Re: Request to Defer Action on PJM Triennial Review

Dear Chairman Schneider:

The Illinois Commerce Commission and the Maryland Public Service Commission (the Commissions), write to urge the PJM Managing Board to not file with the Federal Energy Regulatory Commission (FERC) any modifications to the current rules and structure of PJM’s Reliability Pricing Model as a result of the recent triennial review process conducted by PJM Staff and the PJM stakeholders until such time as any proposals may be properly assessed together with other related proposals. Rather, the Board, as requested by a majority of PJM Members voting at the August 21 MRC Meeting, should maintain the status quo in RPM rather than adopt any modifications that may be proposed to the Board by PJM Staff or other parties at this time.

The Commissions believe making any changes to RPM at this time would be inappropriate and may have the effect of imposing costs upon electric end users in the PJM region without an adequate showing of demonstrable benefits to offset those costs. The Commissions further understand that PJM’s proposed RPM changes could impose additional costs upon end-users of more than $1.5 billion per year. PJM has two other major capacity market modification proposals from its Staff under consideration, which may cause substantial price increases to electricity end-users. Those proposals include the possible elimination of the $1000 Offer Bid Cap on PJM’s Markets and the adoption of Capacity Performance Standards. The Commissions believe it is important to evaluate these measures together rather than in a piecemeal fashion so that a full understanding of all of the implications of these changes upon PJM’s capacity market can be achieved. Changes to RPM have often had unintended outcomes; a process that does not fully evaluate proposed changes jointly will do nothing to minimize the occurrence of such unintended outcomes.

In particular, this is true of the Capacity Performance initiative. This matter, either through incentivizing Generator investments and incurrence of additional operating costs or
through the addition of substantial risk premiums in electricity supply bids, is likely to impose substantial additional Capacity Market price increases upon electricity end-users. It appears to propose fundamental changes to the very nature of the capacity product that RPM procures. PJM has only recently identified its proposals for the development of such Performance Standards and their possible costs, and their final identification and costing will not occur until mid-November. State Regulatory Commissions and, we believe, the PJM Managing Board need more definitive information on the price and other effects of this initiative upon the Capacity Market modification proposals, including their possible effect in avoiding the need for the proposed modifications under review in this Triennial Review, before a decision is made to file any changes to RPM.

Along with PJM, State Regulators have an abiding interest in providing reliable electricity for our citizens. We also have a compelling interest, however, in ensuring that the current multitude of capacity market proposals are cost-effective, just and reasonable. Therefore, we strongly urge the PJM Managing Board that it should reject any efforts made to persuade it to file substantive proposals, such as proposed VRR Curve modifications and modified Energy & Ancillary Service Revenue Offset methodologies, with the FERC at this time. Rather, careful and thorough consideration of the facts related to these proposals and their possible effect upon electric end-users requires that the PJM Managing Board, State Regulators and concerned PJM Members (and FERC) be permitted to evaluate the appropriateness and need for these Triennial Review modifications based upon all of the capacity market modifications as a whole, their effects upon end-users, and their interactions now or soon to be under consideration.

Sincerely,

[Signature]

Kevin Hughes
Chairman of MD PSC

[Signature]

Ann McCabe
Commissioner of Illinois