TRANSITION COALITION BRIEF

I. Introduction

The Transition Coalition members\(^1\) have significant concerns with PJM’s proposal to phase-in its Capacity Performance (“CP”) product and impose additional costs on consumers during the Delivery Years in which PJM has already purchased its capacity (the “Transition”). While PJM no longer proposes to implement its Capacity Performance Proposal in the 2015/2016 Delivery Year, PJM continues to push forward with its CP product in the remaining Transition at a cost of up to $3.6 billion and $4.2 billion in the 2016/2017 and 2017/2018 Delivery Years, respectively.\(^2\) Much of the increased cost during this period will be paid to generators that either have already met the performance targets of Capacity Performance or have taken actions to improve going forward performance independent of Capacity Performance incentives. If PJM has a specific reliability need in the Transition, it should vet solutions with stakeholders that are tailored to the identified problem(s) for that year, similar to PJM’s proposal to meet needs in the 2015/2016 Delivery Year with a targeted winter-only procurement at a cost of $200 to $600 million.\(^3\) That is a more reasonable approach than trying to use the Transition to address longer-term challenges like the industry’s transition from coal to gas or concerns over resource adequacy and potential nuclear plant retirements.

Rushing forward to fully implement Capacity Performance in the May 2015 Base Residual Auction (“BRA”) for the 2018/2019 Delivery Year is equally troubling. PJM has revised its CP proposal to take some stakeholder consideration into account, but as evidenced by the large number of coalitions, there are still significant issues yet to be addressed, most notably the specific requirements for single-fuel gas generators to qualify and remain as Capacity Performance resources. The PJM Capacity Performance Updated Proposal (“CP Update”) issued on October 7, 2014, just 21 days ago, still risks load and consumers unnecessarily spending enormous sums before the effects of ongoing and planned incremental measures can be assessed. Prospective changes to the Reliability Pricing Model (“RPM”), if any, should be implemented in the May 2016 BRA for the 2019/2020 Delivery Year. This will provide the necessary time to allow PJM to work through the remaining design issues and concerns with stakeholders and take the effects of ongoing and planned incremental measures into account in the design of long-term capacity performance improvements. Taking this additional time to complete the design will not jeopardize reliability. Other targeted tools are readily available or being assessed in the interim, including incremental procurement measures if necessary, to ensure reliability at lower costs and without imposing turmoil upon settled expectations and the marketplace.

Imposing billions of dollars of unforeseen costs on the region deserves a far more thorough analysis than simply squeezing stakeholders through the current procedural “express lane.” These added capacity costs will disturb existing commercial arrangements for wholesale and retail load suppliers that in good faith relied on the prices from previously cleared auctions, and may cause suppliers unable or unwilling to manage the unknown and unhedgeable costs and regulatory uncertainty to exit the market. This is exactly what Maryland is currently observing in its present Standard Offer Service procurement, with the remaining suppliers likely to charge high premiums to cover regulatory risk.\(^4\) This disruption is unwarranted during the Transition, particularly given

\(^1\) The Transition Coalition members are listed at the end of this Brief.
\(^3\) Id.
\(^4\) According to Platts Megawatt Daily (October 27, 2014), “[a]mind the uncertainty in PJM Interconnection’s capacity market, there was only one bidder willing to participate in Maryland’s latest auction for power supplies for most residential customers on
that PJM has proposed a targeted solution for the 2015/2016 Delivery Year and already has procured surplus capacity for the 2016/2017 and 2017/2018 Delivery Years. Failure to consider more effective and less costly near-term alternatives, to the extent needed, and hastily implementing long-term structural changes threaten the legitimacy of PJM’s entire effort and will lead to cost increases for PJM end-users that are higher than necessary.

