**UNITED STATES OF AMERICA**

**BEFORE THE**

**FEDERAL ENERGY REGULATORY COMMISSION**

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**PJM Interconnection L.L.C. ) Docket No. ER24-462-000
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 **COMMENTS OF THE PJM POWER PROVIDERS GROUP**

Pursuant to Rule 212 of the Rules of Practice and Procedure of the Federal Energy Regulatory Commission (“FERC” or the “Commission”), 18 C.F.R. § 385.212, and the December 7, 2023, Notice Extending Comment Period,[[1]](#footnote-1) the PJM Power Providers Group (“P3”)[[2]](#footnote-2) respectfully submit these comments in response to the November 21, 2023, sec. 205 of the Federal Power Act (“FPA”), 16 U.S.C. § 824d, filing by PJM Interconnection, L.L.C. (“PJM”) to revise the PJM Open Access Transmission Tariff (“Tariff”), Attachment DD, Section 5.10(a)(iv) in order to establish a new Cost of New Entry (“CONE”) Area for the Commonwealth Edison Company (“ComEd”) transmission zone to reflect the direct impact of Illinois’ Climate and Equitable Jobs Act (“CEJA”)[[3]](#footnote-3) on the determination of the useful life of a Reference Resource[[4]](#footnote-4) (“PJM November 21 Filing,” “Filing” or “New CONE Proposal”). PJM requests that its Filing become effective on January 22, 2024, in order for PJM to accurately post parameters in time by the posting deadline of March 4, 2024, for the Base Residual Auction (“BRA”) for the 2025/2026 Delivery Year.

For the reasons stated herein, P3 supports PJM’s November 21 Filing and recommends the Commission’s approval.

**I. COMMENTS**

As an organization, P3 has consistently supported efforts to improve and enhance PJM’s capacity market. From time to time, these reforms are needed to ensure that price signals for the PJM markets are appropriately set in order to incent new generation within constrained Locational Deliverability Areas (“LDA”), as well as to ensure reliability, both within LDAs and throughout the broader PJM region as well. While P3 has disagreed with some of PJM’s market reform proposals in the past as they relate to specific areas of market design, including various changes to the Variable Resource Requirement (“VRR”) Curve, P3 believes the instant Filing addresses a serious market issue that without targeted reform, could lead to unjust and unreasonable rates and compromised reliability.

PJM’s November 21 Filing explains in detail the circumstances that brought about its current Filing that establishes a new CONE Area 5 for the ComEd transmission zone with an associated annualized Gross CONE. For all the reasons explained herein, P3 supports PJM’s Filing.

**PJM’s Filing Appropriately Adjusts its Market Rules to Reflect Illinois Policy.**

The Illinois CEJA law contains specific statutory requirements that are aimed at ensuring that fossil fuel plants will reach zero emissions by a date certain. Specifically, the law requires, in part, that by 2045, “[A]ll EGUs and large greenhouse gas-emitting units that use gas as a fuel and are not public GHG-emitting units shall permanently reduce all CO2e and co-pollutant emissions to zero, including through unit retirement.”[[5]](#footnote-5) There can be no doubt that generation unit retirement is the law’s intent, given that PJM’s expert witness, Gary Helm, affirmed that there are currently no economically viable methods to reduce certain air pollutant emissions, including carbon dioxide, to zero.[[6]](#footnote-6) This includes hydrogen combustion in which nitrogen oxides (NOx) is a by-product or even gas-fired generation with carbon capture and sequestration for which are N2O and fugitive CH4 emissions that are considered CO2e under CEJA. In fact, PJM’s recent study of the CEJA law predicts that 9,661 MW of thermal generation retirements will occur in the ComEd region by 2030.[[7]](#footnote-7)

The decision of Illinois to mandate zero emissions that results in effectively requiring the retirement of PJM’s Reference Resource combined cycle technology by January 1, 2045, naturally needs to be reflected in the CONE of that reference resource.[[8]](#footnote-8) It would be simply illogical for PJM to assume the combined cycle Reference Resource could operate beyond that when setting the CONE. PJM is correct that, “CEJA effectively sets 2045 as the economic life end date for all natural gas-fired resources in Illinois.”[[9]](#footnote-9) PJM’s filing recognizes the reality of Illinois’ law and makes an appropriate adjustment to its tariff to accommodate the state’s policy.

