

November 27, 2024

To: Mark Takahashi
Chair, PJM Board of Managers

Manu Asthana
President and CEO

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

Cc: Paul McGlynn, Donnie Bielak
FERC Docket Nos. ER22-2110 and ER24-2045

Re: **OPPOSITION** – PJM Reliability Resource Initiative: Interim Accelerated Interconnection Process

Dear Mr. Takahashi and Mr. Asthana:

These comments are submitted on behalf of renewable generation development companies that do business within the PJM Interconnection, L.L.C. (“PJM”) region to apprise the Board of Directors of the strong opposition to PJM’s Reliability Resource Initiative: Interim Accelerated Interconnection Process (“Proposal”). These comments are also being provided to all parties on the official service lists for Federal Energy Regulatory Commission (“FERC”) Docket No. ER22-2210 (PJM Queue Reform) given the direct impact on the negotiated queue reform that was filed and accepted by FERC but which PJM now intends to unravel with its Proposal and FERC Docket No. ER24-2045 (PJM Order No. 2023 Compliance Filing) given the contrary positions PJM is taking here.

PJM proposes to allow 50 new and unqueued generation projects that likely represent 20 GWs to be inserted into Transition Cluster #2 (“TC#2”). The Proposal is a blatant attempt to perpetrate undue discrimination and preference for the benefit of a select few load-serving entities (“LSEs”) in PJM that want to monopolize the opportunity to serve surging data center load *and use PJM’s Tariff to do so*. The Board should direct PJM management to shelve its Proposal and not file it at the FERC. PJM’s Proposal will not survive review from the FERC or the Courts.

The Proposal suffers from a multitude of defects that will be subject to the most strenuous protests at the FERC and if necessary appeals at the Courts. If PJM has resource adequacy

concerns – and PJM management has never provided any data confirming that need in this rushed stakeholder process – PJM risks *not* being in a position to meet that need if it moves forward with the Proposal. A rejection by the FERC or a vacated order from the Courts will only set back PJM even further.

If there is a resource adequacy shortfall (or data center need) that may emerge beginning in 2029/2030, PJM has the means to address that shortfall without the ill-advised Proposal. The PJM generation interconnection queue Fast Lane has 24 GW, Transition Cluster #1 (“TC#1”) has 26 GW and TC#2 has 96 GW of generation that PJM is or is about to begin processing. Even with standard project withdrawal rates as projects receive study results from PJM, the sheer level of GWs remaining from this 146 GW is more than sufficient to meet any resource adequacy need in 2029/2030. This is generation that is ready to be built to serve load in PJM. Moreover, PJM has an abundance of surplus interconnection capacity throughout the region. This surplus capacity need only be tapped to allow this generation to connect to the PJM transmission grid in a fraction of the typical time and expense. Unfortunately, PJM management has given nothing but lip-service to these means in the current stakeholder, pressing the Proposal instead.

The PJM Board is needed here. The Board is supposed to be the voice of reason with a fiduciary duty to serve all of the PJM stakeholders. This is the time for the Board to say ‘no,’ not bow to special interests, impose a course correction for the good of the PJM region, and quite frankly to protect PJM’s reputation.

We urge the Board to direct PJM management to (1) slow down, (2) do its homework, (3) educate the stakeholder membership with data, and (4) then land on means that will address the need in a manner that does not run afoul of the clear mandates in the Federal Power Act. It is much better for PJM to proceed with stakeholder support – look at the large volume of diverse stakeholder support that backed PJM’s recent queue reform proposal at FERC – than to weather the onslaught and risks that PJM will face if it moves forward with the Proposal.

To assist the Board so it understands the scope of the risks it faces, we list just a few of defects that will be raised at the FERC should the Board not direct PJM to shelve the Proposal:

- **The Proposal lacks foundation.** PJM management has acted as if there is an emergency and reliability imperative, but PJM has never defined “the need” it must address. Despite numerous requests from stakeholders for PJM to provide data demonstrating specific need, PJM has only provided generalized claims. PJM has not identified what locations, LSE zones or sub-regions need resources. PJM has claimed increased data center load is a driving factor, but again has provided zero data to confirm the need. Indeed, the FERC was recently informed that data center developers often shop the need to several LSEs. PJM could be severely overcounting data center need, however, stakeholders have no way of knowing because PJM has provided no information. If PJM wants to open TC#2 and revise its Tariff, it has an obligation to provide this data and confirm there is a legitimate need. PJM has not done so. Hence, the best that can be said of the Proposal is it is a preferred solution in search of a problem. The FERC has rejected Tariff proposals that lack foundation and a direct nexus to a demonstrated need.

