

**Comments of  
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**For presentation at the PJM Critical Issues Fast Path (CIFP) forum on August 23,  
2023.**

I offer these comments on behalf of the Maryland Office of People’s Counsel (MdOPC’). MdOPC is charged by Maryland law to advocate before PJM, FERC, the Maryland Public Service Commission, and the courts on behalf of Maryland’s electric residential ratepayers. Ratepayers have been and will be ultimately responsible for paying through their electric bills the significant amounts due for the capacity product procured through the PJM RPM, before and after the pending reforms to be effected by the CIFP. MdOPC is focused on the interests of Maryland ratepayers in maintaining electric reliability, at least cost, in the face of the changes affecting the electric industry.

MdOPC’s specific comments follow:

- **A Cost/Benefit Impact Study is a Necessary Predicate to Reform of the RPM.**

PJM should develop a full cost and benefit ratepayer and stakeholder impact analysis of its proposed reform package in parallel with proposing the design and mechanics of the reform package. This seems a basic, prudent undertaking and best practice. It would allow for an appropriate evaluation of the reform package; but it is not occurring, and it needs to occur before any of these changes are adopted. PJM’s Simulation Analysis of PJM CIFP-RA Proposals presentation from August 14 is an important first step, but there has not been sufficient time to review the analysis and a more detailed analysis is needed to better understand how the proposed demand curves and clearing mechanisms would work with changes to the resource mix.<sup>1</sup>

Additionally, the impact analysis should include investigation of the specific impacts of the reform package on local deliverability areas (LDAs) with constrained transmission transfer capacity, which is particularly the case in Maryland. Impacts on these LDAs can be outsized and disproportionate compared to PJM footprint wide effects and get lost or hidden by a PJM footprint wide analysis.

Billions of dollars are involved in the RPM and its reform, with potential major shifts in who pays and is paid, with important impacts on electric reliability. In this context, an

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<sup>1</sup> Simulation Analysis of PJM CIFP-RA Proposals, August 14, 2023, available at: <https://www.pjm.com/-/media/committees-groups/cifp-ra/2023/20230814/20230814-item-05d---2023-08-14-market-simulation-analysis.ashx>.

impacts study should not be an after-thought (or something shunted to later), even while mindful that PJM is seeking to accomplish a lot within a tight time frame. Other RTOs/ISOs, such as ISO New England, also facing the challenge of rapidly changing resource mixes have undertaken extensive cost impact studies to enable and better inform market rule changes addressing many of the same challenges facing PJM.<sup>2</sup>

- **PJM should retain the current market seller offer cap construct (“MSOC”).**

MdOPC objects to PJM’s proposal, included in its reform package, to alter the MSOC offer cap, by including a default provision for adjusting the cap by a unit’s Capacity Performance Quantifiable Risk (“CPQR”), not subject to offset by Energy and Ancillary Services Revenue (“E&AS”) and by changing and thereby undermining the role the IMM has in monitoring and establishing the MSOC.

The PJM capacity markets, particularly in constrained LDAs with highly concentrated ownership of within area LDA generation, frequently exhibited non-competitive outcomes in auctions conducted prior to adoption of the current MSOC construct, effective for the first time for the 23/24 delivery year, as documented by the IMM. The current construct approved by FERC in its order issued in September, 2021<sup>3</sup> and now recently affirmed by the DC Court of Appeals<sup>4</sup>, is a necessary measure to assure competitive outcomes in the RPM auctions. PJM’s proposal—and some of the other proposals under consideration in the CIFP -- would undermine this important component of the RPM and should be rejected.

- **PJM should not implement the seasonal market proposal for the seasonal market procurement.**

MdOPC supports deferring the implementation of the seasonal market component of its proposal to a later date, with the caveat that any future implementation be done only after a Benefit/Cost Impact analysis. MdOPC recognizes that there may be benefits to a seasonal market design, including benefits associated with more precisely targeting resource accreditation (and system reliability requirements) to seasonal resource performance. These potential benefits are worth pursuing through a stakeholder process with sufficient time to complete the design and allow for more thorough stakeholder review. MdOPC reiterates its first point above about the necessity of completion of a

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<sup>2</sup> See for example ISO New England’s impact assessment of its Day-Ahead Ancillary Services Initiative, available at: [https://www.iso-ne.com/static-assets/documents/2023/05/a03a\\_mc\\_2023\\_05\\_09\\_dasi\\_iso\\_design\\_presentation\\_r1.pdf](https://www.iso-ne.com/static-assets/documents/2023/05/a03a_mc_2023_05_09_dasi_iso_design_presentation_r1.pdf). A similar analysis of ISO New England’s proposed capacity accreditation changes is in progress.

<sup>3</sup> *Independent Market Monitor for PJM v. PJM Interconnection LLC*, 176 FERC ¶61,137 (Sep. 2021), *order on rehearing*, 178 FERC ¶61,121 (2022).

<sup>4</sup> *Vistra Corp. v. FERC*, No. 21-1214, United States Court of Appeal for the District of Columbia (Aug. 15, 2023).

Benefit/Cost Impact study analyzing this change before proposing its adoption. This necessary, predicate study should particularly analyze the impacts of adoption of a seasonal market construct for transmission constrained LDAs in addition to PJM footprint wide.

- **MdOPC also supports the positions taken by other stakeholders during the CIFP process, particularly some of those offered by CAPS in the CIFP.**

MdOPC supports CAPS' view that the CBOT benefit should not be eliminated, that a fraction of CP non-performance charges should be returned to load, and that PJM undertake development of a more robust demand response program and that PJM should adopt a circuit breaker mechanism. PJM could also make additional changes to its risk modeling proposal. First, PJM should use a climate change adjustment methodology to best evaluate what past weather events suggest about likely weather today, even with the 30-year weather horizon that PJM has proposed to use. Second, PJM should use a rolling ten years of resource performance data to better balance the need to emphasize recent data that best describes current resource performance with the need for a large sample of performance data during rare and extreme weather events.