



Organization of PJM States, Inc. (OPSI)

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September 8, 2021

The PJM Board of Managers
c/o Mr. Mark Takahashi, Chairman
c/o Mr. Manu Asthana, PJM President and CEO
PJM Interconnection, L.L.C.
2750 Monroe Boulevard
Audubon, Pennsylvania 19408

Dear Mr. Takahashi and Mr. Asthana,

OPSI thanks the PJM Board for its leadership in completing the MOPR reforms and proceeding with the next phase of resource adequacy improvements in a timely manner. In moving forward with the Phase 2 discussion, however, OPSI reiterates the guiding principles adopted in our January 8 Letter and the urgent need for cost-effective alignment between our shared reliability objectives and State resource mix preferences.¹

Such alignment on Phase 2 goals is necessary to reach a sustainable, long-term resource adequacy solution, particularly given that a large portion of the region is moving closer towards a clean energy economy. This alignment means prioritizing consideration of the interaction of the capacity market with State clean energy procurement practices, including allowing States, on a voluntary basis, to meet their policy objectives through the PJM markets. OPSI urges PJM to use Phase 2 as an opportunity to ensure its capacity market can procure and accommodate the grid of the future.

One issue of particular concern to OPSI is the PJM Staff Proposal² to exclude consideration of State policy achievement from the Phase 2 Capacity Market Design Senior Task Force (“CMDSTF”). Successfully addressing State resource choices is central to the development of any sustainable solution and should not be siloed. Housing these issues – even for preliminary discussion – in the Carbon Pricing Senior Task Force (“CPSTF”) is particularly problematic.³ Moreover, the negotiations that are critical to reaching a consensus-based solution will be substantially limited if issues are addressed in different forums and timeframes. These integral issues should therefore be addressed entirely through the CMDSTF.

¹ Approved by OPSI Board on September 8, 2021, Ayes: DE PSC, PSC of DC, IL CC, IN URC, KY PSC, MD PSC, MI PSC, NJ BPU, NC UC, PA PUC, TN PUC, PSC of WV. Nay: PUC of OH.

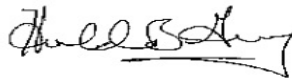
² *Capacity Market Reform: Phase 2*, PJM, Capacity Market Workshop #7 (August 12, 2021), available at: <https://www.pjm.com/-/media/committees-groups/committees/mic/2021/20210812-session-7/20210812-capacity-market-reform-phase-2.ashx> (“Proposal”).

³ Proposal at 6, 8.

OPSI is sensitive to the needs of the stakeholder process and the importance of not overwhelming any one workgroup. Accordingly, OPSI recommends that the issue of capacity over-procurement be immediately addressed through the tariff-required Quadrennial Review (“QER”) process.⁴ The Proposal acknowledges overlap between the QER and procurement-level issues,⁵ and PJM appears ready to squarely analyze these issues in the regular course of the QER.⁶ PJM should seek to develop QER analysis and CMDSTF reforms in tandem where relevant and feasible, with regular monitoring and reporting between the two groups, and eliminate siloes to the maximum extent possible. Regular reporting, and discussion of cross-cutting issues in both forums or in special sessions, will foster a consensus-based and sustainable long-term capacity market design. It would be troublesome if, by the time Phase 2 is complete, PJM requires another QER cycle to address issues that could have been solved today.

Whatever its approach, PJM should set clear deadlines for stakeholders to follow, to emphasize the priority of options for achieving State policies and addressing over-procurement issues. OPSI appreciates the PJM Board’s intense focus on these critical issues. We look forward to constructive engagement with PJM Staff and stakeholders in an effort to ensure a reliable and sustainable framework for resource adequacy in PJM for many years to come.

Sincerely,



Harold B. Gray, President
Organization of PJM States, Inc.

⁴ *Id.* at 6.

⁵ *Id.*

⁶ *Fifth Review of the Variable Resource Requirement Curve*, The Brattle Group, PJM Market Implementation Committee (August 6, 2021), available at: <https://www.pjm.com/-/media/committees-groups/committees/mic/2021/20210806-special/20210806-item-03-brattle-approach-to-assessing-the-vrr-curve.ashx> at 12-15.