We therefore ask the Board to direct PJM staff to take the following actions:5

(i) make a filing to FERC in December 2014 to address changes, if necessary, to meet PJM’s immediate reliability needs for the months of December 2015 to February 2016, with PJM and stakeholders able to focus this November on PJM’s specific proposal for an incremental winter-only auction raised in its CP Update;

(ii) conduct a focused stakeholder process for implementation of any long-term capacity performance market design changes to RPM in the 2016 Base Residual Auction, to take effect in the 2019/2020 Delivery Year, with a FERC filing no later than November 2015, which will allow a more complete and well-considered design;

(iii) eliminate the current proposal to phase-in the capacity performance product in the 2016/2017 and 2017/2018 Delivery Years, with PJM instead to make a decision in its November 2015 filing as to whether or not there is a need to do a phase-in of such product solely for the 2018/2019 Delivery Year; and

(iv) address in the November 2015 filing any additional changes PJM believes it will need to meet short-term reliability goals for all Delivery Years leading up to 2019/2020, such as cost-effective and targeted funding for generator winterization or conversion to dual-fuel capability.

II. PJM’s Proposed Transition Will Not Have a Material Impact on System Operations

The Transition Coalition appreciates PJM’s leadership to ensure reliability and its proactive response to the events of last winter. PJM’s goals are to develop a more robust definition of Capacity Resources to incorporate stronger performance incentives and more operational availability and diversity during peak power system conditions. While we disagree with how best to achieve these goals, we acknowledge the validity of PJM’s concerns.

5 The Transition Coalition does not presently have any language in its draft on the particulars of how any costs will be allocated, to whom and when. The proposal may have significant financial impacts for different market participants depending on how the costs are allocated. Certain members of the Transition Coalition have some proposals and/or opinions on those issues, e.g., cost recoveries and billing methods, that are not presented here. The benefit of the Transition Coalition proposal is that PJM and stakeholders will have more time under our plan to consider such issues next year in advance of PJM’s November 2015 filing, and over the next month can focus on any costs relating to any filing PJM will make in December for the winter 2015/2016.
PJM has not demonstrated that Capacity Performance would have a material impact on system operations during the Transition Delivery Years. PJM has not presented any evidence showing how paying more to resources that already have capacity obligations (many of which meet the Capacity Performance requirements) will translate into increased security in its control room. If any additional payments are to be made during the Transition, FERC policy requires that they not be made “to incent resources to make the same fuel procurement decisions they would have made, and been compensated for, absent the Program.”6 This is exactly what would happen with the proposed phase-in of Capacity Performance during the Transition, in which resources already performing at the Capacity Performance level would make the same operational decisions they would have made under their existing supply obligations.

PJM recognizes this issue in its CP Update, acknowledging “the need to develop a balanced transition mechanism that provides incremental improvements to address the issues while recognizing the need to allow time for investment, transition of contracts and transition cost management.”7 PJM proposed several incremental measures for the first year of the Transition (2015/2016), including a winter procurement program, that do just that. But PJM still proposes a phased implementation of Capacity Performance in the remaining two years of the Transition, escalating the requirement each year until full implementation in the 2018/2019 Delivery Year.

PJM’s revised Transition proposal does not strike the right balance. PJM and the Independent Market Monitor (“IMM”) estimate that the CP Update would result in up to $3.6 billion and $4.2 billion in additional capacity payments during the 2016/2017 and 2017/2018 Delivery Years, respectively, with up to $5 billion potentially in 2018/2019.8 They further estimate an offsetting $2.2 billion in energy market savings for each of the Transition years resulting from improved resource performance. However, they do not explain the basis for the assumed improvements in forced outage rates and operational performance. Most importantly, the PJM and IMM analysis does not appear to be a differential case, isolating the Capacity Performance effects from other effects. Without the underlying data, it is impossible to analyze the basis for assuming a 3 to 6 percent improvement in forced outage rates as presented in the Cost-Impact Report.9 We believe that a significant portion of this reduction would be realized in the next few years without Capacity Performance. Further, with respect to improvements in the summer forced outage rate, PJM has proposed Capacity Performance as targeted to winter operational concerns, and there is little explanation from PJM and the IMM as to how the CP Update would improve EFORd rates in the summer. The Transition Coalition urges PJM and IMM to release its underlying data and assumptions so that its members can appropriately analyze these costs.

