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September 15, 2023

via electronic delivery

The PJM Board of Managers
c/o Mr. Mark Takahashi, Chair, PJM Board of Managers &
Mr. Manu Asthana, PJM President and CEO
PJM Interconnection, L.L.C.
2750 Monroe Boulevard
Audubon, Pennsylvania 19403

Re: Critical Issue Fast Path - Resource Adequacy

Dear Chairman Takahashi and members of the Board:

As the Board carefully considers its directive in the Critical Issues Fast Path ("CIFP") proceedings, which will result in a filing by PJM at the Federal Energy Regulatory Commission ("FERC"), Talen Energy Marketing, LLC ("Talen") reiterates the concerns raised in its August 23, 2023 Stage 4 comments to the Board. The singular issue we raise is not otherwise addressed by any other entity and is critical to a reliable transition to a cleaner energy future.

Talen's primary concern remains that there are no excusals from Capacity Performance ("CP") penalties for long-lead resources (*i.e.*, resources with longer start times due to physical constraints). During events like Winter Storm Elliott, long-lead resources (including certain Talen resources) were unduly penalized for (1) following PJM dispatch instructions, by adhering to the start time provided to PJM, or (2) not running because they did not receive any dispatch instructions or communication from PJM.

Long-lead resources should not be penalized for following PJM dispatch instructions that account for their physical limitations, or for not running in the absence of any PJM communication. PJM's mission statement makes clear that PJM's primary task is to ensure the safety, reliability, and security of the bulk electric power system. This responsibility lies solely with PJM. Shifting responsibility with respect to knowledge of the grid needs, including commitment and dispatch decisions, to generators by penalizing them during long start times, *even if* PJM dispatches them late or not at all, is untenable. It introduces risk that cannot be mitigated and likely will lead to the retirement of the very resources that are critical for reliability today and necessary for a reliable transition to a cleaner future.

Further, it is a false narrative that generators have reasonable avenues to mitigate the risk caused by PJM's application of Performance Assessment Interval ("PAI") penalties on long-lead resources with CP payments. First, no amount of capital spend of capacity revenues can alter the core technology of a long-lead boiler, nor can it lead to a meaningfully reduced start time. It is a physical impossibility for such resources to shorten their start time, regardless of the amount of investment.

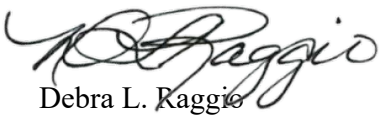
Second, a generator is unable to mitigate this risk by acting prior to or in the absence of PJM dispatch instructions. It would be folly for a unit to self-schedule and proactively turn itself on in advance of a CP Event without direction from PJM, because: (1) the cost to self-start a resource cannot be reflected in the capacity offer that obligates the generator to perform in a CP Event; (2) long-lead generators will need to start their units well ahead of any tight system conditions and potentially run at an enormous economic loss (for large oil units these run costs can exceed $2 million per day) if the shortage never materializes; and (3) PJM has historically discouraged generators from self-scheduling to avoid aggravating system constraints and to enable PJM to maintain control of the system.

Uninformed self-scheduling by long-lead resources to avoid the application of PAI penalties may exacerbate an already difficult situation on the grid. Rather, generators need to be able to rely on PJM and its informed dispatch instructions. In fact, PJM itself has acknowledged the importance to "system reliability during the performance assessment event that resources *continue to follow PJM direction to help maintain power balance*. If all resources were to come online and generate without PJM direction, *this could result in reliability issues*, such as transmission overloads, ACE imbalance, and stability."[1] Self-scheduling absent direction from PJM would likely exacerbate grid constraints and reliability issues.

Lastly, the application of extreme penalties to long-lead resources during periods of time when PJM did not request them to operate, or requested them late without regard to their parameters, will lead to the retirement of these reliable and critical resources, thus creating – not solving – reliability issues. Long-lead resources, such as large steam turbines, are the very units that are critical for reliability today, as well as necessary to help PJM in its transition to a cleaner future. If the goal is reliability, severe penalties for long-lead resources, which simply result in the transfer of dollars among generators, are not the answer.

This issue is of vital importance to Talen, as well as to the future reliability of the grid, and we recommend that the Board ensure that this narrow but critical issue is addressed in its directive to PJM with regard to any CIFP filing.

Sincerely,



Debra L. Raggio
Senior Vice President Regulatory & External Affairs Counsel

CC: Mr. Christopher O'Hara, Senior Vice President, General Counsel, Secretary & Chief Compliance Officer, PJM Interconnection

Dr. Joseph Bowring, President, Market Analytics

[1] PJM Operating Committee, A Review of the October 2019 Performance Assessment Event (Nov. 8, 2019), *available at* https://pjm.com/-/media/committees-groups/committees/oc/20191112/20191112-item-04-review-of-the-october-2019-performance-assessment-evDLRDKRent-paper.ashx (emphasis added).