

**UNITED STATES OF AMERICA  
BEFORE THE  
FEDERAL ENERGY REGULATORY COMMISSION**

**PJM INTERCONNECTION, L.L.C**

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**Docket No. ER22-2110-000**

**COMMENTS  
OF THE PJM POWER PROVIDERS GROUP**

Pursuant to the June 15, 2022 Notice<sup>1</sup> issued by the Federal Energy Regulatory Commission (the “Commission” or “FERC”) in the above-captioned proceeding, The PJM Power Providers Group<sup>2</sup> (“P3”) submits these comments in response to the June 14, 2022, filing by PJM Interconnection, L.L.C. (“PJM”). The PJM filing concerns the modification of its Open Access Transmission Tariff (“Tariff”) and the reform of the PJM interconnection process to process New Service Requests by transitioning from a serial “first-come, first-served” queue approach to a “first-ready, first-served” cycle approach utilized by other regional transmission organizations and stand-alone transmission providers (“PJM Filing”).<sup>3</sup>

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<sup>1</sup> On June 14, 2022, the Commission issued a Combined Notice #1 Filing, and then on June 15, 2022 issued an Errata Notice setting the comment deadline to July 14, 2022.

<sup>2</sup> P3 is a non-profit organization dedicated to advancing federal, state and regional policies that promote properly designed and well-functioning electricity markets in the PJM Interconnection, L.L.C. (“PJM”) region. Combined, P3 members own over 67,000 MWs of generation assets and produce enough power to supply over 50 million homes in the PJM region covering 13 states and the District of Columbia. For more information on P3, visit [www.p3powergroup.com](http://www.p3powergroup.com).

<sup>3</sup> PJM Interconnection, L.L.C., Docket No. ER22-2110-000 (June 14, 2022) (“PJM Filing”).

On June 16, 2022, P3 filed a doc-less Motion to Intervene. P3 respectively submits these comments,<sup>4</sup> in the above captioned proceeding.

## I. COMMENTS

The evolution of the PJM grid is occurring in real time, and it is essential that PJM's Tariff keep pace with the changes. The instant filing, which follows an extensive PJM stakeholder process, represents a thoughtful effort to reform PJM's interconnection process to address the challenges of today as the grid evolves to incorporate more renewable energy while attempting to maintain reliability and affordability. P3 applauds PJM's effort and asks the Commission to consider P3's comments contained herein.

Properly designed and well-functioning markets demand efficient exit and entry of resources. The exit from PJM's markets is well documented and continues at a historic pace. PJM has retired tens of thousands of megawatts over the past decade and an additional 15,000 MWs are expected to retire this year and next. The exit is largely defined by market signals that are insufficient to sustain operations. The megawatts being retired are not being replaced on a one for one basis leading to an overall decline in available resources to preserve reliability.

While the market exit from PJM continues at a brisk pace, the entry to PJM's markets is less defined. While several new combined cycles cleared in PJM's most recent capacity auctions, the queue and market conditions suggest that this entry will subside.<sup>5</sup> While solar resources grew in the last auction, wind resources noticeably declined.<sup>6</sup> Moreover, fewer MWs

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<sup>4</sup> The comments contained herein represent the position of P3 as an organization, but not necessarily the views of any particular member with respect to any issue.

<sup>5</sup> <https://www.pjm.com/-/media/markets-ops/rpm/rpm-auction-info/2023-2024/2023-2024-base-residual-auction-report.ashx>

<sup>6</sup> *Id.* at 13.

are being offered into the PJM's capacity auctions<sup>7</sup> and the number of MWs in the queue has declined materially while the number of projects in the queue has increased rapidly. Given these harbingers of reliability challenges in PJM, it is essential that PJM's queue not become an unclearable hurdle as more new resources are going to be required if the current trends continue.

P3 supports the need for reform and urges the Commission to thoughtfully consider PJM's proposal. It is important that these reforms occur, but it is equally important that the reforms occur smoothly so that developers and other market participants have consistent expectations from PJM and the Commission. The Commission should seek to do this right the first time and should not rush to approve these rules only to require changes to them later because of changes in Commission policy brought about by the Commission's Interconnection NOPR (RM22-14).