- **The Proposal has been an everchanging, moving and undefined target.** PJM has gone from stating its needs to allow 100 projects, to 75 projects, and now 50 projects into TC#2. The reductions appears to be aimed at optically limiting the impact to TC#2, but in reality the reductions demonstrate that PJM does not know what it needs, which has left stakeholders baffled at what PJM is trying to solve and how stakeholders might address the need. Worse, PJM has not identified the level of MW/GW needed and in what location. PJM has only said it needs 50 projects. This is not well thought-out planning. PJM does not undertake any facet of its regional transmission and generation planning based on “the number of projects” that might be needed. PJM undertakes planning based on hard evidence of MW/GW of capacity that is needed. The everchanging and undefined nature of the Proposal is exactly what the FERC has rejected as deficient.

- **The Proposal violates the no undue discrimination and no preference tenets of the Federal Power Act.**
 - **The Proposal smacks of LSE preference.** It is no secret that a select few LSEs are driving the Proposal. The Board need look no further than PJM’s proposed Tariff language. One of the “eligibility” criteria to which PJM proposes to assign points is “location.” If the proposed project is located on the BGE or Dominion system, PJM will assign 1 (one) point. Everything else gets a 0 (zero) point. PJM claims that Proposal will provide regional benefits; clearly that is not the case or the intent. PJM management has telecast what is behind the Proposal: succumbing to the preferences of a few LSEs and political pressure.

 - **The Proposal is a blatant attempt at theft.** The FERC’s open access policies and PJM’s Tariff and queue process are in place to eradicate preference and undue discrimination. FERC’s open access policies do not allow new commercial load, *i.e.*, data centers, to jump to the front of the line and be served by new, unqueued generation. The Proposal is a ruse to allow LSE mothballed or retiring generation or new LSE or its affiliated unqueued generation to sweep in and serve new data center needs and thus steal the opportunity to serve that would be matched to first-in-time generation in the Fast Lane, TC#1 and TC#2.

 - **The Proposal pays lip-service to equal opportunity.** PJM proposes to allow any project to submit a request and be part of the 50 projects that are evaluated, but in reality the eligibility criteria PJM intends to apply will skew the results to projects with a high UCAP and ELCC value, tipping the scale to a certain type of generating unit. This is *de facto* undue preference that violate the Federal Power Act. This is *de facto* undue discrimination against all other generation. There is no equal opportunity.

 - **The Proposal discriminates against projects in TC#2.** Projects in TC#2 have paid costs to remain in PJM’s queue, waiting years to be studied. New generation would jump in to TC#2 without bearing the same cost. The new generation will increase network upgrade costs to existing projects, which may cause existing projects to withdraw from queue, leaving the new generation to remain. Worse, with existing generation being pushed out of the queue from higher network upgrade costs, the remaining 50 new projects may then benefit from lower network upgrade costs because

they cleared out the competition. This is a scheme that allows PJM to perpetrate a preference.

- **The Proposal is a blatant move to provide a preference to certain mothballed or retiring generation.** The Board need only look at trade press to confirm that specific LSE generation wants to jump the queue and be reinstated.
- **The Proposal is queue jumping and load jumping.** 1,087 projects in TC#2 have been waiting for years to be studied by PJM. These projects agreed to and supported at FERC that current queue reform leading to TC#2. The Proposal would insert unqueued generation into TC#2 that has not waited its turn. The FERC has rejected queue jumping. Moreover, in the context of increased data center load, Commissioner Chang recently noted that advancing generation is a form of “load jumping.”
- **The Proposal violates the just and reasonable tenet of the Federal Power Act and perpetrating numerous harms.**
 - **The Proposal is contrary to PJM’s recent admonishments to FERC.** Just five months ago, in its Order No. 2023 Compliance Filing, PJM warned the FERC about the danger of disrupting the Queue Reform process, stating that “PJM is currently ‘mid-flight’ with its new interconnection process” and revamping its transition process “could undermine PJM’s already approved reforms.” *PJM Interconnection, L.L.C.*, Docket No. ER24-2045-000, Order Nos. 2023 and 2023-A Compliance Filing of PJM, Interconnection, L.L.C. at 10 (May 16, 2024) (Order No. 2023 Compliance Filing”). PJM continued that “Changing one element to increase flexibility for a single type of generating unit . . . has the effect of disrupting the [PJM queue reform] process as a whole and the balance that was achieved through stakeholder consensus.” *Id.* at 11 (emphasis added). The Proposal would do exactly what PJM warned against: revamp PJM’s transition process mid-flight and favor certain types of generating units undercutting the balance achieved through the stakeholder consensus. Indeed, FERC stated in regard to the Queue Reform, “PJM’s Transition Rules, including eligibility for the Expedited Process, apply on a neutral, non-discriminatory basis to all generators. . . .” *PJM Interconnection, L.L.C.*, 184 FERC ¶ 61,006 at P12 (2023). That does not describe the Proposal.
 - **The Proposal is a classic bait and switch.** 1,087 projects in TC#2 have been waiting for years to be studied by PJM. These project developers agreed to and supported at FERC that current queue reform leading to TC#2. PJM baited generation developers to support the queue reform. Now that queue reform has been secured, PJM seeks to switch the negotiated solution and insert unqueued generation into TC#2. That is not just or reasonable.
 - **The Proposal will usurp headroom.** The Proposal will allow unqueued generation to usurp existing interconnection capacity that would have been available for projects in TC#2, bestowing a benefit on the new generation and imposing financial harm on existing generation in TC#2.