PJM’s energy savings analysis also assumes that the PJM region will, with certainty, experience severe weather conditions comparable to the Polar Vortex, as PJM and the IMM used 2014 as the simulation year. This may be further inflating energy savings. The expected value of these savings must be discounted heavily, especially for the winter, yet the capacity cost would be 100 percent certain.

7 CP Update at 33 (emphasis added).
With respect to the costs of PJM’s proposal, the CP Update continues to make no distinction between already-committed resources based on their observed performance. The most likely resources to offer into the proposed incremental Capacity Performance auctions during the Transition will be the resources that already have the highest expectation of reliable performance under their existing obligations – the 92 GWs of nuclear, coal, and dual-fuel units on interstate gas pipelines and natural gas units with mainline firm transportation contracts.

LaCapra Associates (“LaCapra”) estimates that payments to the 92 GW of highly reliable resources described above could be as much as $2.8 billion in the 2016/2017 auction. These resources are expected to meet the Capacity Performance requirements with little or no incremental investment, particularly given other changes happening outside of PJM’s proposed Capacity Performance change such as gas-electric alignment, winterization efforts, and actions by generators of all type to improve performance based on their risks last winter and missed revenue opportunities. We estimate that the cost of compliance for these resources would be roughly $850 million, comprised of $170 million in weatherization, fuel inventory and annual testing costs and up to $680 million associated with Capacity Performance penalty risk. As a result, the CP Update would result in this block of resources realizing roughly $2 billion in annual profits unrelated to any reliability improvement, and irrespective of the fact they are already under a capacity supply obligation.

The calculations are similar for the 2017/18 auction. Payments to 89 GW of already highly reliable resources could be as much as $3.0 billion in the 2017/2018 auction. LaCapra estimates that the cost of compliance for these resources would be roughly $1.5 billion, comprised of $175 million in weatherization, fuel inventory and annual testing costs and up to $1.3 billion associated with Capacity Performance penalty risk. The CP Update would result in this block of resources realizing roughly $1.4 billion in annual profits unrelated to any reliability improvement, again irrespective of the fact they are already under a capacity supply obligation.

The underlying problem continues to be the rush to implement a solution that has not been thoroughly vetted through affected stakeholders and market participants. Experience has shown time and time again that the capacity product and resource adequacy constructs are tricky. Seemingly modest modifications can cause significant and frequently unforeseen impacts, often at great cost and of debatable benefit. Here, PJM proposes not only to convert 80 percent of its capacity needs to an entirely new Capacity Performance product, but to layer it in retroactively during Delivery Years in which capacity commitments and obligations have already been finalized under the existing rules. RPM changes have historically been made on a prospective basis to avoid the unwinding of existing arrangements, prohibited by FERC as “retroactive ratemaking.” In any event, if reliability is the real objective, there is no reason to rush the implementation of Capacity Performance in years where the BRAs have already been run. As described below, PJM can maintain reliability without phasing-in its Capacity Performance proposal. PJM will still realize benefits from the 92 GWs of highly reliable resources as such resources are already committed in the interim Delivery Years and already have incentives in the energy markets to improve their performance. There are other, more targeted solutions to PJM’s stated resource performance concerns during the Transition years that stakeholders can properly consider – alternatives that better respect existing commercial arrangements undertaken by wholesale and retail suppliers.

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10 A decline in nuclear capacity clearing in the 2017/18 BRA results in this resource block being slightly smaller than the previous year.
III. Reliability Can Be Maintained Without the Rush to Capacity Performance

The key consideration for PJM – as it should be for everyone in the region – is to maintain reliability, but the Transition to Capacity Performance as reflected in the CP Update is not needed to maintain operational reliability in any of the proposed Transition years. The proof is in the fact that the most pressing reliability concerns apparently are in the upcoming winter of 2015/2016. PJM can use its existing and proposed reliability tools, a possible new winter procurement program and other more targeted enhancements to ensure reliability at a significantly lower cost ($200 to $600 million, instead of the multi-billion procurement of Capacity Performance in other Transition years). This is the right direction for PJM, maintaining the proper balance between ensuring reliability and using existing and currently proposed market structures, contracts and expectations. To the extent existing and planned measures are insufficient to address reliability concerns in the remaining Transition Delivery Years, similar alternatives to Capacity Performance are available to PJM.

