



Mark Takahashi
Chair, PJM Board of Managers

2750 Monroe Blvd.
Audubon, PA 19403

VIA Electronic Delivery

May 23, 2023

Avangrid Renewables, LLC	Calpine Energy Services, L.P.	Constellation Energy Generation, LLC	Duquesne Light Company	NextEra Energy Resources
Exelon Business Services Company, LLC on behalf of Atlantic City Electric Company, Baltimore Gas and Electric Company, Commonwealth Edison Company, Delmarva Power & Light Company, PECO Energy Company, and Potomac Electric Power Company				PPL Electric Utilities Corp.
Public Service Electric and Gas Company and PSEG Power LLC	Vistra Corp.	Vitol Inc.	Charlotte A. Mitchell, Organization of PJM States, Inc.	Dave Kolata, Illinois Citizens Utility Board
Dave Evrard, Pennsylvania Office of Consumer Advocate	Brian O. Lipman, New Jersey Division of Rate Counsel	Bill Fields, Maryland Office of People's Counsel	Jordan Nader North Carolina Utilities Commission Public	Ruth Ann Price, Delaware Division of the Public Advocate
Robert F. Williams, Consumer Advocate Division, Public Service Commission of WVA	Rob Altenburg Energy & Climate Penn Future PIEOUG member	Mike Jacobs Union of Concerned Scientists PIEOUG member	Nick Lawton Clean Energy Program Earthjustice PIEOUG member	John Moore Sustainable FERC Project
Casey Roberts Sierra Club Environmental Law Program PIEOUG member	Tom Rutigliano Natural Resources Defense Council PIEOUG member	Tyson Slocum Public Citizen PIEOUG member		

Dear (above referenced) Members, Stakeholders and Commissioners,

Thank you for your correspondences dated May 17, 2023, May 22, 2023, and May 23, 2023 wherein you urged PJM to exercise its independent judgment and not file Member-endorsed changes to the capacity performance penalty structure, which included modification to the capacity penalty rate, penalty stop-loss and penalty triggers.

PJM would like to thank our stakeholders for their attention to this matter. The matter was initiated by the Membership via an accelerated “quick fix” stakeholder process, and significant discussions were conducted in a short time.

PJM has determined that it will submit a Federal Power Act Section 205 filing with the Federal Energy Regulatory Commission that consists only of changes to the penalty triggers. PJM’s position, as stated in the stakeholder process, is that PJM operators require the latitude to declare and maintain emergency procedure steps given the uncertainties inherent during times of system stress. As the intent of the capacity performance rules is to hold resources accountable for performance during times when resources are most needed, trigger reform is sensible, particularly in light of the Winter Storm Elliott event.

During the quick fix process, PJM articulated concerns that the endorsed changes to the penalty rate and stop-loss may contribute to reliability concerns absent additional paradigm enhancements such as stricter winterization, testing and fuel security requirements, due to the reduced incentive for generators to respond in emergencies.

Further, in PJM's reasoned judgement, the complete endorsed package will raise concerns regarding the filed-rate doctrine and settled expectations. Therefore, filing the trigger reforms in isolation is most supportive of system reliability, aligns capacity performance triggers with periods of critical need, and presents the best chance for FERC acceptance of reforms during the 2023/24 and 2024/25 Delivery Years.

It should be noted that this decision on the quick fix reform is not meant to prejudge any outcome within the Critical Issue Fast Path stakeholder process where a more holistic review of the capacity market is occurring. PJM's position on all of these issues could evolve based upon that more holistic review, including with respect to the penalty and stop-loss.

Again, we thank our stakeholders for their time and attention to this matter.

Sincerely,

Mark Takahashi
Chair, PJM Board of Managers