

**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

PJM Interconnection, L.L.C.

)

Docket No. ER24-98-000

COMMENTS OF THE PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pursuant to Rule 212 of the Federal Energy Regulatory Commission’s Rules of Practice and Procedure, 18 C.F.R. § 385.212, the Pennsylvania Public Utility Commission (“PaPUC”) respectfully submits these comments in response to PJM’s October 13th filing, *Proposed Enhancements to PJM’s Capacity Market Rules- Market Seller Offer Cap, Performance Payment Eligibility, and Forward Energy and Ancillary Service Revenues*, Docket No. ER24-98-000 (PJM MSOC Filing).

I. COMMENTS

In February 2023, the PJM Board of Managers (“PJM Board”) issued a letter directing PJM to initiate a Critical Issue Fast Path (CIFP) accelerated input process to consider improvements to risk modeling, the Capacity Performance construct, accreditation, and to synchronize rules common to the Reliability Pricing Model and the Fixed Resource Requirement option. Following several months of education and proposal presentations by PJM and interested parties, PJM concluded the CIFP process on August 23, 2023, by providing time for the presentation of proposals to the PJM Board and conducting a vote to inform the PJM Board of member preferences. The PaPUC presented its comments to the PJM Board. On September 27, 2023, the PJM Board of Managers directed PJM to make the current filing, which PJM made on October 13, 2023.

While the PaPUC supports most of the PJM MSOC Filing, PJM proposes a revision that would also allow PJM to “calculate an alternative unit-specific Market Seller Offer Cap based on

the submitted documentation.”¹ PJM says this would allow it to accept certain components of a unit-specific Market Seller Offer Cap that are consistent with the Tariff, rather than rejecting the entire requested unit-specific Market Seller Offer Cap (MSOC) outright. It is this concept that the PaPUC finds problematic.

Under PJM’s current tariff, a capacity market seller proposes who is seeking a unit-specific exemption to the default Market Seller Offer Cap provides documentation to the Independent Market Monitor (IMM) to support their unit-specific cap.² If they cannot agree on a resolution, the generator may go to PJM which then can accept or reject the market seller’s unit-specific Market Seller Offer Cap number. If PJM rejects the market seller’s number, the market seller may offer into the market at the higher of the default net Avoidable Cost Rate or the IMM’s proposed MSOC.³ PJM’s proposed tariff revision would allow it to calculate its own alternative unit-specific MSOC number.⁴

The PaPUC agrees with OPSI that this tariff provision unreasonably undermines the role of the IMM and its ability to negotiate with the generation owners. Although we do not doubt PJM’s good faith in proposing this provision, the effect would be that capacity market sellers would have no incentive to work with the IMM, and would instead just wait for PJM to weigh in. The IMM’s independence and relevance are paramount, and this provision creates incentive to avoid IMM review.

¹ PJM MSOC Filing at 32 citing proposed PJM Tariff, Attachment DD, section 6.4(b).

² PJM Tariff, Attachment DD, 6.4(b). Presently, the unit-specific exemption process is used only by a few generators in each auction. According to the 2024/2025 Base Residual Auction Analysis by the IMM, only 2.2% of market sellers sought a unit-specific review. An even smaller number sought ‘appeal’ to PJM. https://www.monitoringanalytics.com/reports/Reports/2023/IMM_Analysis_of_the_20242025_RPM_Base_Residual_Auction_20231030.pdf, at 2.

³ *Id.*

⁴ Proposed PJM Tariff, Attachment DD, 6.4(b).

In all other respects, the PaPUC generally supports the PJM filing at ER24-98, as detailed below.

PJM's proposal to create a floor on the MSOC at their Capacity Performance Quantifiable Risk (CPQR) level ensures that resources are not required to offer below their risk. The capacity market should ensure that does not occur. There is a planning benefit to having resources participate in the capacity market as well as a benefit to load in having generation shoulder a commitment to perform. At very low capacity prices—below their CPQR, the market structure should not encourage resources to participate in the energy market alone. Moreover, other aspects of the PJM proposals at this Docket and at Docket No. ER24-99 serve to limit Capacity Performance risk, keeping CPQR values reasonable: First, the circumstances in which Performance Assessment Intervals occur has been reduced;⁵ second, PJM proposes to limit the bonus pool to capacity resources;⁶ third, PJM proposes to reduce the stop-loss;⁷ fourth, PJM's generator testing proposal should reduce forced outages;⁸ fifth, Marginal Effective Load Carrying Capability (Marginal ELCC) will reduce the measuring point for performance obligations, decreasing penalty risk and thus increasing expected bonuses;⁹ and finally, PJM's Performance Assessment Interval Obligation Transfer process allows resources to buy out of their riskiest hours.¹⁰

⁵ See PJM Interconnection, L.L.C., 184 FERC ¶ 61,058 (Issued July 28, 2023) (limiting circumstances when PAIs are triggered).

⁶ PJM MSOC Filing at 46 *et seq.*

⁷ PJM Resource Adequacy Filing, Docket No. ER24-99 at 92.

⁸ *Id.* at 80 *et seq.*

⁹ Compare <https://www.pjm.com/-/media/planning/res-adeq/elcc/elcc-class-ratings-for-2023-2025-2026.ashx> (using the Average ELCC approach) and Slide 61 of PJM's CIPF Presentation <https://www.pjm.com/-/media/committees-groups/cifp-ra/2023/20230727/20230727-item-02a---cifp---pjm-proposal-update---july-27.ashx>. Thermal units are likely to also experience a reduction in performance obligation level, due to a switch from (1-EFORd) to Marginal ELCC. See <https://www.pjm.com/-/media/planning/res-adeq/2022-pjm-reserve-requirement-study.ashx> at 29.

¹⁰ PJM MSOC Filing at 40-43.

II. CONCLUSION

The PaPUC is generally supportive of PJM's filing; however, it takes exception to the revision allowing PJM to calculate its own alternative unit-specific MSOC number separate from the generator owner's number, the IMM's unit-specific MSOC number, or the default MSOC.

Respectfully Submitted,

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Dated: November 9, 2023

CERTIFICATE OF SERVICE

I hereby certify that the foregoing has been served in accordance with 18 C.F.R. Section 385.2010 upon each person designated on the official service list compiled by the Secretary in this proceeding.

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Dated at the City of Harrisburg, Pennsylvania, this November 9, 2023.