



September 18, 2023

VIA ELECTRONIC DELIVERY

The PJM Board of Managers  
c/o Mark Takahashi, Chairman  
PJM Interconnection, L.L.C.  
2750 Monroe Boulevard  
Audubon, Pennsylvania 19403

**Re: Critical Issue Fast Path – Resource Adequacy Proposals**

Dear Chairman Takahashi and PJM Board of Managers:

American Municipal Power, Inc. (AMP) appreciates the opportunity to provide input to the PJM Board in advance of PJM’s anticipated filing of additional Reliability Pricing Model (RPM) reforms with the Federal Energy Regulatory Commission (FERC) next month. As PJM provided in its February 2023 *Energy Transition in PJM: Resource Retirements, Replacements & Risks* whitepaper (“4R Report”), the characteristics of the current resource fleet and profiles of consumer demand have changed and will continue changing over the foreseeable future. These changes present long-term operational and reliability challenges and the events occurring during Winter Storm Elliott in December 2022 demonstrate that the current capacity construct needs substantial reform to accommodate them.

AMP has devoted considerable resources to participation in stakeholder discussions of capacity construct reform, including the Capacity Construct/Public Policy Senior Task Force, the Resource Adequacy Senior Task Force, and the Critical Issue Fast Path Resource Adequacy (CIFP-RA) process. We have previously communicated the challenges we foresaw with the CIFP-RA process and our concerns with the approach directed by the Board. We will not repeat those here.

As a public power entity, implementing reforms designed to produce the most efficient market outcomes is critically essential to the 133 member communities AMP supports in nine of the thirteen states comprising the PJM region. AMP participated throughout the CIFP-RA process to develop solutions that best address future reliability challenges by minimizing potential supply shortages and right-sizing the risk exposure from RPM participation.

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AMP is a staunch proponent of using the Consensus Based Issues Resolution framework to achieve mutual gains in the PJM stakeholder process. To this end, we worked cooperatively with PJM Members across multiple sectors, and with PJM’s Independent Market Monitor (IMM), to bring forth an approach to capacity construct reform that would provide stable mechanisms for the long-term and begin minimizing RPM risks without shifting costs to consumers, while simultaneously providing incentives toward availability and performance consistent with PJM’s dispatch. AMP co-sponsored with JPower USA Ltd. (JPower) three proposals that received the first, third, and fourth greatest levels of support from Members. The joint AMP/JPower proposal receiving the most support (56.0%), referred to as the IMM/EKPC/AMP proposal,<sup>1</sup> was notably the only one of eighteen proposals that received even simple majority support.

AMP understands that the PJM Board views the Members’ vote as informative and non-binding. However, AMP encourages the Board to respect the consensus of Member skepticism toward many elements included in various CIFP-RA proposals. AMP also believes that the Board may discount any proposal that does not directly address the four issues identified for consideration in the CIFP process.<sup>2</sup>

Based on the IMM's Sustainable Capacity Market (SCM) design, the second AMP/JPower approach (AMP-2)<sup>3</sup> received almost 40% Member support and includes elements satisfying each of the Board’s four directives. The design elements and guiding principles in the AMP-2 approach also address issues raised in PJM’s 4R Report. The AMP-2 approach is reasonable and achievable; it includes a timely implementation plan for filing, technical design, and readiness, while anticipating future challenges impacting resource and energy adequacy. AMP understands that this proposal, like the PJM Annual proposal, did not receive majority support. Nevertheless, the AMP-2 proposal is a more supportable option because it is the proposal with the fewest Members voting no, as reflected in Table 1 below.

Table 1. PJM Members Sector-Weighted Vote Results: Special MC - Critical Issue Fast Path Resource Adequacy (CIFP-RA)

Proposal	Sector Vote	End Use Customer (EUC)			Transmission Owners (TO)			Generation Owner (GO)			Electric Distributor (ED)			Other Supplier (OS)			Total			
		Yes	No	Abstain	Yes	No	Abstain	Yes	No	Abstain	Yes	No	Abstain	Yes	No	Abstain	Total	Yes	No	Abstain
PJM Seasonal (3A)	24.7%	0	17	0	7	4	0	8	16	11	0	32	0	4	11	4	114	19	80	15
PJM Annual (3B)	41.0%	2	14	1	8	3	0	14	7	14	0	32	0	8	7	4	114	32	63	19
IMM/EKPC/AMP (3C, F, I)	56.0%	15	0	2	3	8	0	7	26	2	32	0	0	6	13	0	114	63	47	4
IMM-2 (3D)	33.9%	9	2	6	1	9	1	13	18	5	4	16	12	3	16	0	115	30	61	24
IMM-3 (3E)	37.4%	7	0	10	1	10	0	14	16	6	2	18	12	4	15	0	115	28	59	28
EKPC/Daymark-2 (3G)	4.9%	0	14	3	1	10	0	1	30	4	2	26	4	1	18	0	114	5	98	11
EKPC/Daymark-3 (3H)	6.0%	0	14	3	1	10	0	2	29	4	1	26	5	2	17	0	114	6	96	12
AMP /JPower-2 (3J)	39.4%	10	3	4	1	10	0	2	18	15	13	1	18	1	11	7	114	27	43	44
AMP/JPower-3 (3K)	37.6%	13	4	0	1	10	0	2	23	10	13	2	17	1	12	6	114	30	51	33
Buckeye-1 (3L)	23.4%	0	17	0	3	8	0	15	17	3	4	12	16	3	14	2	114	25	68	21
Buckeye-2 (3M)	33.1%	2	15	0	4	7	0	18	14	3	6	10	16	4	13	2	114	34	59	21
Vistra (3N)	13.9%	2	15	0	2	8	0	5	27	3	0	30	2	4	14	1	113	13	94	6
Consumers (3O)	25.0%	14	2	1	0	10	0	1	32	3	10	19	3	0	16	3	114	25	79	10
Capacity Coalition (3P)	20.3%	0	3	14	1	9	0	18	13	4	0	31	1	5	10	4	113	24	66	23
LS Power-1 (3Q)	8.3%	2	15	0	0	10	0	4	27	4	0	32	0	3	15	1	113	9	99	5
LS Power-2 (3R)	10.0%	2	15	0	0	10	0	5	26	4	0	32	0	4	14	1	113	11	97	5
Constellation-1 (3S)	3.2%	0	17	0	0	10	0	5	26	4	0	32	0	0	18	1	113	5	103	5
Constellation-2 (3T)	4.0%	0	13	4	0	10	0	6	24	5	0	31	1	0	17	1	112	6	95	11

