

UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

PJM Interconnection, L.L.C.

)

Docket No. ER25-1357-000

COMMENTS
OF THE PJM POWER PROVIDERS GROUP

Pursuant to the February 21, 2025, Combined Notice of Filings #1 and the March 12, 2025, Notice of Extension of Time issued by the Federal Energy Regulatory Commission (the “Commission” or “FERC”) in the above-captioned proceeding, the PJM Power Providers Group¹ (“P3”) submits these comments² in response to the February 20, 2025, Section 205 of the Federal Power Act, filing by PJM Interconnection, L.L.C. (“PJM”). The PJM filing proposes revisions to the PJM Open Access Transmission Tariff (“Tariff”) to establish a price cap of approximately \$325/megawatt (“MW”)-day (in Unforced Capacity (“UCAP”)) and a price floor of approximately \$175/MW-day (in UCAP) for all Reliability Pricing Model (“RPM”) Auctions for the 2026/2027 and 2027/2028 Delivery Years (“PJM Filing”).³ The PJM Filing is a result of a

¹ 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 approximately 88,000 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.

² 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. On February 21, 2025, P3 filed a doc-less Motion to Intervene.

³ *PJM Interconnection, L.L.C.*, Docket No. ER25-1357-000 (filed February 20, 2025) (“PJM Filing”).

“stipulated satisfaction agreement” of the complaint filed in Docket No. EL25-46-000 (“Complaint”).⁴

I. COMMENTS

P3 does not take a position on whether the Commission should approve or reject the PJM Filing. As the Commission is aware, P3 is composed of multiple companies that provide capacity, produce energy, and serve consumers in the PJM footprint. The varying views among P3 members do not allow the organization to take a position on the ultimate question before the Commission, which is whether the proposed price floor and ceiling for the 26/27 and 27/28 Base Residual Auctions are just and reasonable. However, the organization offers these comments for the Commission’s consideration as it contemplates the path forward to continue to improve and strengthen reliability through markets in PJM.

A. P3 is Troubled by the Process that Led to the Filing and Hopes that PJM, Stakeholders, and the Commission are Not Confronted with Similar Circumstances Again.

Economic principles and robust, regular stakeholder processes must remain as the foundation for PJM’s market design and evolution. When RTO leaders become overly responsive to the concerns of specific constituencies, and market design is driven by complaints and litigation, that foundation can become eroded.⁵ P3 is concerned that the process that led to the instant filing is an example of such an erosion, but there are other recent troubling examples in PJM.

⁴ Governor Josh Shapiro and the Commonwealth of Pa. v. PJM Interconnection, L.L.C., Complaint of Governor Josh Shapiro and the Commonwealth of Pennsylvania, Docket No. EL25-46-000 (Dec. 30, 2024).

⁵ The Commission recognized this principle in Order 2000 where the Commission made clear that, “the RTO must have a decision-making process that is independent of control by any market participant or class of participants.” *See* Order 2000, 89 FERC ¶ 61,285 at 152.

Regarding the PJM Filing, on December 9, 2024, PJM responded to three letters that Governor Shapiro submitted to the PJM Board (dated September 20, 2024, October 25, 2024, and November 20, 2024). While the correspondence between PJM and the Governor addressed many important issues—including the treatment of RMR units, the Reliability Resource Initiative, and the reference unit used to set the VRR curve—at no point in the correspondence did either PJM or the Governor suggest changing the capacity market price cap for the auctions that are scheduled for June and December of this year.⁶ In fact, on the same date as the Board’s response to Governor Shapiro, in a December 9th filing to the Commission, PJM specifically told the Commission and PJM stakeholders that it was not seeking to change the manner in which the capacity market offer cap was set.⁷

On December 30, 2024, 21 days after the PJM Board’s December 9th letter, Governor Shapiro filed a complaint under Section 206 of the Federal Power Act seeking to place a cap on capacity auction prices for the 2026/27 and 2027/28 BRAs at 1.5 Net CONE.⁸ On January 16, 2025, 17 days later, PJM informed the Governor via letter that, “PJM has yet to take a position on the substance of your complaint with the FERC.”⁹ A mere 12 days after PJM informed the

⁶ <https://www.pjm.com/-/media/DotCom/about-pjm/who-we-are/public-disclosures/2024/20241231-pjm-response-to-pa-gov-shapiro-letters-re-pjms-capacity-market.pdf>

⁷ See, <https://www.pjm.com/pjmfiles/directory/etariff/FercDockets/8538/20241209-er25-682-000.pdf> at 39-40. “The 2022 update adjusted this formula to the greater of gross CONE or 1.75 times Net CONE, starting with the 2026/2027 Delivery Year. At this time, PJM is not proposing any changes to the VRR shape previously found just and reasonable by the Commission; rather, PJM is proposing only retention of the CT Reference Resource.”

