

February 1, 2022

VIA ELECTRONIC DELIVERY

The PJM Board of Managers  
c/o Mark Takahashi, Chairman  
PJM Interconnection, L.L.C.  
2750 Monroe Boulevard  
Audubon, PA 19043

Dear Chairman Takahashi and Board Members:

P3<sup>1</sup> is growing increasingly concerned about the viability of PJM's capacity markets considering recent actions by PJM and FERC that have served to materially destabilize the market. Despite irrefutable evidence that PJM's capacity markets have procured a reliable supply of capacity at competitive costs for consumers, regulatory actions are undermining many of the fundamental tenets of the market construct (such as the market should be free from the exercise of market power and sellers should be able to account for risk in their capacity market offers). One such fundamental tenet is that capacity must be deliverable in order to have value. Capacity that exists but cannot serve load when it is needed most is of little value and certainly cannot be worthy of a capacity obligation.

Unfortunately, PJM is knowingly allowing resources that cannot deliver all of their accredited capacity to acquire a capacity obligation greater than what is deliverable. As PJM informed stakeholders this summer, PJM has over-accredited certain intermittent resources hundreds of megawatts of capacity that do not meet PJM's capacity resource requirements because these resources are not deliverable at peak times. While acknowledging the issue, PJM has taken no action to remedy the capacity deficiency caused by these resources nor has PJM made any changes to the capacity capabilities of these resources in subsequent planning years, including for upcoming Base Residual Auction. Fortunately, PJM can address this flaw on its own initiative prior to the next BRA by enforcing the current Reliability Assurances Agreement (RAA) requirements—no FERC filing or FERC approval is required.

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<sup>1</sup> P3 is a non-profit organization that supports the development of properly designed and well-functioning markets in the PJM region. Combined, P3 members own approximately 67,000 megawatts of generation assets, produce enough power to supply over 50 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). The comments contained in this letter represent the position of P3 as an organization, but not necessarily the views of any member with respect to any issue.

PJM has an obligation to ensure the RTO has available the capacity resources it procured to meet its reliability obligations. By PJM turning a blind eye to this deficiency, it is not upholding the plain language of its tariff. Equally concerning, PJM's customers have paid for hundreds of MWs that are not actually deliverable despite PJM's RAA requirement that "Generation Capacity Resources must be deliverable." The erroneously awarded resources can only provide approximately 50% of the purported capacity rating that PJM is purchasing in the capacity auctions to be paid for by customers.<sup>2</sup> The Board has an obligation under the PJM tariff and market rules and to its customers to ensure that PJM meets its current obligations today and does not perpetuate this issue in the next or subsequent BRA auctions. The Board must enforce PJM's Tariff and market rules, which require that capacity resources with capacity obligations above what is actually deliverable to PJM must buy back their capacity shortfall or incur penalty provisions, as other suppliers are required to do. Any commitment to "toll" such a correction while a new solution is developed is unacceptable and puts PJM in a situation where it is not upholding its obligations pursuant to PJM market rules. PJM's selective enforcement of its tariffs jeopardizes the "just and reasonable" standard of the tariff and opens PJM up to tariff challenges by affected parties.

Accredited wind and solar MWs supported by non-deliverable energy have been included in and cleared in previous auctions and currently are included in the supply stack for the upcoming 2023-24 auction. The portion of the MWs accredited this way are approximately 50% of the total wind offered into the auction (PJM has still not provided any metric regarding solar). As such, half of the wind MWs and an unknown portion of solar MWs offered provide no reliability as they are not supported by deliverable energy as required by the RAA to qualify as a Generation Capacity Resource. The only logical remedy under the circumstance is to remove these MWs from the supply stack for the 2023-24 planning year as well as subsequent auctions, until these resources are physically deliverable in the same way required of every other resource in the PJM system.

PJM initiated a stakeholder process to address its inappropriate accreditation of MWs because the only solution to make the excess MWs deliverable would be to build additional transmission upgrades to allow more output from such facilities to satisfy PJM's deliverability requirements. PJM proposes to socialize those costs – as opposed to the path other PJM resources must follow to acquire deliverability rights, e.g. enter the queue and execute appropriate studies to determine and build upgrades. P3 is extremely concerned with PJM's proposed solution that deviates from long-standing tariff rules and suggests the Board address any changes to the process to obtain increased deliverability to support Capacity Injection Rights as part of a separate process that would include changes to the generation interconnection process.

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<sup>2</sup> While actual formal data requested has been sparse, PJM staff did confirm the approximately 100% overstatement of capacity based on actual deliverability and the fact that 69% of the energy being delivered from intermittent resources was not deliverable.

The bottom line is PJM, under its own authority, is responsible to address this issue by following and enforcing its own existing tariff and rules. The PJM Board has a responsibility to end PJM's complicit practice of providing certain resources with capacity obligations that are known to be undeliverable to customers. Knowingly charging PJM customers for phantom capacity harms the customer, harms reliability, and harms those resources properly able to deliver capacity obligations but are otherwise denied that obligation by incapable resources. Given the delay in the 2023-24 auction, PJM has the time to correct this accreditation error for Delivery Year 2023-24 and future auctions. The Board must ensure it does so.

Thank you for your prompt attention to this matter.

Respectfully submitted,

*/s/ Glen Thomas* \_\_\_\_\_

Glen Thomas  
President, PJM Power Providers Group (P3)  
101 Lindenwood Drive, Suite 225  
Malvern, PA 19355  
[gthomas@gtpowergroup.com](mailto:gthomas@gtpowergroup.com)  
610-768-8080