



PENNSYLVANIA PUBLIC UTILITY COMMISSION  
COMMONWEALTH OF PENNSYLVANIA  
HARRISBURG, PENNSYLVANIA

July 7, 2021

VIA ELECTRONIC DELIVERY

The PJM Board of Managers  
PJM Interconnection, L.L.C.  
1750 Monroe Boulevard  
Audubon, PA 19043

Dear Chairman Takahashi, Mr. Asthana, and Board Members:

The Pennsylvania Public Utility Commission (PAPUC) has been actively engaged in PJM's efforts to develop a new framework for its Minimum Offer Price Rule (MOPR) through the Critical Issue Fast Path Process (CIFP), which concluded last week. We have done that by providing responses to PJM's initial poll, attending every CIFP meeting and OPSI briefings by PJM staff, and joining Commissioner Conway's remarks to the PJM Board at the June 30, 2021 CIFP meeting. Like the Public Utilities Commission of Ohio, the PAPUC abstained from OPSI's position in this matter.

Pennsylvania was one of the first restructured states in PJM that embraced the promise of competition in the wholesale generation market and then spent considerable time and effort developing a burgeoning retail electricity market built on the expectations and benefits of a properly functioning wholesale market. We have watched and participated in the MOPR developments of the last two years with concern. Initially, it was a concern that MOPR was to be applied to state-directed electricity procurement processes that did not have a direct link to PJM's capacity market through requirements to clear or participate in it. Such state-directed processes include our renewable portfolio standards and default service programs. We are encouraged that PJM has proposed to exempt these resources from MOPR application, as well as merchant new natural gas resources that do not receive state support.

More recently, however, our concerns have centered around PJM's proposal to accommodate state policies at all costs, to the potential detriment of the two foundational principles upon which PJM's capacity market was built—reliability and competition. Starting with reliability, we share Commissioner Conway's concerns that the accommodation of state preferred resources should not come at the expense of

displacing easily dispatchable and reliable resources. While PJM presently has a healthy reserve margin, it should not lose sight of the fact that the proliferation of intermittent and non-baseload technologies has to be balanced with sufficient available and quickly dispatchable resources.

The displacement of these latter resources brings us to our second concern—PJM's shift away from the founding principle of competition in its capacity market. We are not insensitive to the Board's direction to accommodate state preferences and incorporate state procurement choices in PJM's capacity market. Such accommodation, however, need not come at the expense of competition which has brought us plentiful baseload resources and shifted the consumer risk to PJM's markets.

We urge the PJM Board to consider these two paramount principles before rushing to a solution that may weaken the capacity market and the stakeholders' resolve to reach a consensus on other important capacity issues set forth for Phase 2 of PJM's capacity market reform. The issues of load forecasting, procurement levels, and reference technology, slated to be examined in Phase 2, are arguably even more impactful to PJM's stakeholders and customers, and the PJM Board should commit to a holistic review of them.

Should the PJM Board, nonetheless, direct PJM to file a MOPR proposal at FERC this summer, it should also, at a minimum, direct PJM to continually study the impact of its proposal on reliability and the impact of state policy choices on PJM's capacity market. These studies and conclusions should be open and transparent to all stakeholders and become a part of PJM's base residual auction report and analysis. PJM should also commit to revisiting its MOPR rules should the impact on reliability and markets show detrimental effects on needed baseload resources.

Finally, in response to the PJM Board's inquiry about the proper level of MOPR to new and existing resources, the PAPUC has supported the application of Net ACR to all resources in the expanded MOPR docket. This decision was appropriate given the broad application of the MOPR to all resources receiving state support, even where no link existed between the state support and PJM's capacity market. As noted, PJM's current proposal of broad accommodation of state policies may necessitate reexamination of our position on this issue. The PAPUC intends to address this issue more comprehensively after review of PJM's future MOPR filing.

The PAPUC respectfully requests that the PJM Board consider our comments as it carefully weighs the appropriate course of action.


Respectfully,



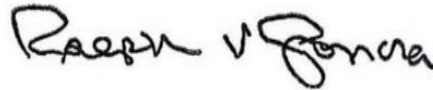
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Commissioner

- cc: Chairman Jim Marshall, House Consumer Affairs Committee  
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