⁸ Governor Josh Shapiro and the Commonwealth of Pa. v. PJM Interconnection, L.L.C., Complaint of Governor Josh Shapiro and the Commonwealth of Pennsylvania, Docket No. EL25-46-000 (Dec. 30, 2024) (“Complaint”).

⁹ <https://www.pjm.com/-/media/DotCom/about-pjm/who-we-are/public-disclosures/2025/20250116-pjm-board-response-to-pa-gov-shapiro-letter-re-capacity-market-price-cap.pdf>

Governor and PJM stakeholders that it had not taken a position on the complaint, Governor Shapiro announced that a “settlement” with PJM had been reached.¹⁰

While P3 does not object to PJM engaging in discussions to resolve complaints, there is broad agreement among our membership that future market changes of this magnitude demand thoughtful, broad and analytically rigorous consideration. Capacity auctions are extremely consequential for PJM consumers and suppliers, and there should not be a pattern of altering market rules based on the policy preferences of a single stakeholder. This cannot stand as an acceptable ongoing process for the cultivation of a sound market design.

Unfortunately, this is not the only recent instance in which PJM has abruptly changed positions in response to pressure from specific constituencies. For decades, PJM consistently treated RMRs in the capacity auction the same way and defended its market construct as a just and reasonable approach to incentivizing new market entry to replace units operating under RMR arrangements.¹¹ However, when a complaint was filed by NRDC and the Sierra Club - whose litigation created the need for the Brandon Shore and Wagner RMRs in the first place - PJM suddenly adopted positions that were completely opposite of what it had defended for decades, including as recently as weeks prior to the filing a 205 on the issue.¹²

¹⁰ <https://www.pa.gov/governor/newsroom/2025-press-releases/gov-shapiro-agreement-pjm-prevent-price-hikes-save-consumers-ove.html>

¹¹ On September 19, 2024, the PJM Board offered that “requiring participation of a deactivating unit in the capacity auction under the existing RMR agreements could distort the price signal and fail to incent the new build needed in Maryland and in the rest of the regional transmission organization (RTO)” <https://www.pjm.com/-/media/DotCom/about-pjm/who-we-are/public-disclosures/2024/20240919-pjm-board-response-consumer-advocates-letter-re-urgent-reforms-pjm-capacity-market-re-reliability-must-run-units.pdf> at 3.

¹² On December 9, 2024, in a complete reversal, PJM said that “failing to consider these RMR resources’ capacity capability “creates distorted capacity market prices” that “overstates the need for new investment based on a distorted view of capacity in that particular delivery year.” <https://www.pjm.com/pjmfiles/directory/etariff/FercDockets/8538/20241209-er25-682-000.pdf> at 15.

In yet another recent example, on December 9th, the PJM Board stated:

"The Board is aware that PJM staff recently indicated its desire to make a separate filing on a 'must-offer' requirement for all resources with CIRs and related Market Seller Offer Cap (MSOC) changes in time for the 26/27 BRA. The Board supports PJM staff's exploration of the matter and its desire to consult with stakeholders. The Board has yet to make a determination as to whether it supports such a filing. Rather, the Board wants to hear stakeholder feedback before making any such decision."¹³

Yet, only eleven days later, PJM submitted a 205 filing to mandate the very changes that the Board had said it was still "exploring."¹⁴ As the saying goes, "Once is an accident, twice is a coincidence, three times is a pattern."¹⁵

P3 is concerned that these recent patterns stray from a principled vision of reliability through markets and instead result in market designs that are reactive to political pressure or complaints made by parties that are not responsible for safely and reliably providing the capacity critical to maintaining the PJM grid.¹⁶ The 2023 Critical Issues Fast Path or CIFP process was an orderly process and produced some positive market design changes, most of which were

¹³ <https://www.pjm.com/-/media/DotCom/about-pjm/who-we-are/public-disclosures/2024/20241231-pjm-response-to-pa-gov-shapiro-letters-re-pjms-capacity-market.pdf> at 1.

¹⁴ *PJM Interconnection, L.L.C.*, Docket No. ER25-785-000 (filed December 20, 2024).

¹⁵ <https://www.goodreads.com/quotes/418466-once-is-happenstance-twice-is-coincidence-three-times-is-enemy#:~:text=Quote%20by%20Ian%20Fleming:%20%E2%80%9COnce.007%2C%20goldfinger%2C%20james%20Bond.> P3 would also note a similar change in PJM's position occurred regarding the Minimum Offer Price Rule (MOPR). In 2018, PJM expressed strong concerns about the price suppressive impacts of state subsidies harming competitive markets and supported a strong MOPR to preserve the integrity of capacity market signals. Then, in 2021, PJM proposed to effectively eliminate the MOPR over the objections of the PJM IMM and P3. See, <https://www.p3powergroup.com/siteFiles/News/F9D79F62A8FCD55CC59C9D211FD97ED8.pdf>

