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Via Electronic Delivery

December 5, 2023

Josh Tulkin
Director, Sierra Club, Maryland Chapter

Shruti Bhatnagar
Conservation Chair, Sierra Club, Maryland Chapter

Dear Mr. Tulkin and Ms. Bhatnagar,

Thank you for your correspondence dated November 13, 2023, wherein you provide PJM with feedback on its role in the energy transition in Maryland. We appreciate both your suggestions as well as the opportunity to affirm our continuing commitment to collaborate with Maryland and all of our states seeking to advance their respective policy initiatives reliably and as cost-effectively as possible. While PJM's primary focus is to "keep the lights on" for the 65 million consumers in our footprint, we have simultaneously taken several steps to help our states advance their policy choices. Some examples include:

- **Reformation of the Minimum Offer Price Rule (MOPR):** Upon receipt of a Board letter signed by each of our 14 jurisdictions, PJM worked to reform the MOPR in the PJM capacity market so that state-supported resources could partake in that market.
- **Interconnection Queue Reform:** PJM initiated a proceeding to reform its generation interconnection queue in 2021 and received an Order from the Federal Energy Regulatory Commission (FERC) to reform the queue in 2022. We have initiated the transition phase to our new queue process and now have approximately 44 GW of projects with a signed interconnection agreement that are ready to enter into the construction phase. By the end of 2026, PJM intends to have processed over 250 GW of mostly renewable resources in the queue.¹
- **Offshore Wind Transmission:** PJM partnered with the state of New Jersey to conduct a competitive solicitation to find cost-effective transmission solutions to support the state's offshore wind policies. Maryland's lawmakers seek to do the same through the passage of the Maryland POWER Act, and we have initiated work with the Maryland Public Service Commission (MD PSC) on this.

¹ [PJM Annual Meeting Presentation](#) at slide 12

- **Launch of State Policy Solutions:** PJM has dedicated significant time and resources to the advancement of state policy and has created a State Policy Solutions group.² That group's sole purpose is to assist states in the advancement of their policy initiatives.
- **A Public Commitment to Facilitating Decarbonization Policies Reliably and Cost-Effectively:** PJM's five-year strategy includes this concept as a pillar, and this is an affirmative statement that PJM seeks to utilize its subject matter expertise and scale to help facilitate state and federal decarbonization policies reliably and cost-effectively.³

PJM also notes that we are currently evaluating and making progress in the areas that you reference in your correspondence, including an efficient transfer of capacity injection rights by a retiring generation resource, an enhanced generator deactivation process, long-term transmission planning and more. A more comprehensive look at the initiatives underway to help support a reliable energy transition is available on our website through our Ensuring a Reliable Energy Transition reliability initiative.⁴ We are appreciative of the Sierra Club's continued participation in our stakeholder process as we seek to advance these initiatives as rapidly as possible.

However, we strongly disagree with your characterization of PJM's planning process related to the retirement of Brandon Shores. As you are aware, Brandon Shores is a 1,282 MW coal-fired generating plant in Anne Arundel County that is owned by Talen Energy Corp. (Talen). The following is a cursory history of recent statements made regarding the future of Brandon Shores:

- In November 2020, Talen announced a "strategic repositioning of its power generation fleet that will eliminate the use of coal at all Talen wholly-owned facilities."⁵ Talen's press release identified the Brandon Shores units in particular and stated that Talen "will cease coal-fired operations by the end of 2025 and *repower pending approvals by state agencies*."⁶
- Subsequently, in December 2021, Raven Power Fort Smallwood LLC, a subsidiary of Talen and the owner/operator of the Brandon Shores units, filed a request for a determination from the MD PSC that the proposed fuel switching from coal to oil at the Brandon Shores units would not constitute a modification to the generation stations,⁷ signaling Talen's intent to move forward with the repowering. By order issued in January 2022, the MD PSC confirmed that

² [State Policy Solutions "Inside Lines" Article](#)

³ [PJM Strategy – Powering Our Future](#) at 9

⁴ [Ensuring A Reliable Energy Transition](#)

⁵ Talen Energy Corp, [Talen Energy Announces Transformational Move Toward a Sustainable, ESG-Focused Future](#) (Nov. 10, 2020), ("Talen Energy's Press Release").

⁶ *Id.* (emphasis added)

⁷ See [Application of H.A. Wagner LLC for a Certificate of Public Convenience and Necessity Authorizing the Modification of the Generating Station](#), Raven Power Fort Smallwood Power LLC's Request for a CPCN Modification Exemption and Amendment to PPRP Licensing Condition B-IV-1 in Order No. 86585, MD PSC Case No. 9338 (Dec. 8, 2021).

the “proposed fuel switching would not be considered a ‘modification’ under the Public Utilities Article § 7-205...” and approved the proposed fuel switching, subject to certain conditions.⁸

- Additionally, in parallel with Talen’s press release and the MD PSC proceeding described above, in May 2021, Talen reached out to PJM through PJM’s Client Management group to inquire about Brandon Shores’ proposed fuel switching from coal to oil. Talen also had subsequent discussions and meetings with PJM’s transmission planning group on several occasions between May 2021 and August 2022 regarding whether any studies would be necessary to support the fuel conversion and to obtain information from PJM about requirements for PJM’s upcoming capacity auction.