**A. PJM Has Well-Documented the Need for Reform.**

Like PJM, P3 members have observed and experienced challenges with the current PJM interconnection process. The current interconnection process was not designed to handle the volume of requests it is currently receiving and the projects entering the queue are smaller than historical submissions. The process is complicated by speculative activity and burdened when projects that are not advancing sit in more advantageous queue positions thereby blocking more viable projects. Although reforms are necessary, the Commission should be mindful of "the bedrock concepts of timeliness, fairness, non-discriminatory access, and efficiency."<sup>8</sup> These principles should not be lost from any eventual reform and must continue to be the bedrock of PJM's policy moving forward.

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<sup>7</sup> *Id.* at 19. For the 2022/2023 capacity auction, 23,221 MWs did not clear as compared to the 2023/2024 capacity auction in which 11,743 MW did not clear.

<sup>8</sup> PJM Filing at p. 16.

## **B. P3 Supports Aspects of the PJM Proposal.**

The PJM proposal sets forth a myriad of changes to the interconnection process most of which will need to be continually evaluated. However, at a high level, there are several policy changes proposed by PJM that P3 specifically agrees with.

### **1. First ready, first served**

Moving from a first come, first served to a first ready, first served, process is an important and necessary change to the PJM queue process. Projects that are ready to go should not be delayed by projects that are likely to never be built yet are holding a higher priority queue position. PJM's current process only provides upside to speculative projects at the expense of projects that are commercially viable and should be replaced by a process that allows these viable projects to move ahead of the speculative ones. PJM has put forward a reasonable proposal to do so which the Commission should endorse.

### **2. Cluster queue**

Similarly, moving to a "cluster queue" approach that studies multiple projects in serial fashion, rather than on an individual basis, based on the order in which the projects entered the queue is a logical change for a grid that is facing a proliferation of smaller projects. This change will afford PJM the opportunity to evaluate injections holistically and should lead to more efficient approvals. It is important that this cluster approach be non-discriminatory, and that utility and merchant project be considered equitably.

### **3. Readiness Deposits**

PJM is correct that the current interconnection study deposits “are minimal, not progressive, and largely refundable”<sup>9</sup> which creates an incentive for speculative projects to simply stay in the queue and block the paths of financially viable projects. PJM’s proposal to increase the readiness deposits (which are mirrored off MISO’s and SPP’s deposits) will give developers more “skin in the game” and should seek to limit the benefits of speculative activity. Moreover, the deposits are fair to consumers and developers and protect “against costs arising from the withdrawal of speculative projects by providing a pool of dollars that can be used to pay the costs of underfunded Network Upgrades resulting from such withdrawals.”<sup>10</sup>

### **4. The three-phase study process**

While difficult to appreciate the many nuances, P3 generally supports PJM’s proposed three step study process – including the process to create a fast track for projects with a minimal grid impact. The revised process is similar in many respects to the current process yet makes incremental improvements to provide more thorough and timely reviews. Although the Commission is currently considering the “participant funding” question in the interconnection reforms proposed rulemaking in Docket No. RM22-14, P3 continues to believe that participant funding remains the most effective means of cost allocation and the Commission should not deviate from that policy in the interconnection rulemaking. While P3 supports the general interconnection process framework proposed by PJM, the process should continue to be monitored to ensure that it is meeting the needs of interconnecting developers, existing producers, and consumers.

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<sup>9</sup> PJM Filing at p. 21.

<sup>10</sup> PJM Filing at p. 53.

### **C. P3 Has Concerns about Certain Aspects of PJM's Proposal.**

While the PJM filing makes many positive and overdue changes to the interconnection process, there are two areas that P3 believe demands more attention from the Commission.