<sup>1</sup> This proposal is identical to the IMM’s 3C proposal and is referred to by PJM staff as the IMM/EKPC/AMP proposal in PJM table reproduced as Table 1 below. It was voted on by the Members Committed as a single proposal.

<sup>2</sup> See PJM Board letter dated February 24, 2023.

<sup>3</sup> [https://pjm.com/-/media/committees-groups/cifp-ra/2023/20230823/20230823-item-01i---cifp-state-4\\_amp-jpower-executive-summary\\_final-version.ashx](https://pjm.com/-/media/committees-groups/cifp-ra/2023/20230823/20230823-item-01i---cifp-state-4_amp-jpower-executive-summary_final-version.ashx)

**AMP understands that the Board has a pivotal decision to make.** As AMP sees it, the Board has three options:

*PJM's Annual Proposal.* Of PJM staff's two proposals, this option fared significantly better than the PJM Seasonal proposal. Nevertheless, the Board should not file the PJM Annual Proposal. Both of PJM's proposals are insufficiently developed with respect to addressing known future reliability challenges.

*IMM/EKPC/AMP Proposal.* The Board should direct PJM to file the IMM/EKPC/AMP proposal in October. PJM should file only a targeted set of reforms that have received stakeholder endorsement, in accordance with the letters the Board recently received from LS Power with multiple parties, East Kentucky Power Cooperative (EKPC), and the PJM Industrial Customer Coalition. This targeted filing should contain only the reforms included in the one proposal receiving at least simple-majority Member support. Having received 56% Member support, the IMM/EKPC/AMP proposal is the Members' preferred choice based on the sector-weighted vote. Filing this option would at least limit RPM participation risk for two delivery years until other reforms are fully developed.

The Board should recognize from the letters it has received since the final CIFP-RA Stage 4 meeting on August 23, 2023, that diverse stakeholders are advocating for reforms contained in AMP's proposals. These reforms include a more granular market design that differs from PJM's preferences. Many of the reforms discussed during the last five months still require more time for developing details and analyzing impacts. As AMP communicated early in the CIFP-RA process, the October 1 deadline is arbitrary and was an unnecessary impediment to developing a fully implementable set of reforms with broader support. Had more time been allotted the CIFP-RA process, stakeholders would have had adequate time to more fully understand the elements of each proposal and express their informed preferences.

AMP strongly believes that the next evolution of PJM's capacity construct must yield a simplified and stable market structure that recognizes the intermittent nature of future supply and the dynamic nature of future demand. The current PJM proposals have not demonstrated that they will meet the PJM Region's future reliability needs. As shown by the Members Committee vote, any future redesign efforts should focus on the one framework that includes an hourly granular market design similar to the IMM's SCM: the AMP-2 Proposal.

*Reliability Backstop.* While AMP would prefer to implement the most appropriate market reforms immediately, we may not be able to implement optimal revisions in time to address the next potential reliability crisis. Therefore, the Board and PJM staff should evaluate existing mechanisms that can be utilized to address the looming reliability issues PJM hypothesizes in the 4R Report; namely, the Reliability Backstop mechanism. As described in PJM's Manual 18: PJM Capacity Market, Section 5.10:

The Reliability Backstop provides a mechanism to resolve reliability criteria violations caused by:

- Lack of sufficient capacity committed through the RPM Auctions or
- Near-term transmission deliverability violations identified after the Base Residual Auction is conducted.

The purpose of the Reliability Backstop is to guarantee that sufficient generation, transmission and demand response solutions will be available to preserve system reliability. The Reliability Backstop mechanism is based on specific triggers that signal a need for a targeted solution to a reliability problem that was not resolved by the long-term commitment of Capacity Resources committed as a result of the RPM Auctions.

The Board should direct PJM staff to focus on addressing any impending reliability concerns with the existing Reliability Backstop rules as outlined in Section 16 of Attachment DD of the OATT.

AMP appreciates that the Board intends to make a decision on PJM's RPM reform filing and recommends that the Board reject PJM's Annual Proposal in favor of immediately filing the IMM/EKPC/AMP proposal. Additionally, the Board should direct stakeholder consideration of design elements included in the AMP-2 proposal for future implementation. Thank you for your time, attention, and consideration of AMP's comments.

Sincerely,

A handwritten signature in blue ink, appearing to read 'S. Lieberman', is written over a solid horizontal line.

Steven Lieberman  
Vice President of Transmission & Regulatory Affairs  
American Municipal Power, Inc.