

August 5, 2022

VIA ELECTRONIC MAIL

PJM Board of Managers
Mr. Mark Takahashi, Chairman
Mr. Manu Asthana, President and CEO
PJM Interconnection, L.L.C.
2750 Monroe Boulevard
Audubon, PA 19043

RE: Energy Market Circuit Breaker

Dear Chairman Takahashi, Mr. Asthana, and the PJM Board of Managers:

The events in ERCOT during 2021's Winter Storm Uri illuminate the extreme detriment that lack of a "circuit breaker" could result in when addressing an extended period of extremely high energy prices. Circuit breakers that limit the application of penalties after a threshold is reached already exist in the PJM market. For example, PJM's capacity market has a stop-loss limit in its Capacity Performance rules to address resource exposure when "a combination of an unusually high number of Emergency Actions and/or very poor resource performance could lead to a total net charge liability that is out of all proportion to the risks a resource reasonably should undertake in committing capacity".¹ While several relevant safeguards do exist in PJM that are absent in ERCOT, the undersigned submit that there has been no demonstrated reliability benefit to imposing extreme energy and reserve market pricing on an extended or indefinite period during an emergency.

Under PJM rules, the energy prices can reach \$2,000/MWh and reserve prices can reach \$1,700/MWh leading to LMPs of upwards of \$3,700/MWh. In addition, Transmission Constraint Penalty Factors, with defaults of \$2,000/MWh, are additive to that \$3,700/MWh.

On June 23, 2021, the Markets and Reliability Committee (MRC) approved an Operating Reserve Demand Curve and Transmission Constraint Penalty Factor Issue Charge.² The Issue Charge³ was assigned to the Energy Price Formation Senior Task Force (EPFSTF) and has been meeting approximately monthly. A non-binding survey was taken by the participants of the EPFSTF in late May-early June "to gather feedback on design components and options preferred by stakeholders for the Circuit Breaker." The results of the survey were presented to the EPFSTF at its June 30, 2022, meeting, which was held coincidentally just slightly over 1 year after the MRC voted on the issue charge. The results of the non-binding survey identified that about 2/3, or 65%, of the responses "support implementation of a circuit breaker."⁴

¹ PJM's 2015 Capacity Performance filing, Docket No. ER15-623 at page 46.

² Issue Charge Presentation: <https://www.pjm.com/-/media/committees-groups/committees/mrc/2021/20210623/20210623-item-02a-1-ordc-tcpf-issue-charge-presentation.ashx>

³ Issue Charge: <https://www.pjm.com/-/media/committees-groups/committees/mrc/2021/20210623/20210623-item-02a-5-ordc-tcpf-issue-charge-clean.ashx>

⁴ Survey Presentation: <https://www.pjm.com/-/media/committees-groups/committees/mrc/2021/20210623/20210623-item-02a-5-ordc-tcpf-issue-charge-clean.ashx>

We have heard general support for a circuit breaker from PJM's executives and the PJM Board. While we are very appreciative of this support by PJM, the undersigned believe that clear guidance from the Board, in conjunction with the non-binding poll will go a long way toward ensuring the Members ultimately support a proposal when presented at the MRC and/or Members Committee for a binding vote. Accordingly, we strongly urge the Board to publicly and clearly provide comments of continued support for a circuit breaker to ensure the safeguards that a circuit breaker would provide are attained with all due deliberate speed.

The more time that passes without a circuit breaker the more risk the PJM Members and PJM itself face that an exogenous event will occur in our footprint causing extended, high prices with limited or no reliability benefit. The undersigned call on the PJM Board to commit to a PJM circuit breaker filing with FERC on a timeline that would enable circuit breaker implementation no later than January 1, 2023. Vocal leadership from the PJM Board on this issue would be valuable in advancing this important consumer protection and guarantor of market integrity.

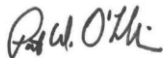
Thank you.



Pamala M. Sullivan
COO
American Municipal Power, Inc.



Alice Wolfe
General Manager
Blue Ridge Power Agency



Patrick O'Loughlin
President and CEO
Buckeye Power, Inc.



Kimberly Schlichting
President & CEO
Delaware Municipal Electric Corporation

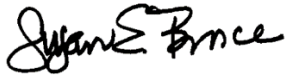
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