For the winter of 2015/2016, PJM has already proposed running a winter-only supplemental auction, in addition to other measures. The CP Update states this procurement would be for up to 10,000 MW of additional resources. While the Transition Coalition does not object to this proposal in principle as PJM has stated it is needed for reliability, we do look forward to working with PJM as it determines its procurement target with more precision, as well as how to adjust the existing EFORp construct for this winter-only product. The Transition Coalition is not convinced that PJM needs to purchase the full amount it is stating (some in the Transition Coalition are not convinced yet of the need to make any such purchases but acknowledge PJM’s concerns and want to work productively with PJM on these changes). We also suggest that PJM consider securing additional obligations from existing resources from any summer-winter UCAP differential and/or any additional MWs that existing resources can commit in excess of their stated UCAP values. Under our proposal, stakeholders would have time to focus on this proposal exclusively over the next month. We request that PJM file associated tariff changes for this in the December 2014 timeframe.

For remaining years of the Transition, when Base Residual Auctions already have been run, PJM has similar options to meet its reliability needs, if necessary, and in those years already benefits from a surplus given that capacity was over-procured in those years even before taking into account the favorable differential between forecasted and actual load demand with an annual net decrease in demand the expected norm. PJM could conduct additional winter-only procurement, procure more annual capacity under its existing tariff, and/or target low-cost winterization of coal units and dual-fuel capabilities. Further, there is 13,082 MW of generation

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11 We note that on April 10, 2014, after the Polar Vortex, Mike Kormos testified before the U.S. Senate that PJM “procured into 2017 approximately 5,000-8,000 megawatts more than our target reserve margin to address contingencies” and, “[a]s a result, the PJM region has adequate reserves to meet our forecasted needs through the next three years including 2016 when the EPA MATS rule is scheduled to take effect.” See http://www.energy.senate.gov/public/index.cfm/files/serve?File_id=73859e21-e3a5-4594-9fc7-9fb9ed400a34.

12 It is unclear what target PJM is seeking, which suggests that more time is needed to vet this proposal. On a recent UBS Securities, LLC Capacity Performance call, it was suggested by Andy Ott, by way of an example, that a 2% increase in Pool-Wide EFORd was an approximate value of underperformance. That 2% figure equates to roughly 3,250 MW (161,832 MW of cleared resources based off of the Second IA times 2%), which is substantially less than the 10,000 MW target.

Further, in the CP Update the desired Capacity Performance target for the immediate post-transition years declined by 5% or approximately 9,000 MWs based on the winter reliability analysis using winter ratings of 36% for wind (vs. 13% summer) and of 103% for other resources. PJM’s determination of need in a winter-only supplemental auction for 2015/2016 should similarly consider winter ratings.
that did not clear in the 2016/2017 BRA and may remain available to PJM for that Delivery Year. In addition, both the 2016/2017 and 2017/2018 Delivery Years already have committed surplus MWs through their respective Incremental Auctions, as shown on the following charts:

PJM can also consider building upon its earlier initiatives described above and propose additional rule changes to target better performance. We acknowledge that improving resource performance can lead to savings in energy market costs, but believe there is more than one path to achieve those savings – and that the path proposed by PJM is not the most cost-effective one to take.

