the Commission should provide, at minimum, the 9 to 12 months that the Public Service Commission of the District of Columbia argues it needs to make any required rules changes.”

<p><b>Consumer Advocates, NGOs, and Industry Stakeholders</b> including: Illinois Citizens Utility Board, Exelon, Natural Resources Defense Council, Nuclear Energy Institute, D.C. Office of People’s Counsel, PSEG Energy Resources &amp; Trade LLC and Public Service Electric and Gas Company, Sierra Club, Talen Energy Corporation, 10/1/18 Comments at 7.</p>	<p>“Some states may need to pass legislation to use the FRR-RS, which is a slow and time-consuming process. And even where new legislation is not necessary, states will still need lead time following the issuance of the Commission’s Order to design a state program that can readily be plugged into the FRR-RS structure established by the Commission.”</p>
<p><b>Joint Consumer Advocates</b> (consisting of the Illinois Citizens Utility Board, West Virginia Consumer Advocate Division, Delaware Division of the Public Advocate, Maryland Office of People’s Counsel, and D.C. Office of People’s Counsel), 10/2/18 Comments at 16.</p>	<p>“[A]ffected states may need months to sort out the implications through stakeholder proceedings before crafting and enacting legislation later in the year. Among the necessary realities of legislative life is the need for time to build consensus, address nuance, and adhere to parliamentary procedure.”</p>
<p><b>PJM Consumer Representatives</b> (consisting of the PJM Industrial Customer Coalition, Illinois Industrial Energy Consumers, the Electricity Consumers Resource Council, Industrial Energy Consumers of America, the Pennsylvania Energy Consumer Alliance, the Industrial Energy Consumers of Pennsylvania, and Ohio Manufacturers’ Association Energy Group), 10/2/18 Comments at 24.</p>	<p>“The Commission will need to provide states with sufficient time to allow states to make the necessary changes to their compensation structures. Critically, states are situated differently and will be impacted differently based on whether a state has enacted a policy via legislation or regulation.”</p>
<p><b>Clean Energy and Consumer Advocates</b> (consisting of D.C. Office of People’s Counsel, Earthjustice, Natural Resources Defense Council, Sierra Club, and Sustainable FERC Project), 10/2/18 Comments at 26-27.</p>	<p>“A period of only a few months is inadequate for state regulators to make any necessary changes or clarifications, much less pursue legislative changes that may be necessary. Implementation of the expanded MOPR before state incentivized resources can avail themselves of the FRR-RS could lead to serious disruption of RPM, distort short-term prices signals, and cost consumers dearly. ”</p>

<b>American Public Power Association,</b> 10/2/18 Comments at 31	“Sufficient time should be given prior to the Base Residual Auction (“BRA”) for the selection of FRR-RS resources and determination of the amount of load, along with any accompanying changes to state regulations or laws or to local governing body decisions, as needed.”
<b>PSEG,</b> 10/2/18 Comments at 15.	“For states that lack existing statutory authority, it would be necessary to introduce and obtain passage of changes to currently effective state laws.” Accordingly, “a transitional mechanism” is needed.