- 1. Nothing in the filing addresses the fact that the quantity of Capacity for sale from certain generators is being inappropriately over-accredited, and that separately PJM is proposing to allocate additional Capacity Interconnection Rights outside of this queue process.**

As a policy matter, capacity resources must be deliverable, to have value to the consumers that are paying for that capacity. Such deliverability is based on output from the resource passing specific PJM tests, and the award of the associated capacity interconnection rights ("CIRs") via the execution of an interconnection service agreement, and construction of the necessary network upgrades. PJM can only consider energy produced below the CIR level in accrediting a resource for capacity purposes. If a capacity resource does not possess the requisite CIRs, energy above the level has not been demonstrated to be deliverable at system peak and is ineligible to be considered in the accreditation of the quantity of capacity offered for sale. The PJM proposal is silent on the issue of Capacity Interconnection Rights (which are admittedly the subject of other tariff provisions); however, as part of the interconnection process, it must be clear that any new CIRs must either be acquired via the market or be purchased in the form of transmission upgrades and in all cases incorporated formally via participation in the interconnection queue process and the execution of an interconnection service agreement. Challenging reliability going forward, PJM continues its historic practice of accrediting intermittent resources with capacity quantities based on the production of energy in excess of the

facility's CIRs.<sup>11</sup> P3 urges the Commission to address this issue in this filing or commence another proceeding to examine this historical short-coming related to insufficient transmission rights relative to capacity accreditation for intermittent resources.<sup>12</sup>

## **2. The transition process disadvantages projects currently in the queue.**

While P3 supports PJM's proposal to move to an interconnection process based on the principle of first ready, first served, the proposed transition plan dramatically departs from this principle and, if implemented as proposed, would delay late-stage projects in favor of less mature projects that may not be commercially ready. PJM's only criteria for determining whether projects can remain in the serial process, i.e., the "Fast Lane", or are forced to start the interconnection process over in a transition cluster study, is whether the project contributes to the need for a network upgrade that is less than or equal to \$5 million. PJM has not demonstrated that this threshold has any correlation to whether a project in the queue is commercially ready. Instead, this arbitrary threshold will upend many projects that are fully permitted, have made significant investments based on the study results to date and are ready to move forward with construction and interconnection. Such a result could discourage the type of investment that PJM needs as it looks to build the grid of the future. While a transition mechanism is needed to get to PJM's new proposed interconnection process, one that is based on actual demonstrations of commercial readiness would be far superior and less disruptive than what PJM has proposed in the instant filing.

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<sup>11</sup> See, <https://www.pjm.com/-/media/committees-groups/committees/pc/2022/20220428-special/20220428-item-03-post-20220407-questions-for-pjm-elcc.ashx> and <https://www.pjm.com/-/media/committees-groups/committees/pc/2022/20220215-special/20220215-item-02d-interactions-of-cirs-deliverability-and-elcc-studies.ashx>

<sup>12</sup> PJM has noted that the costs to projects in the queue of correcting the historical and ongoing over-accreditation of CIRs to intermittent resources with existing ISAs is upwards of \$2 billion to the projects that have not yet secured ISAs. <https://pjm.com/-/media/committees-groups/committees/pc/2022/20220624-special/item-02---pjm-study-cost-differences---presentation.ashx> at 7-9.

**D. FERC's Actions in this Proceeding Should Not Conflict with the Proposed Interconnections NOPR.**

The Commission is certainly aware of the overlap between the instant PJM Filing and the Commission's June 16, 2022, Notice of Proposed Rulemaking (NOPR) related to interconnection procedures (RM22-14). PJM is asking for unequivocal Commission approval of its filing by October 3, 2022, which will be before the Commission even receives comments on its Interconnection NOPR.

P3 urges the Commission to be mindful of the interrelationship between this filing and the NOPR and avoid any outcomes that would result in inconsistent direction to those seeking to develop projects. It would be very disruptive for developers to develop business plans and to make investments based on the Commission's action in the instant filing and then have those reforms altered or undone based on the Commission's action in the Interconnection NOPR. While it would certainly be in the Commission's right to do so and P3 is aware of the differing legal standards, the Commission should be ever mindful of the practical consequences of changed regulatory obligations on those seeking to develop new resources in PJM.

## II. CONCLUSION

P3 urges the Commission to consider P3's comments as it evaluates the PJM proposal.

Respectfully submitted,

On behalf of the PJM Power Providers Group

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Dated: July 14, 2022

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon each person designated on the Official Service List compiled by the Secretary in this proceeding.

Dated at Washington, D.C., this 14th day of July, 2022.

On behalf of The PJM Power Providers Group

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