PJM Board Letter

Mark Takahashi
Chair, PJM Board of Managers

Manu Asthana
President and CEO

PJM Interconnection, L.L.C.
2750 Monroe Boulevard
Audubon, PA 19043

RE: Reliability Resource Initiative

Dear Mr. Takahashi and Mr. Asthana:

Advanced Energy United, the American Clean Power Association, MAREC Action, Solar Energy Industries Association, (collectively, the Clean Energy Associations), on behalf of our member companies,[1] write to express our concern about the Reliability Resource Initiative Straw Proposal ("RRI Proposal") that PJM presented to a special session of the Planning Committee ("PC") on October 18, 2024 ("PC Special Session") and to the Markets and Reliability Committee ("MRC") on November 7, 2024.

The Clean Energy Associations agree that maintaining reliability is paramount, and we recognize the challenges that PJM and grid operators across the country are facing. We understand the urgency of exploring all solutions that can be quickly implemented. However, the RRI, in its current form, is *not* one of those solutions. As we detail below, the RRI as proposed will create queue instability and undermine confidence in the PJM markets. And in exchange for this instability, it is unclear as to whether the reliability benefits sought will materialize.

I. Concerns with the RRI

A. Potential Adverse Consequences

The Clean Energy Associations have concerns regarding the impact of the RRI Proposal on interconnection customers in Transition Cluster #2 ("TC2"), which have been waiting years for their turn to be studied, and which also stand to bring additional capacity to the PJM system. PJM has conceded that it is unable to assess the likely impact of the proposal on interconnection customers already in TC2 or to estimate the impact to resource adequacy resulting from delays caused by the RRI Proposal. Cost increases and queue delays are almost certain with the RRI.

[1] The views expressed in this letter do not necessarily reflect the consensus opinion of every member company of all of our organizations.

While the application deadline for TC2 status-quo-eligible projects is December 17, PJM would not open the TC2 window for RRI projects until the first quarter of 2025. Then, after having to wait for the RRI projects to enter the queue and pass PJM's RRI screen, the TC2 status-quo-eligible projects would then be studied along with the RRI projects. Since TC2 will be a cluster study, the number of network upgrades associated with the cluster will very likely increase with the addition of new resources, as the already limited headroom on the PJM system would be drawn on by an even larger pool of projects. The TC2 status-quo-eligible projects may face higher network upgrade costs as a result, which will likely result in a higher rate of attrition than would otherwise occur. While PJM is seeking to increase the number of projects that successfully complete the interconnection process, it is creating a situation that could have the opposite effect.

We are not convinced that the RRI proposal is warranted. If everything goes according to PJM's schedule, which PJM continues to say is the case, then Cluster 1 projects should be completed just one year after TC2 projects, meaning that the entire RRI proposal, which threatens the foundational of open access on which the competitive market rests, serves only to expedite the interconnection process for eligible projects by one year. While a single year of inadequate supply would be troubling, we are concerned that PJM is shoe-horning the RRI in without material timeline benefits and, in the process, may delay the start of Cycle 1, which could in turn prolong resource adequacy concerns.

Further, we are deeply concerned that the RRI Proposal and other stop-gap measures to bolster reliability and respond to high-capacity market prices will undermine confidence in the PJM markets and ultimately introduce more long-term harm than good. Already, the upheaval of the interconnection process and repeated delays and changes to the BRA have had a dampening effect on investment in the PJM region. PJM must work expeditiously to meet the transition timelines that it has set to get back on schedule, in addition to longer-term interconnection (and market) reforms to ensure that RRI-style interventions are not needed going forward. PJM's consideration of these extraordinary stop-gap measures to address the fact it will not study projects that received queue positions between October 2020 and September 2021 until 2025 is a result of earlier failures to get ahead of interconnection backlogs. PJM's identified need to create an avenue for new projects to enter the queue is a problem of its own making, and one that must not be repeated.