**PJM’s Reliability Mandate Requires the ComEd CONE Reflect the Effective Asset Life Under CEJA to Maintain Reliability.**

As PJM explains in further detail, the VRR Curve is one of the foundational tools with which PJM uses to establish the reliability needs of a constrained LDA and is an essential element for competitive price formation that is consistent with reliability needs. PJM works with its consultants as well as stakeholders to periodically review the components of the VRR Curve, including the economic life of the Reference Resource used to appropriately set the Net CONE value used to determine the VRR Curve.

PJM correctly notes that in its most recent 2022 quadrennial review that re-evaluated the VRR Curve, P3 raised the need for PJM to adjust its Reference Resource CONE values to account for clean energy laws in Illinois and other PJM states that do not accurately reflect the assumed economic life of the typical natural gas-fired Reference Resource in the majority of PJM states that are not adopting such aggressive climate laws.[[10]](#footnote-10) PJM also referenced JPower USA’s Protest that similarly found PJM’s 2022 quadrennial review unjust and unreasonable because, in part, it “ . . . illogically and improperly assumes that the Reference Resource will continue to operate well after its use would be prohibited under CEJA. Indeed, given that PJM establishes its CONE figures only once every four years, by the last year that these CONE calculations are used, the Reference Resource will have been assumed to operate almost four and a half years after being banned under CEJA.”[[11]](#footnote-11) PJM answered (and the Commission agreed) that at that time, further study and stakeholder input would be needed before making any significant changes to either the VRR Curve or to specific CONE Areas.[[12]](#footnote-12)

PJM has since spent over a year conducting in-depth analyses of these clean energy laws and engaging with stakeholders to gain a clear sense of how these laws could affect both reliability and competitive prices in the PJM Region. The CEJA law stood out, given its purported aim at driving all non-public gas-fired units in the state of Illinois to a zero emissions standard that is not physically or commercially feasible.[[13]](#footnote-13) What became evident – and is the foundation for this Filing - is PJM’s finding that continued assumption of a 20-year economic life for purposes of the CONE calculation in the ComEd region will not accurately represent the CONE of a Reference Resource in the region going forward, given that the combined cycle Reference Resource are expected to retire by 2045 in Illinois due the infeasibility of meeting the zero emission standard.[[14]](#footnote-14) PJM’s newly-proposed CONE Area 5 for ComEd will therefore have its own Reference Resource that reflects the reality of a shortened economic life for these units as opposed to others in the broader PJM Region.

P3 supports PJM’s proposal that the updated CONE for CONE Area 5 will be a Combined Cycle gas facility with a specified $/MW-Year of Installed Capacity (“ICAP”) of for the 2025/2026 Delivery Year. The 2026/2027 Reference Resource will be a combined cycle with an 18.5 year economic life with a CONE starting at $201,714.[[15]](#footnote-15)

P3 requests that the Commission approve PJM’s proposal to create the new CONE Area 5 with the commensurate adjustment of the amortization period for the Reference Resource, not only because the Commission has approved a similar proposal for the NY-ISO,[[16]](#footnote-16) but because it also reflects the reality of the CEJA law. FERC has long recognized the need for regional diversity to wholesale market grid planning.[[17]](#footnote-17) PJM’s Filing demonstrates that system diversity is increasingly becoming more granular at the state level with the advent of new clean energy state laws. PJM is rightfully balancing this diversity by maintaining many of its core elements for a reliable capacity market yet ensuring that price signals and responsibility are ultimately placed with those driving significant market changes. For all of these reasons, PJM’s New CONE Area 5 Proposal should be approved.

