November 5, 2014

The PJM Board of Managers
c/o Howard Schneider, Chair
PJM Interconnection, LLC
2750 Monroe Boulevard
Audubon, PA 19403

Dear Board of Managers,

The undersigned Public Interest Organizations are writing in support of the briefing papers submitted by the Renewable Generation, Energy Efficiency, Energy Storage, Advanced Energy Management Alliance, and Load 1 (consumer advocate) Coalitions on PJM’s Capacity Performance Proposal (‘‘Proposal’’). Collectively, the papers support most of the recommendations in our separately-submitted Briefing Paper last week. In particular, we agree with their positions that:

- A solution tailored to winter outage problems is a more prudent approach than a market overhaul at this time;
- The Proposal’s treatment of renewable and demand-side resources underestimates their capacity value and creates unjustified new barriers to those resources' participation;
- The Base Capacity product should be expanded, not eliminated;
- Capacity market rules should encourage new technology development for storage, renewables, and demand-side resources;
- The Proposal is taking an overly conservative response to EPSA v. FERC, and demand-side resource participation should not be restricted to LSEs;
- Should the 2.5% holdback be eliminated, another mechanism to adjust for load forecasting errors should be implemented; and
- The term “co-location” should be expanded to mean within the same constrained LDA and not necessarily the same physical location.

We also agree with the position expressed in several of the briefing papers that the timeline and process for finalizing and implementing the Proposal are too rushed for the magnitude of the reforms. We therefore encourage PJM to take an iterative
approach, working first to implement the near-term reforms already underway (see the list of these reforms in our briefing paper) while working through a member and stakeholder process to evaluate longer term reforms.

Finally, while we agree with the positions discussed above, we note that our support should not be construed to be inconsistent with the position we take in our own briefing paper or any position we may take in the *EPSA v. FERC* appellate litigation or the *FirstEnergy* complaint before FERC.

We appreciate this opportunity to participate in your stakeholder process and thank you for considering our feedback.

Best Regards,

Environmental Defense Fund
Natural Resources Defense Council
Sierra Club
The Sustainable FERC Project