



July 27, 2021

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Public Utility Commission
Commonwealth of Pennsylvania
400 North Street
Keystone Building
Harrisburg, PA 17120

Commissioners:

Thank you for your July 7, 2021, letter expressing your concerns with respect to the current efforts to reform the Minimum Offer Price Rule (MOPR). As you note, the Pennsylvania Public Utility Commission (PAPUC) has participated in PJM's Critical Issue Fast Path (CIFP) process initiated by the PJM Board of Managers (Board) on April 6, 2021 ([April 6 letter](#)). This participation culminated in the PAPUC joining the comments of the Public Utilities Commission of Ohio delivered in the final phase of the CIFP.

PJM believes that the markets can accommodate state policy while preserving the integrity of competitive markets. As you point out, Pennsylvania has had great success in achieving many of its energy policy goals in concert with the PJM markets. As utility commissioners, you understand that our industry is evolving at a pace that prevents us from relying only on the successes of the past. That is why PJM selected a proposal that both accommodates state policy and at the same time attempts to mitigate buyer-side market power in order to preserve market competition. To note, this proposal received strong member support based upon an advisory vote taken after the final CIFP meeting.

The Board and PJM remain very supportive of competitive markets. PJM operates some of the leading wholesale power markets in the nation. The capacity market in particular has delivered significant benefits to consumers in Pennsylvania and throughout the PJM footprint. These benefits include the support of PJM's strong reliability performance, affordability for consumers, reduced emissions, and investment in natural gas combined cycle generation and other innovative technologies. In our April 6 letter initiating the CIFP process, the principles of which were again emphasized in our adoption of the PJM MOPR proposal, we expressly identified "embrace[ing] competitive principles and send[ing] appropriate price signals for efficient entry and exit" as a key principle in designing any capacity market reforms.

Now that the Board has approved the PJM MOPR proposal, PJM expects to work diligently to make a FERC filing with the goal of incorporating the changes into the 2023/2024 Delivery Year Base Residual Auction, to be held in December 2021. PJM will also initiate the next phase in the analysis and evolution of the capacity market to address the remaining topics included in the Board's April 6 letter and also referenced in your letter. PJM is committed to an assessment of load forecasting, procurement levels, and reference technology in this next phase. Reliability is paramount for PJM, and we will continue to study the interplay between preserving reliability and the capacity market as this next phase progresses. We certainly will make these analyses available to stakeholders.

We look forward to the PAPUC's continued engagement in this next phase and PJM personnel are committed to maintaining open and constructive dialogue with the PAPUC throughout these efforts. PJM is committed to maintaining a strong partnership with Pennsylvania and all of our states. Collectively, you have an important voice, not just because you represent the 65 million constituents served by PJM and its members, but because you are leading the way in energy policy. Thank you again for your correspondence.



2750 Monroe Blvd.
Audubon, PA 19403

Sincerely,

Mark Takahashi

Mark Takahashi
Chair, PJM Board of Managers