For example, there is roughly 22,000 MW (approximately 18,700 UCAP MW)\(^\text{13}\) of gas-only generation installed in PJM without dual-fuel capability or firm pipeline transportation today.\(^\text{14}\) The average cost of installing dual-fuel capability assuming a five-year capitol recovery is approximately $75/MW-day.\(^\text{15}\) If we

\[^{13}\] Eastern Interconnection Planning Collaborative, http://www.eipconline.com/uploads/Exhibit_4_PJM_Generator_Contracts.pdf, slide 5 (Table E4-4, showing 22,000 MW of PJM gas-only generation without dual-fuel or firm transport)

\[^{14}\] Procuring firm transportation over existing or new pipeline may not be the most economic means of firming up generation deliveries. In cases where firm pipeline transportation is economic but new pipeline infrastructure is required, the time to site, permit and construct the facilities will constrain how soon resources can effectively meet new obligations. In some cases, firm transportation may not be either physically or economically obtainable without some reasonable bounds and expectations around electric system operational decisions. Even with firm transport, it may not be possible to economically satisfy PJM’s expectations regarding dispatch rights or flexibility without regard to gas nomination windows or make whole provisions around physical fuel constraints on extreme rare winter days.

assume half of that fleet – or approximately 9,350 MW – could meet land and permitting requirements and would participate in an auction designed for the purpose of incentivizing them to install dual-fuel capability under Capacity Performance-like penalty structure, the incremental costs of procuring gas-only generator commitments to invest in dual-fuel or firm transport would be approximately $445 million, a significantly smaller number than the expected costs of the CP Update during the Transition. And these payments would lead to actual, material improvements in performance for the targeted resources, with corresponding savings in energy market costs. While the Transition Coalition takes no position here on whether PJM should run this type of auction, it is illustrative of the types of alternatives that are available and should be reviewed by stakeholders.

Under our proposed schedule, under which long-term capacity performance reforms would be filed in November 2015 for implementation in the 2016 Base Residual Auction, the first full year of implementation would be the 2019/2020 Delivery Year. We recognize that PJM wants a transition to a more robust capacity market design in order to set clear standards and improve incentives for capacity resources. If PJM decides to phase implementation during a transition, which under this proposal it would not have to decide until next year, we believe that it should not occur until the 2018/2019 Delivery Year. But there should be no phase-in unless PJM can quantify the specific reliability benefit that results exclusively from the phase implementation rather than from actions underway independently from Capacity Performance.

IV. Long-Term Capacity Goals Should Be Filed for the 2019/2020 Delivery Year

The legitimate desire to “do something” to solve admitted problems during the Polar Vortex should not lead to rash actions. Many steps already have been taken to address resource performance and others are approved and forthcoming. Numerous regulators and others are assessing the effects of these and related actions. Capacity suppliers will respond to penalties imposed and losses realized last year and expected market signals this winter. With all of these logs on the fire—many of them brand new—it is impossible to know at this time what additional steps truly are needed. The core issue is that PJM has conflated near-term reliability issues with long-term market design and incentive issues. Taking some additional months to evaluate progress made and concerns that remain will result in a better proposal (with respect to winter performance) and a less disruptive migration to long-term capacity market reforms for PJM and market participants alike.

To be clear, the Transition Coalition does not take advocating for delay lightly. We understand PJM’s concerns, but also note that PJM proposes to address its most pressing worries for the winter of 2015/2016 through a procurement of additional winter-only capacity, not Capacity Performance. The current process, then, is about evaluating what, if any, structural changes are needed to RPM to address PJM’s long-term concerns regarding resource performance. A better course of action would be for PJM to implement its long-term capacity performance goals—stronger performance incentives and more operational availability and diversity during peak power system conditions—coincident with the 2016 Base Residual Auction for the 2019/2020 Delivery Year. On this schedule, PJM would make its FERC filing of proposed rule changes to meet its long-term goals no later than November 2015. This schedule would allow ample time for PJM to establish the auction parameters for the 2019/2020 Delivery Year, which need to be completed by February 2016. It would also provide additional time for the commercial marketplace to react once FERC review is complete.

Alternatively, if the Board believes that the Capacity Performance product must be implemented in the upcoming BRA for the 2018/2019 Delivery Year, it could consider delaying that BRA until the Fall of 2015 in order to allow more time to finalize the capacity performance proposal and associated Transition. While this would shorten the time between BRA results and start of the Delivery Year, gaining the additional time at the
front-end of the process would greatly improve the quality and effectiveness of PJM’s Capacity Performance proposal.

