



Mark Takahashi
Chair, PJM Board of Managers

2750 Monroe Blvd.
Audubon, PA 19403

VIA Electronic Delivery

May 16, 2023

The Honorable Charlotte A. Mitchell
President, Organization of PJM States, Inc.
cmitchell@ncuc.net

Dear President Mitchell,

This letter is in reply to your correspondence dated April 20, 2023. In that letter, members of the Organization of PJM States (OPSI) provided feedback on PJM's New Services Queue and its role in addressing reliability trends identified in PJM's Resource Retirements, Replacements and Risks paper ("4R Study").

PJM agrees with OPSI on the importance of a robust queue process that is built to accommodate a high volume of new projects and shares the sense of urgency around expediting queue throughput. OPSI's letter expresses a desire for PJM to emphasize queue processing to address reliability trends identified in the 4R Study. OPSI also suggests that additional queue reforms exist that are ripe for implementation.

Recognizing the recent tripling of projects entering its queue, in October 2020, PJM and stakeholders began working together to create a plan that streamlines generation interconnection requests, improves project cost certainty, and significantly improves the process by which new and upgraded generation resources are introduced onto the electrical grid. The PJM Planning Committee held four workshops, and the Interconnection Process Reform Task Force held 21 meetings during which PJM and stakeholders worked through solutions for these problems.

This work culminated in a vote on a proposal for reform with overwhelming stakeholder support. That proposal was approved by FERC on November 29, 2022, and the transition to the new rules will begin in July as we continue to clear the backlog of projects. Moreover, to tackle this work, PJM has invested significantly in tools and automation, as well as in the staffing of both employees and outside contractors.

The transition that starts in the third quarter is expected to process interconnection applications that cumulatively represent about 260 GW worth of resources over the next three years. We anticipate having about 100 GW of projects complete the PJM study process by the end of 2025. Further, we currently have about 44 GW of projects that have come through our study process with either signed or pending ISAs and should be moving to construction; that should grow to about 62 GW by year's end. But we remain concerned about the rate of new build actually coming online. In 2022, we had only 2,000 MW of projects get built, of which only 700 MW were renewables when there were over 30 GW of generation with signed ISAs.

PJM continues to look at measures to improve queue throughput and efficiencies through its Interconnection Process Subcommittee. We look forward to OPSI's engagement in that forum. Given our recent robust queue reform efforts and our current trajectory, conducting an expedited stakeholder process for further, unspecified reforms does not seem to be a prudent use of time and resources at this time. PJM will focus on clearing the queue based upon the reforms approved by the PJM stakeholders and FERC and generally supported by OPSI members.

PJM, through the Interconnection Process Subcommittee, is happy to intake proposals as to how PJM can continue to improve the queue. We look forward to OPSI's engagement within that forum.

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Separately, the letter's point regarding sufficient thermal entry from recent PJM modeling at the Clean Attribute Procurement Senior Task Force (CAPSTF) invites clarification. The referenced CAPSTF modeling is an analysis intended to compare the effectiveness of various clean attribute procurement market designs, as offered by OPSI and other stakeholders. Modeling assumptions, including those about resource mix, are required to produce results for this comparison. However, the use of resource mix model assumptions to study the results of market designs is different from OPSI's conclusion that the model itself will result in a particular resource mix.¹ OPSI received this important distinction through the organization's Competitive Procurement Attribute Working Group on December 15, 2022, and January 26, 2023, as did all stakeholders through the CAPSTF on December 16, 2022,² February 28, 2023,³ and March 28, 2023.⁴

In closing, PJM is committed to working to maintain reliability through the transition and continues to take up initiatives that will help address the risks identified, including the capacity market reform initiative being worked through the Critical Issue Fast Path process for Resource Adequacy. PJM and the industry are experiencing a major energy transition. Reforms made to the New Services Queue will alleviate the backlog and process more megawatts over the next three years than have gone in service since its inception in 1999. However, speeding up the process to move projects through the queue may not alone resolve the risks identified in the 4R Study unless other issues such as supply chain and permitting are also resolved in a timely manner.

PJM embraces the challenge ahead. We are committed to working to ensure the lights stay on for the 65 million consumers we serve through the transition and will continue to work on initiatives to serve this mission. We seek solutions, and we seek to take action. We trust that OPSI will continue to contribute meaningfully in the development of those solutions.

Sincerely,

Mark Takahashi, PJM Board Chair

¹ [CAPSTF's Analysis Update](#), March 28, 2023, "Headwinds to new gas generation investments ... In the model we ignore these headwinds. New gas investments continue to be economic, mainly in PA"; at p 45.

² [CAPSTF Analysis, Initial Results](#), Dec. 16, 2022; at p 3.

³ [CAPSTF's Analysis Update](#), Feb. 28, 2023, "Headwinds to new gas generation investments ... In the model we ignore these headwinds. New gas investments continue to be economic, mainly in PA"; at p 42, *See* p 4, *See generally* Pp 34, et seq.

⁴ [CAPSTF's Analysis Update](#), March 28, 2023, *See* p 5, *See generally* Pp 46, et seq.