

April 1, 2019

VIA ELECTRONIC DELIVERY

Andrew L. Ott
President and Chief Executive Officer
PJM Interconnection, LLC
PO Box 1525
Southeastern, PA 19399-1525

The PJM Board of Managers
c/o Ake Almgren, Ph.D., Chairman
PJM Interconnection, LLC
PO Box 1525
Southeastern, PA 19399-1525

Re: PJM 2022/2023 Base Residual Auction

Dear Mr. Ott, Chairman Almgren, and the PJM Board of Managers:

On behalf of the Joint Consumer Advocates,¹ we are writing with respect to recent discussions at the PJM Markets and Reliability Committee (MRC) regarding the 2022/2023 Base Residual Auction (BRA), currently scheduled for August, 2019. We appreciate PJM staff sharing their initial ideas with the Members, and wanted to share our thoughts in response. It is our belief that PJM should delay its next BRA in light of the uncertainty surrounding the rules under which that auction must be conducted.

As was noted at the MRC on March 21, 2019, we have not yet had any order from the Federal Energy Regulatory Commission (FERC) regarding the resolution of issues raised by FERC's June 2018 order (finding the current tariff not just and reasonable and directing a paper hearing). FERC has also not established a "replacement rate" under which PJM must conduct the 2022/23 auction. Without such a rate being established, the 2022/23 BRA results would be potentially subject to refund. The other alternative options discussed at the MRC – either conducting the BRA under current rules supplemented by a ministerial report to FERC, or conducting the BRA under some set of interim rules to be established –

¹ The Joint Consumer Advocates include the Delaware Division of the Public Advocate, Office of the People's Counsel for the District of Columbia, Illinois Citizens Utility Board, Maryland Office of People's Counsel, New Jersey Division of Rate Counsel, and the Pennsylvania Office of Consumer Advocate.

pose their own legal uncertainties and practical challenges. For FERC to adopt either alternative would require FERC to address issues raised in the open docket, at least for this auction, while not appearing to prejudge those same issues for future auctions. Such an outcome seems unlikely in the current environment (or an order would have been issued) and open to legal challenge (providing no more certainty than exists now).

Market participants, state utility commissions, legislatures and stakeholders are all keeping a watchful eye on the actions being taken by PJM. As PJM noted in its waiver request filed in August, 2018, providing certainty to these key constituencies is an important goal and one the Joint Consumer Advocates support. In that waiver request, PJM stated that rescheduling the 2022/23 BRA was appropriate to allow stakeholders, PJM, and FERC time to develop and establish appropriate replacement rules within a timeframe that allows for the conduct of the BRA in an orderly manner.

It is important that the PJM Board not lose sight of these goals. PJM's capacity market represents a large portion of the costs passed along to residential customers throughout the PJM footprint. Uncertainty in market rules and the permanence of market results can increase bids, which in turn increases costs. If auctions are rerun, results refunded, or other action taken, it is ultimately the end-use customers, including residential customers, who will bear those risks. These customers are least-able to hedge against those risks.

It is also important to understand the impact of delay. Other auctions, legislative and regulatory decisions are made based upon the results of the BRA. For those states that hold standard offer auctions for the 22/23 Energy Year, delay will create uncertainty. That uncertainty leads to risk premiums and upward pressure on those state auctions, resulting in higher than necessary prices. For other states working to develop a regulatory framework to support clean energy initiatives, delay stalls that work. While the Joint Consumer Advocates support a delay, we also urge that the delay be as brief as possible while still providing states the necessary time to address the Commission's directives and consistent with conducting an orderly auction.

Allowing time for an orderly transition to the next BRA will minimize the uncertainty around the auction and therefore the ultimate costs borne by customers. State planning and procurement agencies as well as market participants need time to evaluate and consider their options. Delaying the 22/23 BRA will allow for a more orderly transition. Such a delay will provide FERC with maximum flexibility to consider the complex issues with which it is still grappling in the Capacity Repricing docket and ample time to issue an order establishing the replacement rules under which PJM must conduct the 22/23 BRA. It also increases the likelihood that PJM and market participants will have sufficient time to digest and react to FERC's decision, including its interaction with multiple other proceedings that are pending at FERC implicating the BRA. A delayed auction will provide the greatest opportunity to adhere to the FERC-approved timeline for pre-auction deliverables, such as the submission of Avoidable Cost Rate information 120 days prior to

commencement of a BRA and present market participants and states that may be adversely impacted by the order an opportunity to react to any accommodation that the Commission affords.

Sincerely,

_____/s/_____
OFFICE OF THE PEOPLE'S COUNSEL
FOR THE DISTRICT OF COLUMBIA
Sandra Mattavous-Frye, People's Counsel
Karen R. Sistrunk, Deputy People's Counsel
Anjali G. Patel, Senior Assistant People's Counsel
Frederick (Erik) Heinle III, Assistant People's Counsel
Office of the People's Counsel for the District of
Columbia
1133 15th Street, N.W., Suite 500
Washington, DC 20005-2710
202-261-1182
fheinle@opc-dc.gov

_____/s/_____
DELAWARE DIVISION OF THE PUBLIC ADVOCATE
Drew Slater
Public Advocate
Division of the Public Advocate
29 S. State Street
Dover, DE 19901
Office: 302-241-2550
Toll Free: 1-888-607-2427
Cell: 302-388-1100
Fax: 302-736-7999
Andrew.Slater@delaware.gov

_____/s/_____
ILLINIOS CITIZENS UTILITY BOARD
Kristin Munsch
Deputy Director
Illinois Citizens Utility Board
309 W. Washington St., Ste. 800
Chicago, IL 60606
(312) 292-5850
kmunsch@citizensutilityboard.org

/s/ signed electronically

William F. Fields
Deputy People's Counsel
Maryland Office of People's Counsel
6 St. Paul Street, Suite 2102
Baltimore, Maryland 21202
(410) 767-8150
william.fields@maryland.gov

/s/
STEFANIE A. BRAND, DIRECTOR
NEW JERSEY DIVISION OF RATE COUNSEL
140 East Front Street - 4th Floor
P.O. Box 003
Trenton, New Jersey 08625
sbrand@rpa.state.nj.gov

/s/ David T. Evrard
David T. Evrard
Assistant Consumer Advocate
PA Office of Consumer Advocate
555 Walnut Street, 5th Floor
Harrisburg, PA 17101-1923
(717) 783-5048
devrard@paoca.org