A. PJM is Already Strengthening Operations

The industry is already responding to the problems identified during the Polar Vortex, and these overlapping efforts deserve time to play out. Some of these efforts may eliminate the need for a product like Capacity Performance or alternatively, reduce the amount that is needed, modify the attributes of the product, or substantially reduce its costs. Non-performing generators experienced enormous penalties by way of lost revenues, deviations and uplift, as well as hits to their EFORd ratings. Many of these generators already are taking action to avoid similar penalties in the future and to enable them to better respond to market signals to provide power during extreme weather events. At a minimum, PJM needs to quantify the upgrades made to the units that failed to perform during the events of last year prior to determining what, if any, additional changes should be made to RPM. Moreover, these upgrades and resulting performance improvements could be instructive and should be incorporated into the Capacity Performance design process.

Failed starts and lack of winterization were major reasons for high outage rates during the initial days of the Polar Vortex. To address these problems, PJM is making changes to address winter performance that include: increased winter testing (paid for by load), issuance of a cold weather best practices checklist, an owner nomination process to exercise selected units prior to an extreme weather event, and improved documentation of units with alternate fuel capability. PJM should first see the impacts of those changes on incentives, behavior and outcomes during this upcoming winter before it finalizes its Capacity Performance proposal.

PJM is planning several changes with respect to conservative operations days. PJM plans to increase the energy and reserve prices paid to generators on these days. These higher energy prices will increase incentives to perform and heighten the risks of non-performance. PJM also has proposed interchange volatility changes that will result in more optimal unit commitment decisions and increase reliability. In its Gas Unit Commitment Coordination initiative, PJM has proposed enhanced MKT features to require generators to more accurately report unit inflexibilities and operating limitations prior to peak event periods. PJM will use this information to more reliably dispatch and commit generation.

PJM’s efforts are indicative of a broader emphasis on winter operations across the electric industry. FERC and NERC are pursuing several studies and investigations arising out of the Polar Vortex to recommend improvements. FERC requested data from Regional Entities about changes to improve preparedness and performance. Separately, FERC has convened industry workshops to review price formation issues in energy and ancillary services markets operated by RTOs/ISOs, focusing on uplift payments, offer price mitigation and offer price caps, scarcity and shortage pricing, and operator actions that affect prices. NERC issued a Polar Vortex Review with 10 recommendations, including winterization improvements, site visits, operational changes and fuel supply. All of these efforts are likely to lead to changes to improve performance.

In addition to all of the above, the status of demand response in the upcoming auctions remains unsettled. On appeal of FERC’s Order No. 745, the DC Circuit Court of Appeals ruled that FERC did not have

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16 Some members of the Transition Coalition believe that the cost for winter testing should have been reflected in the payments received by the generator for annual capacity.

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the jurisdiction to set energy rates for Demand Response.18 That decision has now been stayed pending FERC’s potential appeal to the Supreme Court. If FERC does appeal, the stay will continue until the Supreme Court acts (by either accepting the case and ruling or denying review of the case). PJM, meanwhile, still is formulating potential responses for the treatment of demand response in the future.

In order for the Board and stakeholders to fully understand the impacts of these ongoing activities in relation to the Capacity Performance proposal, the Cost-Impact Report should be expanded to evaluate the incremental benefits of Capacity Performance against a baseline consisting of the numerous changes discussed above.

B. PJM Needs to Get the “Gas Problem” Right

One of the goals of the CP proposal is to include mechanisms to incent fuel security through a dependable fuel source. Given the abundance of low-cost shale gas, particularly its geographic availability within PJM’s footprint, it is clear to many that gas will remain a valuable player in the regional resource mix (regardless of whether they agree or disagree that that is a good outcome). Without opining on the final Capacity Performance proposal, any major market design of this magnitude and scope has to function across multiple resource types, yet the CP Update remains unclear with respect to how single-fuel gas generation can participate as Capacity Performance resources. While PJM has removed controversial elements such as requiring generators to provide an officer certification, it is still not clear whether all single-fuel gas generation will have a meaningful ability to secure no-notice firm transport absent a major gas pipeline upgrade in order to qualify – and maintain – CP status, without concerns of enforcement actions. This is a significant open issue that will impact the long-term success or failure of PJM’s efforts, but it remains a moving target until matters are more settled with respect to gas-electric coordination.

