



November 14, 2019

Susan J. Riley  
Interim President and CEO  
PJM Interconnection, L.L.C.  
2750 Monroe Boulevard  
Audubon, PA 19403

PJM Board of Managers  
c/o Ake Almgren, Ph.D., Chairman  
2750 Monroe Boulevard  
Audubon, PA 19403

**RE: *Ex Parte* Communication on PJM Capacity Market Revisions and Timeline**

Dear Ms. Riley, Dr. Almgren, and the PJM Board:

The Electric Power Supply Association (EPSA)<sup>1</sup> writes to add a critical voice to the discussion regarding PJM's response to action from FERC on reforms to the RPM auctions.<sup>2</sup> In particular, PJM has received extensive correspondence regarding the delay of the RPM auction for the 2022/2023 delivery year in anticipation of direction from FERC on how to protect PJM's vital competitive wholesale markets from the untenable threat posed by out-of-market payments to support the continued operation of chosen resources that would otherwise exit or not enter the market. While EPSA does not presume to know how FERC may rule on capacity market reforms, EPSA shares the goals of the Commission, PJM, the PJM Board, market participants and consumers that PJM's markets function properly, including under new rules. Importantly, this includes the forward capacity market mechanism which is designed to integrate transmission and generation planning by providing transparent pricing signals for entry and exit and ensuring reliability for the PJM region.

In recent weeks there has been an influx of feedback to the Board indicating that an extensive schedule – creating concomitant further delay of one if not two Base Residual Auctions – will be necessary to allow state policymakers and impacted stakeholders to develop and manage legislative and/or regulatory steps needed at the state level to accommodate RPM design and rule changes. The suggested lead-time latitude is based on presumptions regarding FERC's action, currently unknown to all affected interests, and exacerbates the impact of ongoing uncertainty by insisting on extensive delay of the 2022/2023 *and* 2023/2024 auctions. These recommendations greatly and

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<sup>1</sup> Launched over 20 years ago, EPSA is the national trade association representing leading independent power producers and marketers. EPSA members provide reliable and competitively priced electricity from environmentally responsible facilities using a diverse mix of fuels and technologies. Power supplied on a competitive basis collectively accounts for 40 percent of the U.S. installed generating capacity. EPSA seeks to bring the benefits of competition to all power customers. This letter represents the position of EPSA as an organization, but not necessarily the views of any particular member with respect to any issue.

<sup>2</sup> *PJM Interconnection, L.L.C.*, 163 FERC 61,236, at ¶ 163 (2018).

inappropriately diminish the significance of the annual forward RPM auctions for the majority of the PJM market participants, and disregard PJM's responsibility to operate a market which procures sufficient reliability products on a going forward basis. EPSA urges the Board to work with all stakeholders on a reasonable transition plan that acknowledges the critical role that PJM's capacity market plays in ensuring reliability in PJM, and reschedules the 2022/2023 BRA as soon as practically possible so as to limit the already compromised lead time for that delivery year.

EPSA member companies own and operate over 50,000 MW of generation resources in the PJM region, representing the greatest investment in one regional market by our members in a diverse array of technologies and resources. These competitive resources rely *entirely* on PJM's wholesale markets to sustain and enhance current investments, drive decisions to invest in new resources, indicate when and where new resources are needed, and signal when deactivation of an existing resource is appropriate. Our members are not supported by out-of-market subsidies for otherwise uneconomic resources. They, like most market participants, are running businesses that rely on the results of annual forward and incremental capacity auctions to make prudent investment decisions including whether or not to continue to operate, to further invest in plant and equipment, etc. In turn, PJM relies on the signals these market participants send by their participation in the forward capacity market. It is a disservice to the vast majority of market participants who are committed to the PJM markets to unduly delay capacity auctions at the request of a few who may or may not decide to withdraw from those capacity markets. Recall that the current delay in the 2022/2023 capacity auction is based on the FERC order which determined that the existing rules led to unjust and unreasonable outcomes. Once FERC issues the much-anticipated order and PJM has submitted its compliance filing to revise its rules and regulations pursuant to that order, the justification for a continued delay ceases to exist.

While PJM may have discretion to set the timeline for conducting the 2022/2023 and 2023/2024 auctions, it is PJM's responsibility to do so as soon as possible to restore just and reasonable markets for the region. PJM runs the integrated regional power market serving more than 65 million customers. It is outside of PJM's mandate to put planning and operation of the PJM markets on hold in anticipation of an array of possible legislative and/or regulatory proceedings across 13 different states and the District of Columbia. PJM recognizes the central role of timely capacity auctions for the business interests and requirements of suppliers and customers. Simply put, PJM is being asked to abdicate its responsibility as the regional system operator and submit to a multitude of local interests in a profoundly disruptive way.

Further, it is disingenuous for certain parties to lean on the current reserve margin level in the region as somehow sufficient indication that open-ended delay of *multiple* RPM auctions poses no problem or threat for market participants or a reliable regional system. This is simply not the case and is a huge disservice to PJM and the customers it serves. While ensuring resource adequacy across the PJM footprint, the three-year forward price signal and capacity commitment are critical not only for existing generation resources, but for innovative technologies seeking financing for new

projects, businesses signing contracts or making retail arrangements, demand side resources emerging as wholesale market participants, and others.

EPSA is not asking for PJM, its Board, or its stakeholders to predetermine a response to a FERC order on RPM auction revisions. We acknowledge and expect that there may be a need for a reasonable amount of time to make a compliance filing pursuant to FERC's order. However, based on the correspondence to the Board on this proceeding to date, it is clear that the critical role of timely annual RPM auctions must take precedence over calls to delay. Open-ended delay to facilitate varying state proceedings predicted to take months if not years is not an option based on PJM's mandate to operate a reliable system. As others have stated to the Board, once a FERC order is issued, PJM and its stakeholders should work together on what is required to expeditiously implement the revised market design. EPSA members will at that time offer their perspective in the stakeholder process on rollout of revised BRA auctions, including the long-delayed 2022/2023 auction, which should be rescheduled expeditiously to ensure continued reliability for 13 states and the District of Columbia.

Thank you for your attention and consideration of our input.

Sincerely,

A handwritten signature in black ink, reading "Todd A. Snitchler". The signature is written in a cursive, flowing style.

Todd A. Snitchler  
President & CEO  
Electric Power Supply Association