**PJM Has Conducted The Requisite Analysis And Stakeholder Outreach That Has Culminated Into Wide-Ranging Support For PJM’s New CONE Proposal.**

As PJM notes, it has been working for over a year with stakeholders regarding the CEJA issue. On November 2, 2022, in the PJM Market Implementation Committee (“MIC”), PJM launched the “Local Considerations in the Net Cost of New Entry” stakeholder sessions. PJM stated that the “issue was raised at the Markets and Reliability Committee meeting just prior to the indicative stakeholder vote on the [2022] Quadrennial Review. The work is intended to address if and at what point, PJM should consider local considerations, such as state or local policy and regulations, to be accounted for in the development of the Net Cost of New Entry (CONE) for the reference resource.”[[18]](#footnote-18)

After approximately eight MIC meetings in which stakeholders were encouraged to send feedback and provide additional design components,[[19]](#footnote-19) PJM, together with the Independent Market Monitor for PJM (“IMM”), and E-Cubed Policy Associates, LLC, developed the proposal contained in this Filing that would establish a new, ComEd-specific CONE Area with a shortened economic life for the Reference Resource to reflect the effects of CEJA (“PJM/E-Cubed/IMM package” or “proposed revisions”).

On October 4, 2023, the MIC endorsed the PJM/E-Cubed/IMM package by acclamation with no objections and no abstentions.[[20]](#footnote-20) Thereafter, the proposed revisions were endorsed on October 25, 2023 at the Markets & Reliability Committee (“MRC”) by a supermajority of stakeholders with a vote of 4.162 (out of 5.0) in favor[[21]](#footnote-21) and by the Members’ Committee (“MC”) by a vote of 4.03 (out of 5.0) in favor.[[22]](#footnote-22)

 The extensive stakeholder meetings and overwhelming support for the proposed revisions that encompass this Filing further solidify that PJM has engaged in the necessary reviews and stakeholder engagement to support its Filing.

**II. CONCLUSION**

PJM’s New CONE Proposal is the culmination of studied review, careful consideration and extensive stakeholder discussion and support. It establishes a just and reasonable Tariff amendment that properly addresses the effects of a state’s policy choices that will have a direct impact on reliability and pricing in PJM’s capacity market. For all of the reasons stated above, P3 requests that the Commission consider the comments of P3 as offered herein and accept PJM’s November 21 Filing.

Respectfully submitted,

On behalf of The PJM Power Providers Group

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Dated: December 19, 2023

**CERTIFICATE OF SERVICE**

I hereby certify that I have this day served the foregoing document on each person designated on the official service list compiled by the Secretary of the Federal Energy Regulatory Commission in this proceeding.

Dated at Washington, D.C., this 19th day of December, 2023.