Talen had clearly communicated it was on a path to convert Brandon Shores to oil. PJM did not become aware that Talen had decided to pivot from its fuel conversion plan until April 6, 2023, when PJM received a deactivation notice for Brandon Shores. In that notice (which was provided in compliance with the PJM Tariff) Talen explained, for the first time, that although it had previously been working toward a conversion of the Brandon Shores units to fuel oil combustion, it has determined that such a conversion is uneconomic and does not justify operating after June 1, 2025.

In short, it is not reasonable to expect PJM to have anticipated the imminent deactivation of the Brandon Shores units when numerous public statements and direct conversations between PJM and Talen all supported the notion that Brandon Shores was on a path to remain online, albeit using a different fuel source. Further, it is not reasonable to expect that the state of Maryland would have acquiesced to the siting and construction of significant transmission build resulting in hundreds of millions of dollars in consumer costs based upon this expected repowering path for Brandon Shores.

Shortly after receiving Talen’s deactivation notice, PJM conducted a generator deactivation analysis, finding that the Brandon Shores retirement would result in over 600 reliability violations. PJM then acted quickly to initiate the process to find transmission solutions to resolve these violations. The PJM Board of Managers (PJM Board) acted swiftly in approving these projects, as did FERC.

Brandon Shores will be needed to preserve electric reliability for consumers in Maryland until the required transmission is built. PJM’s federally approved rules foresee this scenario, and they provide the opportunity for retiring generation needed for grid reliability to operate under a reliability must-run (RMR) framework pursuant to Part V of the PJM Tariff until required transmission upgrades have been completed. A generator providing Part V service remains available to PJM to dispatch only when needed to support grid reliability but is not otherwise utilized in the normal course. Once the needed transmission is in place, the generator can retire.

However, as you are aware, Talen is currently prevented from continuing to run without conversion beyond its stated deactivation date under an RMR framework due to a private agreement it entered into with you. Neither PJM, the federally designated regional grid operator charged with maintaining grid reliability, nor the state of Maryland is a party to this agreement. Furthermore, this agreement only allows for the units to run after entering a state of emergency as

⁸ See Application of H.A. Wagner LLC for a Certificate of Public Convenience and Necessity Authorizing the Modification of the Generating Station, Letter Order Accepting Raven Power Fort Smallwood Power LLC’s Request for a CPCN Modification Exemption and Amendment to PPRP Licensing Condition B-IV-1 in Order No. 86585, MD PSC MailLog No. 238117 (Jan 12, 2022).

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designated by the United States Department of Energy (USDOE). An emergency order from the USDOE only allows for the units to continue in operation for 90 days at a time. We need much more than 90 days to have the necessary transmission solutions in place. Further, these orders are typically only issued during emergencies. Once we are in an emergency, it may be too late to ensure that Maryland consumers can continue to have reliable electric service.

This situation requires immediate attention. Failure to come to resolution on this issue could result in degraded grid reliability for over 1,000,000 Maryland consumers during peak hours, including the entirety of the city of Baltimore, for the years between the stated deactivation of Brandon Shores and the date whereby needed transmission can be constructed.

Thus, we call on both the Sierra Club and Talen to amend their private agreement to allow for Talen to continue to operate Brandon Shores until the necessary transmission is constructed to allow for its orderly retirement. Brandon Shores would then cease operations as a coal-fired generator. If PJM can be of assistance in facilitating this result, please do not hesitate to reach out.

It must be noted here that while renewable resources and grid enhancing technologies (GETS) can help in some instances, they cannot resolve the reliability conundrum that we have identified in this area. We expect to interconnect a significant number of renewable resources into the system in the years to come. By our engineering analysis, this area shows that transmission-related solutions will be needed to alleviate the violations caused by the retirement of the Brandon Shores units.

PJM is committed to facilitating the decarbonization policies of our states and the federal government. At the same time, it is imperative that this transition occurs in a manner that does not imperil grid reliability. Finding the right balance between these objectives is a complex problem that can only be solved through open collaboration between all stakeholders. We look forward to our continued dialogue to solve this challenge for the benefit of consumers and businesses in the state of Maryland.

Sincerely,

Manu Asthana
President and CEO

cc: Governor Wes Moore
Lieutenant Governor Aruna Miller
Senate President Bill Ferguson, Maryland Senate
Speaker Adrienne A. Jones, Maryland House of Delegates
Chairman Fred Hoover, Maryland Public Service Commission
Director Paul Pinsky, Maryland Energy Administration
Brandon Scott, Mayor, City of Baltimore
Mac McFarland, CEO, Talen Energy