To its credit, PJM has acknowledged gas/electric coordination as one of its most significant concerns. FERC, NAESB, PJM, and others are already focused on this issue.19 These efforts almost certainly will lead to significant reforms in the very near future that could resolve many of PJM’s capacity performance concerns, and they should be allowed to progress. Activity at FERC has been extensive. On March 20, 2014, FERC issued a Notice of Proposed Rulemaking proposing to revise its regulations to better coordinate scheduling of natural gas and electricity markets in light of increased reliance on natural gas for electric generation, as well as to provide additional flexibility to all shippers on interstate natural gas pipelines. Comments on the NOPR and the NAESB standards filed on September 29 are due November 28. There is no question that this issue is of the highest profile at FERC. On September 18, 2014, Commissioner Moeller took the rare step of convening an industry meeting on his own initiative to discuss ideas to facilitate and improve the way in which natural gas is traded, and he explored the concept of establishing a centralized electronic information and trading platform for natural gas. FERC clearly is poised to take action.

PJM itself acknowledges in the CP Update that its goal is to provide investment signals for natural gas infrastructure necessary to support reliable and flexible gas-fired generation development.20 Yet PJM has not examined the costs that would be required to put sufficient infrastructure in place to support the type of no-

18 Elec. Power Supply Ass’n v. FERC, 753 F.3d 216 (D.C. Cir. 2014).
19 See FERC Staff Paper, Commission and Industry Actions Relevant to Winter 2013-14 Weather Events, October 16, 2014 (summarizing current efforts).
20 CP Update at 4.
notice firm transport requirements PJM is asking of gas generators. Nor has PJM considered those costs in light of the benefits that would come from reforming the current nomination, confirmation and scheduling timeline assuming FERC acts quickly on the NOPR proposal. We recognize that these issues are complex, but without this information PJM is not in a position to proceed with the Capacity Performance proposal. Resolution of even some of these items over the next several months will help to better frame capacity performance needs, leading to a more efficient design—presumably at lower cost.

V. Conclusion

Implementing the CP Update during the Transition would result in billions of dollars of additional payments to generators that are already under capacity supply obligations and do not need to make material investments in their performance. PJM’s customers have already committed to pay once for this capacity, and further payments without a demonstrated improvement to reliability are not justified. There are other targeted solutions that incent generators to get ready for the long-term implementation of Capacity Performance, should the Board desire to move in that direction, that are far less expensive and achieve the same or superior results. Moreover, it is equally critical to get the long-term solution right. Taking several additional months to evaluate what, if any, structural changes are needed to RPM would allow PJM to take into account the effects of other ongoing and planned measures to improve resource performance. The Transition Coalition appreciates the attention given by the Board to the foregoing recommendations and look forward to an active discussion at the November meeting of the Enhanced Liaison Committee.

Respectfully Submitted,

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Blue Ridge Power Agency
BTG Pactual Commodities US LLC
Central Virginia Electric Cooperative
Champion Energy Services, LLC
Delaware Public Service Commission
Direct Energy Business, LLC
DTE Energy Trading, Inc.
Duquesne Light Company, Duquesne Power, Duquesne Light Energy
Macquarie Energy LLC
NextEra Energy Resources
New Jersey Board of Public Utilities
Noble Gas & Power Corp and Noble Americas Energy Solutions LLC
Old Dominion Electric Cooperative
Shell Energy North America (US), L.P.
Southern Maryland Electric Cooperative, Inc.
Washington Gas Energy Services, Inc.
Virginia and Electric Power Company