



PJM's Role in Regional Preferred Resource Procurement

States and end-users should have the option to choose what resources supply their capacity

Brian Kauffman, Senior Manager – PJM Lead, Regulatory Affairs

PJM Resource Adequacy Senior Task Force (RASTF)

January 10, 2022



Summary



1. PJM Stakeholders Should Develop a Regional Preferred Resource Procurement Option
2. Regional Procurement is Preferable to State-by-State Approach
3. Procurement Approach Aligns with State Policy
4. RASTF is a Suitable Home for Stakeholder Activity to Encourage Alignment with other Reforms

Enel: A growing green energy giant

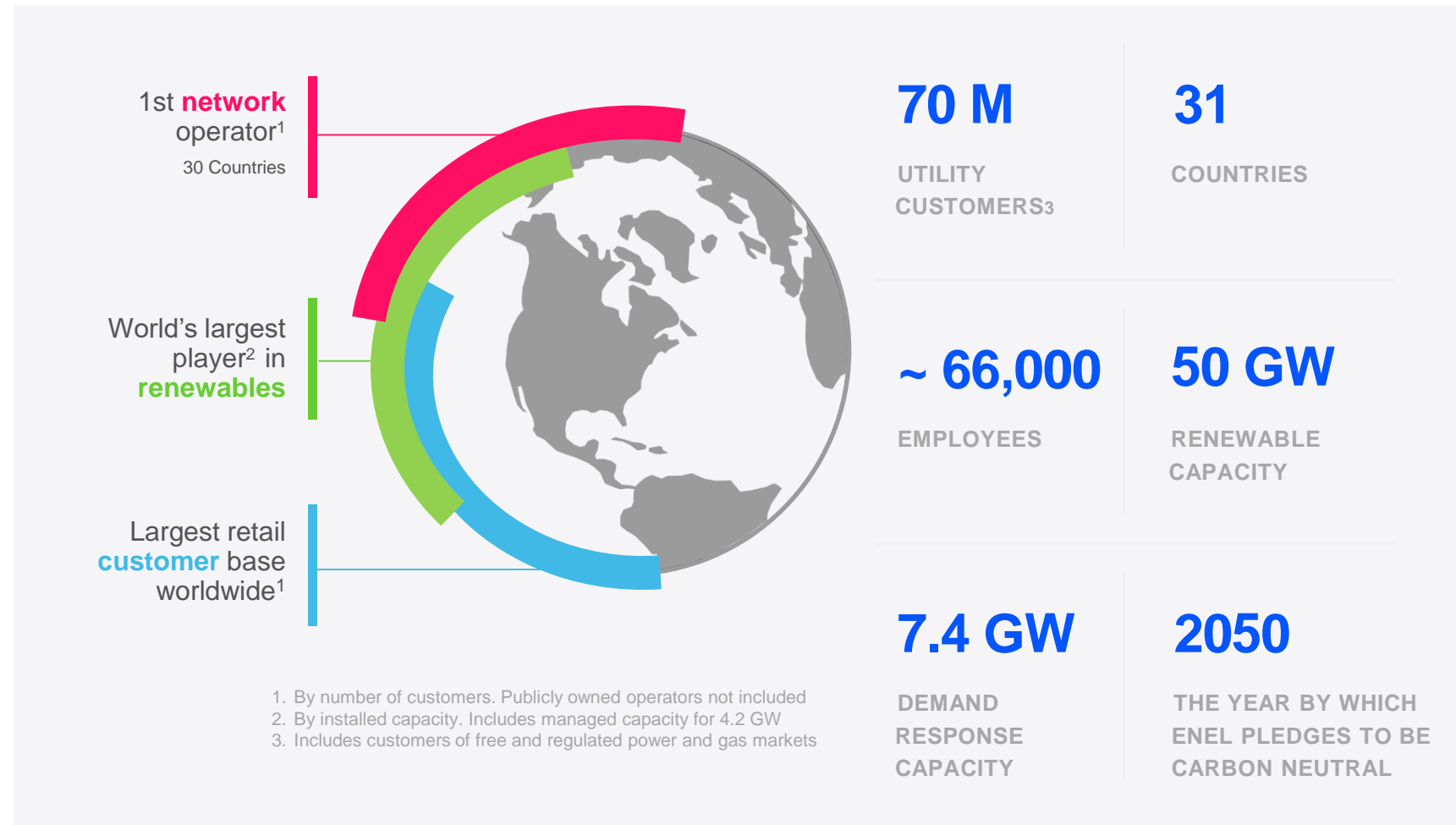
Accelerating the Energy Transition: The focus on decarbonization and electrification



Enel is a multinational power company and a leading integrated player in the global power, gas and renewables markets. We are changing the face of energy as a shaper, leader and enabler of the energy transition.

Enel began as an energy utility over 50 years ago, but today we are not the company we once were.

With a dedicated focus accelerating the energy transition through decarbonization and electrification, we have been listed on the *Dow Jones Sustainability Index* for 17 years and have been included on *Fortune Magazine's "Change the World" list (2015, 2017, 2018)*.



Key Questions Addressed Today



1. What is the problem to solve?
2. Should PJM stakeholders explore preferred resource procurement?
3. What are the benefits/drawbacks of a preferred resource procurement?
4. What market(s) should preferred resource procurement be aligned with?

The Problem We Are Trying To Solve



States and end-users should have the right to procure capacity resources that align with their policies. What is the best market structure to not just optimize for reliability at the lowest cost, but also for state and consumer preferences?



PJM Stakeholders Should Develop a Regional Preferred Resource Procurement Option



- Large customers and states have indicated preference for certain resource attributes – current capacity product is vanilla
- Whitepaper “Energy Transition in PJM” underscores that regional approach is critical to maintaining reliability at least cost
- Capacity-tied attributes are missing link. Options: (1) Capacity-only, (2) Capacity +.

PJM Stakeholder process to explore trade-offs of capacity-only versus broader capacity + product, such as ICCM

Regional Procurement is Preferable to State-by-State Approach



- Dominion chose FRR option in early 2021, removing most demand in Virginia from PJM's capacity market. Rationale- Expanded MOPR barriers to preferred state resources
- PJM MOPR Reform in summer 2021 has now removed barriers faced by Virginia and other state resources, but many states and buyers are still forced to buy capacity from resource types that are either counter to corporate goals, or possibly even will be illegal by state law
- States and others look for PJM regional markets to facilitate preferred resources or may go it alone
- Solutions can enable regional value for sub-set of states, buyers with common objectives (de-carbonization)

Procurement Approach Aligns with State Policy



- Enel recommends PJM stakeholders explore the option that would best align state policy and consumer interest with regional markets
- Focusing now on procurement (rather than integrating a Social Cost of Carbon) gives the buyers (corporates, states) the most control over the outcome – purchasing desired attributes
- Integrating a Social Cost of Carbon may also be appropriate in the future and is not prevented by now working on procurement – based approach

■ RASTF is a Suitable Home for Stakeholder Activity to Encourage Alignment with other Reforms



- It is critical that we make progress on a timely basis and engage in CBIR process starting in 2022
- Enel recommends Problem Statement/Issue Charge to focus on regional preferred resource procurement, as previously discussed
- This work can continue in RASTF (or MIC, if preferred) given capacity-focus

Contact Information



Thank you for your attention. Please share your feedback.

Brian Kauffman, Senior Manager – PJM Lead, Regulatory Affairs

Brian.Kauffman@enel.com