B. Uncertain Benefits

PJM has not demonstrated that the RRI proposal will achieve its stated objective. For instance, PJM's revised proposal would permit up to 50 projects to participate, but it has not articulated any basis for that proposed cap or any explanation of how it correlates with the region's resource adequacy shortfall. In addition to an uncertain MW value, the RRI does not ensure that resources will be available on time and in the right locations to close identified reliability gaps. The RRI proposal attempts to address reliability needs through prioritization, but there is nothing that guarantees that the prioritized projects will address reliability needs. The RRI lacks any meaningful requirements or penalties. Resources may still fail to deliver sufficient MW when and where needed and transmission providers may fail to build the requisite transmission network upgrades to ensure deliverability. The RRI proposal does not include any

requirements to meet the target in-service date, and thus projects may fail to deliver resource adequacy on the timeframe required by PJM. In addition to failing to prioritize those projects needed to close the resource adequacy gap as quickly and cost-effectively as possible, the criteria for prioritization contemplated for the RRI Proposal are neither fuel nor resource neutral in practice.

PJM has also repeatedly made clear its concern that projects that have advanced through the interconnection process are not coming online in a sufficiently timely manner to close impending resource adequacy gaps. But while the RRI Proposal appears to have been designed to induce the quick interconnection of large nuclear and gas projects, it will not address the many additional bottlenecks and sources of delay, including supply chain constraints, fuel constraints, nuclear relicensing requirements, and siting and permitting challenges that would make the quick interconnection of such projects unlikely. Moreover, there is no way to know how significant the network upgrades for the RRI projects (and the TC2 projects they will join) will be. The RRI fails to address long lead times for network upgrades, leaving open the possibility that RRI-eligible projects will join the 38 GW of projects with signed interconnection agreements that are not yet contributing to resource adequacy in PJM.

C. Legal Concerns

The current RRI proposal is legally flawed. PJM has repeatedly opposed, as unduly discriminatory, the concept of creating a special queue for a limited set of projects. In a series of orders addressing other ISO/RTO or transmission provider interconnection proposals, the Federal Energy Regulatory Commission ("FERC") has also rejected as unjust and unreasonable, and unduly discriminatory or preferential, the proposals to permit lower-queued interconnection customers to jump higher-queued interconnection customers. While FERC's concern, in those cases, primarily related to the likely delay and need for restudy were it to permit queue jumping, FERC would likely be even more hostile to a proposal that would permit non-queued generators to shift their network upgrade costs onto existing interconnection customers.

As noted above, PJM Staff has not adequately supported the proposal and has failed to show that it is just and reasonable, and not unduly discriminatory towards other generators. Stakeholders have presented on numerous occasions modifications to PJM's proposed study process that would mitigate network upgrade cost concerns for customers.[2] Additionally, PJM's proposal is neither fuel neutral nor resource agnostic. The Federal Power Act does not vest the Commission—and by extension PJM—with the responsibility for resource planning and procurement. The Commission's policy, since it adopted open access, is to ensure that generation competes on an equal playing field for transmission and interconnection access.

[2] PJM should make two adjustments to its current proposal to protect TC2 projects against cost impacts of RRI. First, PJM should parse out impacts caused by TC2 projects alone versus impacts caused by TC2+RRI projects together in interconnection studies. PJM's power flow models are already capable of providing these results in a single run. Second, PJM should determine network upgrades (NUs) for TC2 projects first and solve cost allocation for TC2 projects alone, then determine NUs for RRI projects and update cost allocation for all TC2+RRI projects together. PJM can then assign costs to TC2 projects based on the first cost allocation and allocate additional costs to RRI projects. These additional steps can be completed with zero or minimal disruptions to timelines and administrative burden. Undertaking (1) and (2) above would mitigate legal risks and cost (and therefore attrition) risks to TC2.

PJM's proposal, whereby it would gatekeep which resources are eligible to interconnect on the basis of their fuel-type, size, location and potentially other factors is fundamentally inconsistent with this principle and with PJM's mandate.

Conclusion

The Clean Energy Associations support PJM's efforts to maintain a reliable grid, but we have concerns that the RRI Proposal, in its current form, may fall short of addressing the reliability needs PJM has identified and may introduce adverse unintended consequences. We ask the PJM Board to consider these concerns and direct PJM Staff to work with stakeholders to resolve them.

Respectfully submitted,

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Advanced Energy United

/s/Carrie Zalewski
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/s/*Evan Vaughan*
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MAREC Action (informally, "Mid-Atlantic Renewable Energy Coalition")

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