



Organization of PJM States, Inc. (OPSI)

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June 23, 2020

Manu Asthana
President and CEO
PJM Interconnection LLC
2750 Monroe Boulevard
Audubon, Pennsylvania 19408

Dear President Asthana,

The Organization of PJM States, Inc. (“OPSI”)¹ strongly urges PJM to propose an effective date² for its reserve market changes that is coincidental with the first day of the first delivery year reflective of PJM’s use of a forward-looking Energy & Ancillary Services (“E&AS”) offset. OPSI recommends June 1, 2022 to be the effective date, which would necessitate implementation of the forward-looking E&AS offset in the next Base Residual Auction (“BRA”) (procuring capacity for delivery year 2022/2023), and is in compliance with the Federal Energy Regulatory Commission’s (“Commission”) May 21 Order.³ Any effective date earlier than June 1, 2022 has been precluded by the Commission’s finding that the required reserve market changes render PJM’s use of an historical E&AS offset unjust and unreasonable.

The Commission has ruled out re-running BRAs,⁴ which means that PJM’s historical E&AS Offset method is both included in rates through delivery year 2021/2022 and rendered unjust and unreasonable upon implementation of PJM’s reserve market changes. OPSI’s recommendation of June 1, 2022 as the effective date complies with the May 21 Order. Further, in its May 21 Order, the Commission is leading PJM to the same solution. OPSI recognizes that PJM faces significant challenges set forth in the May 21 Order and appreciates PJM’s willingness to work with stakeholders in a public forum to address these challenges. However, the Commission left no question in (1) finding that implementation of the reserve market changes will render PJM’s historical E&AS Offset unjust and unreasonable and (2) directing PJM to harmonize that conflict. The result is, at minimum, that the effective date for PJM’s reserve market

¹ The OPSI Board unanimously approved this letter on June 23, 2020

² *PJM Interconnection, L.L.C.*, 171 FERC ¶ 61,153 at P 2 (May 21, 2020) (“May 21 Order”) (finding “PJM’s existing Tariff and Operating Agreement unjust and unreasonable, largely adopt[ing] PJM’s proposed replacement rate as just and reasonable, subject to certain modifications,” and directing PJM to submit a compliance filing by July 6, 2020 including a proposed effective date for the replacement rate).

³ *See*, May 21 Order.

⁴ *Id.*, at P 322 (stating that “[r]etroactively adjusting already run BRAs would inequitably upset settled expectations of market participants who relied on the results of those auctions to make business decisions.”).

changes must be coincidental with the first day of the first delivery year reflective of PJM's use of a forward-looking E&AS offset.

Therefore, the best way for PJM to minimize capacity auction delays is to implement a forward-looking E&AS offset as soon as possible in the parameters for the BRA for the 2022/2023 delivery year for operation beginning June 1, 2022. The best way to harmonize the energy and operating reserve market changes with PJM's capacity construct, and to avoid unjust and unreasonable double recovery of revenue is to begin implementation of the approved energy and operating reserve market changes on June 1, 2022. By simultaneously implementing and beginning operation, on June 1, 2022, of both the forward-looking E&AS offset in the capacity construct and the energy and operating reserve market changes, PJM will achieve the Commission-required harmony and prevent the Commission-prohibited double recovery of revenue.

Sincerely,

Gregory V. Carmean

Gregory V. Carmean
Executive Director
Organization of PJM States, Inc.

cc: Michele Greening
Nicholas DiSciullo