¹⁶ Regardless of how the Commission resolves the instant filing, at least one argument should be specifically rejected as support for the 205 filing. Namely, PJM offers that the "uncertainty" created by the mere fact of a complaint filed under Section 206 is grounds for approval of a Section 205 filing - even though PJM continues to profess that the status quo is just and reasonable and therefore lawful. To accept PJM's argument on this point would mean that the mere act of filing a complaint against a filed tariff, one that the Commission has approved, would constitute meaningful evidence of whether a tariff filing is or is not lawful. Accepting this rationale would invite non-meritorious complaints intended solely for the purpose to introduce uncertainty and thus elicit tariff changes that PJM and the Commission then would contemplate not on their own terms but on the basis of the subjective uncertainty that was created by the act of making a complaint itself.

accepted by FERC. The CIFP, which started in February 2023 and culminated with a filing in October 2023, was a process in which all stakeholders were heard and provided with the opportunity to speak directly to the Board.¹⁷ These recent reflexive reactions to the priorities of a subset of PJM members do not reflect that same standard.

P3 urges a return to a capacity market shaped by sound and thoughtful policy considerations grounded in accepted and well understood economic logic.¹⁸ PJM and the Commission will have the opportunity to do so later this year when PJM submits the parameters for capacity auctions starting with the 2028/29 delivery year.

B. Capacity Market Prices Should Reflect the Underlying Supply and Demand Fundamentals of the Market.

As a matter of principle, PJM, the Commission, and PJM stakeholders should strive for capacity market prices that accurately reflect market conditions over time. If PJM is oversupplied, capacity prices should be low. If PJM is undersupplied, prices should be high. The ability of prices to move up and down consistent with market fundamentals delivers the benefits of market competition to consumers while signaling to suppliers when entry and exit is appropriate.

The principle of prices being able to go to high levels in times of shortage and to low levels in times of surplus is not new or radical. Indeed, as PJM Executive Vice President for Market

¹⁷ <https://insidelines.pjm.com/pjm-board-gives-direction-on-resource-adequacy-market-reforms-filing/>

¹⁸ These recent actions taken outside the traditional process for changing the PJM tariff coincide with a price clear in the 2025/2026 BRA auction that was above Net CONE after multiple years of the market clearing at a small fraction of Net CONE. The prices in this auction reflected the expectation of significant demand growth combined with a shrinking supply base and an increase in subsidized intermittent resources. Against this backdrop, certain constituencies, who were quite content with low market clears, demanded actions from PJM to mitigate prices with little regard to the impact on stimulating new needed investment and the long-term viability of the market. Going forward, this disparate treatment of different market outcomes is quite concerning and must cease to exist if PJM is to have a fair and fully functioning market.

Services and Strategy, Frederick Bresler, affirmed in this filing, “In a situation of supply shortage, the market is designed to send price signals that reflect the high marginal value of capacity, even if the ability of new resources to enter the market is constrained in the short term.”¹⁹ In the most recent PJM IMM Quarterly State of the Market report, the PJM IMM observed that, “The capacity market is getting tighter. The result will be higher capacity market prices. In a well-designed market, capacity market prices reflect the underlying supply and demand fundamentals.”²⁰

As it relates to the instant proceeding, P3 highlights that, as part of PJM’s filing, the Brattle Group supports this principle as well. As Brattle states:

"We would not recommend adopting a VRR curve with such a narrow band of possible pricing outcomes on a permanent basis beyond the temporary and transitional conditions that PJM’s proposal is intended to address. The narrower pricing band limits the range within which the market can enable competition and guide economically efficient entry and exit."²¹

As stated earlier, P3 does not take a position on whether the temporary price cap and floor proposed in this filing are just and reasonable or whether PJM has met its burden under Section 205 of the Federal Power Act. However, as an enduring principle of market design, P3—like PJM, the IMM and Brattle—believes that any auction restraints should be grounded in economic and sound market design principles – particularly as PJM enters a period in which market-based incentives for new and existing capacity are critical. Regardless of the outcome of the instant

¹⁹ PJM Filing, Attachment C Affidavit of Mr. Frederick S. Bresler III on Behalf of PJM Interconnection, L.L.C., at P 10.

²⁰ https://www.monitoringanalytics.com/reports/PJM_State_of_the_Market/2024/2024q3-som-pjm-sec1.pdf at 1.

²¹ PJM Filing, Attachment D Affidavit of Dr. Kathleen Spees and Dr. Samuel A. Newell on Behalf of PJM Interconnection, L.L.C., at p. 6.

proceeding, PJM, its stakeholders, and the Commission will have the opportunity to propose long term, permanent solutions in future filings for the 2028/2029 delivery year and beyond.

II. CONCLUSION

P3 thanks the Commission for considering these comments regarding the path forward to strengthening PJM's capacity market design.

Respectfully submitted,

On behalf of The PJM Power Providers Group

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March 17, 2025

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 DC, this 17th day of March, 2025.

On behalf of The PJM Power Providers Group

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