

November 3, 2023

VIA ELECTRONIC MAIL

The PJM Board of Managers
c/o Mark Takahashi, Chairman
c/o Manu Asthana, PJM President and CEO
PJM Interconnection L.L.C.
2750 Monroe Boulevard
Audubon, Pennsylvania 19408

Dear Chairman Takahashi and PJM Board of Managers,

We are writing to request that the Board exercise its filing discretion and not file the Local Considerations in the Net Cost of New Entry proposal, passed last week at the MRC and MC, at the Federal Energy and Regulatory Commission (“FERC”). Filing this proposal would be a reversal of PJM’s recent position in the Quadrennial Review. In addition, we do not believe that this proposal has had sufficient input and review from stakeholders representing load and consumers in Illinois.

PJM previously stated in their November 7, 2022 FERC filing (Docket No. ER22-2984-000) that separating ComEd out into its own zone based on Illinois’ Climate and Equitable Jobs Act of 2021 (“CEJA”) was unnecessary, pointing out that “regional differences in costs and assumptions are inevitable when developing a gross CONE estimate. Regional cost and assumption differences are nothing new.” PJM took this position in response to objections by J-Power that proposed a separate CONE for the ComEd zone due to the potential impact of CEJA. Consistent with PJM’s position in the Quadrennial Review, we question the basis for separating ComEd from the rest of Zone 3 based on a single input given both the disparities in other inputs across Zone 3 and the many effects resulting from recent changes in Illinois law. For example, CEJA raises EAS offsets, an input in net CONE, but this proposal does not account for that effect. The resulting change to net CONE is therefore lopsided and lacks holistic analysis.

While PJM was making statements opposing the separation of ComEd from Region 3 in its Quadrennial Review filings to the FERC in response to the objections raised by J-Power, at the same time, a stakeholder process was apparently started in the PJM Market Implementation Committee (“MIC”) that would eventually yield the exact opposite conclusion. These agenda items were entitled “Local Considerations in Net Cost of New Entry (CONE).” In the minutes of the MIC committee, this issue is described as “addressing how local considerations may affect the development of Net CONE.” However, as the pending proposal plainly shows, a more accurate description of this agenda item would have been “Potential Effects of Illinois Law in the Net Cost of New Entry in Region 3.” Our review of the agenda items in the Stakeholder process has not uncovered one instance where Illinois was mentioned at all. As PJM committee meeting minutes do not contain any detailed information about the substantive topics discussed, we are at

a loss to determine when and how the “E-Cubed Package” became the “PJM-E-cubed-IMM Package”¹ targeting Illinois.

One of our deepest substantive concerns with this proposal is it is unclear if there will be any trigger for a reevaluation of whether the ComEd-specific net CONE zone is providing the relevant price signals as we near 2045, the expected end date for the combined cycle reference resource. At what point will its appropriateness as a reference resource be reevaluated, and is it realistic to expect the price signals created by this policy to incentivize new build of combined cycle generation in Illinois in 2040? 2044? Based on the information we have, this proposal fails to pass the logic test over time. Filing this proposal without addressing this issue has the potential to unduly penalize the ratepayers of the ComEd service area.

PJM staff have recently stated that this proposal must be pushed through the stakeholder process and filed judiciously at FERC in time for the 2025/2026 BRA to ensure reliability. However, PJM stated in their November 7, 2022 filing (Docket No. ER22-2984-000) that there was no reliability concern to address: “In response to J-Power’s protest, Brattle has conducted further analysis that demonstrates that even assuming the 8% difference between PJM and J-Power’s CONE estimates with a shortened amortization period through the 2029/2030 Delivery Year, the proposed VRR Curve still achieves a loss of load expectation (“LOLE”) of 0.08 events per year... Therefore, J-Power’s primary argument that the use of a twenty-year amortization period will create reliability problems under PJM’s proposal is simply a red herring and should be rejected.” The analysis by the Brattle Group demonstrates that there is not a reliability issue in the ComEd zone and that there is time to address this issue in a future Quadrennial Review.

Given the potential ratepayer impacts, lack of holistic analysis, process concerns, and PJM’s recent filings on this issue, we ask that you exercise your discretion and not file the Local Considerations in the Net Cost of New Entry proposal at FERC.

Sincerely,



Sarah Moskowitz
Executive Director
Illinois Citizens Utility Board


Susan L. Satter

Bureau Chief
Public Utilities Bureau
Office of the Illinois Attorney General

¹ See Amended Agenda of Market Implementation Committee, Sept. 6, 2023, available at <https://www.pjm.com/-/media/committees-groups/committees/mic/2023/20230906/20230906-agenda.ashx>. It is unclear when or why the Sept. 6, 2023 was amended.

CC: Evelyn Robinson