*/s/ Laura Chappelle*\_\_\_\_\_\_\_\_\_\_\_
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1. *Notice Extending Comment Period,* dated December 7, 2023*,* Docket No. ER24-462-000,setting extending the previously set Comment Date of December 12, 2023, to December 19, 2023. [↑](#footnote-ref-1)
2. 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 83,000 MWs of generation assets and produce enough power to supply over 63 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) [↑](#footnote-ref-2)
3. Illinois Climate and Equitable Jobs Act, Illinois Public Act 102-0662 (September 15, 2021) (“CEJA”). [↑](#footnote-ref-3)
4. All capitalized terms that are not otherwise defined herein have the meaning defined in PJM’s Tariff, Amended and Restated Operating Agreement (“Operating Agreement”) or the Reliability Assurance Agreement among Load Serving Entities in the PJM Region. [↑](#footnote-ref-4)
5. PJM Filing, p. 2, footnote 5, citing, in part, 415 Ill. Comp. Stat. 5/9.15(h)(i) (emphasis added). CO2e refers to “CO2 equivalent emissions” which includes nitrous oxide (N2O) and fugitive methane (CH4) as reported by EPA. [↑](#footnote-ref-5)
6. *Id*., p. 7. [↑](#footnote-ref-6)
7. *Id*., p. 19, citing footnote 72, PJM Interconnection, L.L.C., Energy Transition in PJM: Resource Retirements, Replacements & Risks, at p. 7 (Feb. 24, 2023). [↑](#footnote-ref-7)
8. P3 has questioned the viability of the current reference resource because of certain state policies in PJM. “PJM will likely need to move to a zero-carbon reference unit in the form of either a storage resource, a solar resource with battery backup or a combustion resource with carbon sequestration, at least for some of the zones.” See, <https://www.p3powergroup.com/siteFiles/News/FC5CA01019D43B121AC7ED5CFA629F87.pdf> at 21. [↑](#footnote-ref-8)
9. PJM Filing*.*, p. 2. [↑](#footnote-ref-9)
10. PJM Filing, pp. 8-9, footnote 31, citing, in part, Protest of PJM Power Providers Group, FERC Docket No. ER22-2984, p. 20 (Oct. 21, 2022) [↑](#footnote-ref-10)
11. PJM Filing, pp. 8-9, footnote 32, citing Protest of JPower USA, with accompanying affidavit of Dr. Paul M. Sotkiewicz, FERC Docket No. ER22-2984, dated October 21, 2022 (p.1), and Protest of J-Power, Docket No. ER22-2984 (Feb. 14, 2023). [↑](#footnote-ref-11)
12. PJM Filing, pp. 8-9. [↑](#footnote-ref-12)
13. While P3 appreciate the actions PJM is taking in regard to CEJA, other states in the region need to be continually monitored as discussions at various levels are occurring in other states that could similarly impact the ability of a new natural gas combined cycle plant to operate for more than 20 years. [↑](#footnote-ref-13)
14. PJM Filing, p. 10. [↑](#footnote-ref-14)
15. *Id.* pp. 24-25. [↑](#footnote-ref-15)
16. *Id*., pp. 21-22, citing, in part, *New York Indep. Sys. Operator, Inc*., 183 FERC $¶61,130 \left(2023\right).$ [↑](#footnote-ref-16)
17. *Grid Reliability and Resilience Pricing Grid Resilience in Regional Transmission Organizations* and *Independent System Operators*, FERCDocket Nos. RM18-1-000 AD18-7-000, 162 FERC ¶ 61,012 (January 8, 2018), stating, in part, that the “Commission recognizes regional differences among the RTOs/ISOs, and appreciates that those differences likely impact how each RTO/ISO approaches resilience in its region” (P 25). [↑](#footnote-ref-17)
18. PJM Issue Details: Local Considerations in the Net Cost of New Entry: [PJM - Issue Details](https://pjm.com/committees-and-groups/issue-tracking/issue-tracking-details.aspx?Issue=7e4d5cb0-8418-4117-b6e0-1e20f48aa7b0) [↑](#footnote-ref-18)
19. *See*, for example, the February 8, 2023, March 8, 2023, April 12, 2023, May 10, 2023, June 7, 2023, July 5, 2023, August 9, 2023, and September 9, 2023, MIC meetings, among others. [PJM - Market Implementation Committee](https://www.pjm.com/committees-and-groups/committees/mic) [↑](#footnote-ref-19)
20. October 4, 2023, MIC Draft Minutes: [20231101-draft-minutes---mic---1042023.ashx (pjm.com)](https://www.pjm.com/-/media/committees-groups/committees/mic/2023/20231101/20231101-draft-minutes---mic---1042023.ashx) [↑](#footnote-ref-20)
21. October 25, 2023 MRC Minutes: [20231115-consent-agenda-a---draft-mrc-minutes---10252023.ashx (pjm.com)](https://www.pjm.com/-/media/committees-groups/committees/mrc/2023/20231115/20231115-consent-agenda-a---draft-mrc-minutes---10252023.ashx) [↑](#footnote-ref-21)
22. October 25, 2023 MC Minutes: [20231115-consent-agenda-a---draft-mc-minutes---10252023.ashx (pjm.com)](https://www.pjm.com/-/media/committees-groups/committees/mc/2023/20231115/20231115-consent-agenda-a---draft-mc-minutes---10252023.ashx) [↑](#footnote-ref-22)