



Mark Takahashi
Chair, PJM Board of Managers

2750 Monroe Blvd.
Audubon, PA 19403

Via Electronic Delivery

November 14, 2023

Sarah Moskowitz
Executive Director
Illinois Citizens Utility Board

Susan Satter
Bureau Chief
Public Utilities Bureau
Office of the Illinois Attorney General

Dear Ms. Moskowitz and Ms. Satter,

The PJM Board of Managers (PJM Board) thanks the Illinois Citizens Utility Board and Public Utilities Bureau of the Office of the Illinois Attorney General for the correspondence dated November 3, 2023, wherein you expressed concerns about the solution package for the Local Considerations in the development of the Net Cost of New Entry (CONE) issue that recently was endorsed in the PJM stakeholder process. We appreciate your concerns and the perspective you have provided.

This issue arose during the most recent Quadrennial Review, in which stakeholders reviewed the demand curve and the determination of the CONE used in the capacity market. At the very end of the process, some stakeholders noted a concern that the CONE in the Commonwealth Edison Company (ComEd) transmission zone in Illinois should be adjusted to account for how the state's Climate and Equitable Jobs Act (CEJA) affects the economic life of the natural gas-fired reference resource. Stakeholders pointed out that the impact of CEJA could affect long-term price signals in the Reliability Pricing Model (RPM) and adversely affect resource adequacy and reliability in establishing the capacity market's demand curve.

I wish to address your three concerns as follows:

1. PJM's previous position on the need for this reform:

PJM's concern with addressing this issue as part of its 2022 Quadrennial Review filing was not with the merits of the issue itself. Instead, PJM's concern was that addressing this issue **at the end of the Quadrennial Review process** would not allow appropriate time for due consideration of the impacts of such a change.

Because this concern was raised so late in the Quadrennial Review stakeholder process, a fulsome examination of the issue and impacts of proposed solutions could not be completed in time for the compliance deadline associated with the Quadrennial Review filing. PJM expressed in its 2022 Quadrennial

Review filing¹ that a separate stakeholder process should be undertaken to consider the effect of state laws (including CEJA) on CONE, thereby meeting PJM’s compliance obligation for the Quadrennial Review while providing the appropriate forum and time frame for broader stakeholder discussions and consideration on the topic. PJM believed it was important to signal in its November 7 Answer that the commencement of this stakeholder effort would review this issue with more time and a broader perspective of implications, as well as allow PJM to review potentially impactful policies or regulations from all jurisdictions within the PJM footprint, including CEJA.²

2. PJM’s position on reliability concerns:

Your letter refers to PJM statements in its November 7 Answer that state no reliability concerns exist under use of the 20-year amortization period based on Brattle’s analysis focused on the entire PJM region. However, a subsequent review included additional analysis, such as the “Energy Transition in PJM: Resource Retirements, Replacements and Risk” report that highlighted significant retirements of thermal generation resources by 2030.³ Given the uncertainty associated with the precise pace and location at which resource retirements will occur, it is prudent to file these stakeholder-approved changes with FERC now, so they are in place and operative and can therefore work to address such issues if and when they arise.

¹ PJM Interconnection, L.L.C., [Periodic Review of Variable Resource Requirement Curve Shape and Key Parameters](#), Docket No. ER22-2984-000 at P 30 (Sept. 30, 2022) (“That is not to say that a broader inquiry as to the impact of specific state laws affecting the economic lives of units should not be considered. However, such an inquiry would be much larger than simply examining the impact of Illinois’ CEJA. As a result, **this issue**, which was only raised by stakeholders after the completion of the Brattle analysis and at the very end of the stakeholder process, **is best addressed generically by PJM outside of the Quadrennial Review** rather than as a ‘one-off’ adjustment at this time.”) (Emphasis added)

² PJM Interconnection, L.L.C., [Motion for Leave to Answer and Answer of PJM Interconnection, L.L.C.](#) under ER-22-2984 (Nov. 7, 2022) At P 25 [n117] “Consistent with this commitment, PJM brought forward, and stakeholders recently approved, a new problem statement and issue charge on November 2, 2022, to further consider the appropriateness of accounting for state or local policies and regulations in the development of the CONE for the Reference Resource outside of the Quadrennial Review. Market Implementation Committee, Local Considerations in the Development of Net Cost of New Entry, PJM Interconnection, L.L.C. (Nov. 2, 2022), <https://www.pjm.com/-/media/committees-groups/committees/mic/2022/20221102/item-03b---local-considerations-in-net-cone---issue-charge.ashx>.” See also [Local Considerations in the Development of the Net Cost of New Entry Problem/Opportunity Statement](#), (Nov. 2, 2022). “At issue is: if and at what point should PJM, as a multi-state RTO, account for specific instances where local conditions, such as state or local policy or regulations, may impact the development of Net CONE for a CONE Area or some region of the footprint smaller than a CONE Area such as an LDA or zone.”

³ PJM Interconnection, L.L.C., [Energy Transition in PJM: Resource Retirements, Replacements & Risks](#), <https://www.pjm.com/-/media/library/reports-notice/special-reports/2023/energy-transition-in-pjm-resource-retirements-replacements-and-risks.ashx>

3. CONE assessments:

Finally, your letter expresses a concern that there is uncertainty as to when CONE will next be evaluated to assess the effectiveness of any relevant reform. CONE, inclusive of this reform, is reviewed as part of each Quadrennial Review. The next Quadrennial Review will begin in 2025.

PJM's responsibility for the reliability of its grid requires that the RPM accurately sends price signals to procure the new resources that are necessary to replace resource retirements in all areas of the RTO, including the ComEd zone. We believe the endorsed package accomplishes this objective and is prudent to file. We value your continued engagement in the stakeholder process.

Sincerely,

Mark Takahashi
Chair, PJM Board of Managers