

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

**PJM Interconnection, L.L.C.**

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**Docket No. EL19-58-010**

**COMMENTS OF THE PJM POWER PROVIDERS GROUP  
ON PJM COMPLIANCE FILING CONCERNING CERTAIN  
PROPOSED REVISED PRE-AUCTION DEADLINES AND MOTION FOR A  
SHORTENED COMMENT PERIOD OF 7 DAYS AND  
REQUEST FOR EXPEDITED CONSIDERATION**

Pursuant to the Notice issued by the Federal Energy Regulatory Commission (the “Commission” or “FERC”) in the above-captioned proceeding on January 25, 2022, the PJM Power Providers Group (“P3”)<sup>1</sup> submits these comments in response to the January 21, 2022, compliance filing by PJM Interconnection, L.L.C. (“PJM”) concerning certain proposed revised pre-auction deadlines, motion for a shortened comment period of seven days, and request for expedited consideration (“PJM Filing”).<sup>2</sup>

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<sup>1</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. 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. For more information on P3, visit [www.p3powergroup.com](http://www.p3powergroup.com).

<sup>2</sup> *PJM Interconnection, L.L.C.*, Docket Nos. EL19-58-010 (Jan. 21, 2022) (“PJM Filing”).

## COMMENTS

The uncertainty that the Commission has interjected into the PJM capacity construct as a result of its actions and non-actions have robbed these markets of the stability that is necessary to achieve reliability at the least cost to consumers. If PJM's filing is accepted, the 2023/2024 Base Residual Auction ("BRA") will be delayed over two years and be run less than a year from the start of the delivery year. Even if the 2023/2024 BRA is run in June, as the PJM filing requests, it will be marred by a regulatory construct in which buyer market power can be asserted and suppliers will be unable to make reasonable business judgements about the assets in which they have invested billions of dollars. Moreover, any supplier that is willing to take on the obligations associated with a capacity commitment runs the risk that the Commission may change the rules to undercut any business decisions – as it has done multiple times in the last year in what can only be described as a desire to overturn decisions made by a prior commission and not as a result of any substantive addition to the record or change in circumstances.

Capacity markets, if properly structured, are foundational to resource adequacy in PJM. Capacity markets provide suppliers and consumers' confidence that sufficient resources will be available in PJM three years going forward. They also provide a known revenue stream that generators can use to finance capital investments, both for new entry and reinvestment in existing resources. Capacity markets in PJM have led to the development of tens of thousands of MWs of new highly efficient resources and the retirement of older less efficient resources. This transition has occurred with savings to consumers that are quite remarkable as is evidenced by the fact that Fixed Resource Requirement ("FRR") rates in PJM are over \$400/MW-Day while the last capacity

auction cleared at \$50/MW-Day in the RTO LDA.<sup>3</sup> And, importantly, these savings were realized while consumers assumed no risk for poor investment decisions, unlike under the FRR construct.

Let's be clear – capacity markets have had their share of growing pains. As with every facet of the PJM market, they have required constant evaluation and tweaking. They are not always a comfortable construct, but they have produced a reliable grid, kept downward pressure on prices, attracted billions of dollars of at-risk capital and led to emissions reductions that are the envy of other regions. However, as Commissioner Christie points out, those who complain most about capacity markets are those that cannot compete in these markets or those who want outcomes other than reliability at least cost.<sup>4</sup> It is logical, although unfortunate, that those who cannot compete want to change the rules without regard to the impact that those rule changes have on reliability of the grid and the price consumers pay for it.

PJM's forward capacity market is the FERC-approved mechanism to ensure resource adequacy and reliability and, thus, FERC, has an obligation to ensure that the rates produced from these markets are just and reasonable. PJM's current construct moves farther away from that standard with each directed modification or revision. Consider how the proposed June auction will be different from other PJM capacity auctions that have been run in the past:

- The auction has been delayed multiple times and will be occurring less than one year from the delivery year which severely compromises the ability of asset owners to make decisions about investments or retirement.
- PJM will effectively have no rules governing the exercise of buyer market power because the Minimum Offer Price Rule ("MOPR"), for the first time ever, has effectively been eliminated. The PJM IMM has described the current MOPR, which was unable to garner

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<sup>3</sup> See <https://www.pjm.com/markets-and-operations/billing-settlements-and-credit/fr-lse-capacity-rates>

<sup>4</sup> See <https://www.ferc.gov/news-events/news/commissioner-christies-fair-rates-act-statement-pjm-mopr>

majority support from the Commission, as, “convoluted, unnecessarily complicated, unenforceable and incorrect.”<sup>5</sup> Unfortunately, the MOPR that the IMM describes is law.

- As a result of the Commission’s decision to cap capacity market offers at levels that are subjectively set by PJM and the PJM IMM, capacity sellers have been forced to endure esoteric conversations in which PJM and the IMM put a price on their view of the seller’s costs and risks and effectively rob those who have invested billions of dollars in the PJM market of any degree of independent business judgement.
- PJM will have to revise its Net CONE calculation and reset its VRR curves based on the Commission’s decision to remove the 10% adder which has been allowed to be reflected in future prices since the creation of the PJM capacity market. PJM has a process for setting the VRR curve. The Commission has chosen to ignore that process and set a troubling precedent that sellers should be prepared to face different VRR curves when the composition of the Commission changes. The Commission made this change without even seeking input from effected parties or PJM.

P3 is deeply troubled by these and other events, such as the reversal on remand of the Commission’s conclusion that an Operating Reserve Demand Curve is just and reasonable, that are robbing PJM’s markets of the competitive features that have driven so much value for consumers. P3 urges the Commission to be cognizant of the impact that the totality of its actions have had on the PJM capacity construct and understand that undermining the capacity construct will have an impact on resource adequacy and costs. Understandably, merchant capital will be repelled by any market with instability and uncertainty, and, in the absence of merchant capital, reliability will need to be achieved through non-market-based means – which certainly will cost consumers more money and put the risk of those investments on them instead of on generators. P3 does not want to see PJM and its consumers go down that path. Reluctantly, P3 asks the Commission to accept PJM’s filing in this matter and implores the Commission to end its assault

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<sup>5</sup> See [https://www.monitoringanalytics.com/filings/2021/IMM\\_Answer\\_to\\_Comments\\_Docket\\_No\\_ER21-2582\\_20210922.pdf](https://www.monitoringanalytics.com/filings/2021/IMM_Answer_to_Comments_Docket_No_ER21-2582_20210922.pdf) at 2.

on PJM's capacity market while reinstating the policies and stability that will allow it to be successful.

Respectfully submitted,

On behalf of the PJM Power Providers Group

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Dated: January 31, 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 31st day of January 2022.

On behalf of the PJM Power Providers Group

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