

August 17, 2023

Mr. Mark Takahashi, Chair, PJM Board of Managers
Mr. Manu Asthana, PJM President and CEO PJM Interconnection, L.L.C.
(sent by email only)

To the PJM Board of Managers:

Since the issuance of the Board's February 24, 2023 letter initiating the Critical Issue Fast Path (CIFP) process for Resource Adequacy (RA), PJM and stakeholders have been engaged in important, constructive conversations on the future of the capacity market in PJM, preparing for the extensive rule changes that will guide the region through the energy transition. It should be noted that the undersigned generally support the Board's objectives and have dedicated substantial time, effort, and resources to work collaboratively in this process. While we understand the need to make the changes necessary to preserve reliability, we do not want to truncate discussions and file proposed changes with FERC that are fraught with potential problems. Under the current circumstances, the Board should direct a staged approach, with PJM filing incremental enhancements applicable to the next auction, while PJM stakeholders continue consideration of PJM's more comprehensive proposal and those that other stakeholders have offered. This would allow stakeholders time to provide more informed advice to the Board.

Throughout this process, stakeholders have raised important questions and considerations regarding PJM's proposal, and PJM has considered that feedback and made significant changes, including the most recent proposal that would maintain an annual clearing mechanism, while transitioning other important aspects of PJM's resource adequacy construct. Each new variation on any component of the PJM proposal, as well as the alternate proposals being developed and presented by stakeholders, raises key issues. The implications of those changes must be thoroughly evaluated in order for market participants, other stakeholders, and this coalition in particular to understand the financial impacts on suppliers, load serving entities, and consumers. Implementation of reforms will require several capacity auctions in quick succession and implementing these changes without fully considering their impact risks irreparable harm, and equally hasty and noncomprehensive follow-on mitigation efforts. Accordingly, additional time for consideration of all proposals is needed to ensure fair outcomes for everyone.

Following PJM's August 7 CIFP meeting, it became clear that a large number of stakeholders believe there are many areas that would benefit from further consideration and analysis of sensitivities and cost impacts. There has not yet been an opportunity for PJM, the IMM, or stakeholders themselves to run scenarios and evaluate impacts of significant aspects of the proposal, given the speed at which the process has unfolded. These stakeholders want to continue working toward understanding the PJM proposal but simply need more time.

We appreciate the concerns behind the Board's decision to set the CIFP-RA process on this timeline and aim toward an October 1 filing that would include changes effective for the 2025/2026 Delivery Year. However, as the work effort has increased considerably with PJM's addition of a seasonal model—which was not a feature of the Board's initial direction—we now ask that the Board consider giving the process more time. We recognize that could mean conducting the 2025/2026 auction under the current rules, or with some very limited modifications, as a transition step. However, providing PJM and stakeholders more time for significant consideration of the most important rule changes since the creation of the Reliability Pricing Model is justified. In the near-term, it will provide a better opportunity for stakeholders to support comprehensive changes, and in the long-term it will avoid

the need for frequent piecemeal changes to address issues that were not fully considered in the course of these discussions.

The undersigned believe that continuation of the process through early 2024 will provide sufficient additional time. We trust that you will give this due consideration, and hope that you will allow the CIFP-RA process to continue to a satisfactory conclusion.

Signed,

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