January 8, 2024

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

VIA EMAIL

Re: PJM Report Energy Transition in PJM: Resource Retirements, Replacements & Risks (Feb. 24, 2023)

Dear Chairman Takahashi and PJM Board of Managers:

The Ohio Consumers' Counsel ("OCC") has reviewed PJM's February 24, 2023 Report on Energy Transition in PJM. While we appreciate PJM's analysis, we wish to express our concerns with some of the conclusions drawn in the report. We also note our support for the Ohio Manufacturers' Association requests to the PJM Board of Directors, dated December 21, 2023.

Much focus in the report is on the worst-case scenario where PJM projects a peak capacity shortage after 2027. We fear that policymakers may use this unlikely low-entry scenario, as an excuse to mandate consumer-funded subsidies or allow for other government interventions to address a power crisis that may never happen.

Overreaction to this worst-case scenario could create more costly regulatory problems for consumers who rely on the competitive market for lower prices and greater innovation. Historically, PJM's markets have successfully led to far more generation supply than demand in the past as evidenced by the reserve margins around 19% to 20% from 2012 to 2024[1]. This in turn has driven down electricity prices and contributed to the retirement of the least economic, unneeded power plants. That has been a good thing for the consumers we represent.

Besides the overemphasis on the worst-case scenario, we have concerns that the PJM's modeling efforts did not seem to consider the dynamic market reactions to a perceived peak capacity shortfall. For example, the PJM Energy Transition Report uses the 2023/2024 capacity auction prices of $34/MW-day, which is very low, for its forecasts, when capacity market prices have been as high as $165/MW-day, as recently as 2018/2019.[2] But, in a competitive market, if there is a supply shortage (as PJM modeled in its low-entry scenario), then the market prices of capacity would likely increase. This market price increase would likely attract new generators (whether base load coal and nuclear, gas, or renewable) because these generators would now be paid more. The higher capacity price may

[1] "PJM's Reliability Report Misses the Mark", pg 3, Table 1.
[2] "PJM's Reliability Report Misses the Mark", pg 3, Table 1.

also attract existing load-side customers to participate in PJM's capacity market as a demand response resource. These are just a few dynamic, competitive market externalities that would likely encourage more entry into the capacity market, potentially leading to a greater supply.

The competitive markets are functioning for consumers and will continue to function. Capacity concerns can be alleviated by proceeding with capacity auctions in a timely fashion and additionally providing more time for new generation to be planned and constructed.

Thank you for considering our comments regarding these matters. Please do not hesitate to contact me if you have any questions or remarks.

Sincerely,

/s/ Maureen Willis

Maureen Willis, Ohio Consumers' Counsel

cc: Evelyn Robinson