- **The Proposal will subject projects in TC#2 to increased network upgrade costs.** It is basic common sense that adding 20% more generation (20 GW to existing 96 GW), will increase network upgrade costs to generation developers in TC#2. That is not fair, just, reasonable or equitable. Stakeholders asked PJM management to put measures in place hold harmless existing projects in TC#2; PJM refused to do so.
- **The Proposal will add costly delay.** PJM already has an abnormally large TC#2 to process. Adding 20 GW will add even more delay to the study process. PJM management was asked to provide modeling data of the likely timing delay impact from its Proposal. PJM could not, and would not, provide such data to stakeholders. Delay is costly to generation developers.
- **The Tariff provisions are not transparent.** PJM proposes to assign point value to each of the 50 projects that is submitted to determine the winners and losers. PJM's proposed Tariff language lists the sub-categories that would be assigned points but provides no detail on the criteria PJM will use to grant or not grant points. Thus, Stakeholders have no idea of the target they must hit to ensure points will be awarded in every one of the sub-categories. Further, Stakeholders have no confidence that PJM will be assigning points in an objective, non-discriminatory and non-preferential manner because the criteria PJM will use is opaque, non-transparent and not defined. This is a recipe for abuse and manipulation and is the antithesis of the FERC's "open access" policies.
- **The Proposal has not been shown to be implemented in time.** The 50 projects will be subject to the same permitting and network upgrade construction timing as existing projects in TC#2. PJM has not shown that some undefined 50 projects will magically be able to be online by 2029/2030.
- **The Proposal adds risk to resource adequacy.** Adding 20 GW will increase network upgrade costs to accommodate TC#2. That will then drive existing projects from the queue that otherwise may have continued with lower network upgrade costs. Further, the high network upgrade cost may even drive out the 50 projects that PJM proposes to add. PJM has not undertaken any studies to show how network upgrade cost might increase. PJM, thus, is flying blindly, hoping that this expanded TC#2 will result in generation being added by 2029/2030. That is not sound planning.
- **The Proposal is not the least cost solution for ratepayers.** If there is a need to have increased generation online by 2029/2030, PJM need only adopt minimal Tariff changes to its existing Surplus Interconnection Service ("SIS") provisions to make it usable for projects in TC#1 and TC#2. In the stakeholder process, PJM agreed to file – at some undefined date in the future – a Tariff revision that will remove a minor hindrance to the use of SIS but leave intact the major hindrance to use SIS which is a requirement that a SIS request not "have a material impact on short circuit capability limits, steady-state thermal and voltage limits, or dynamic system stability and response." PJM management is well aware that other RTOs, including MISO, have removed that major hindrance without any deleterious impact to the region or the transmission grid and thus made SIS a useful and cost effective tool. PJM management

refuses to implement this best practice, leaving GWs of surplus interconnection capacity stranded and untapped. That means all generation, including the 50 projects from the Proposal, must now bear the cost of unnecessary network upgrades when the cost or a significant portion is entirely avoidable. That cost is passed on to ratepayers. Thus, the Proposal prefers to place increased cost on ratepayers for new network upgrades instead of allowing ratepayers to receive the generation based on costs that are already sunk and paid for. The PJM Board has a fiduciary duty to ratepayer stakeholders. Worse still, the SIS studies are done outside of the traditional queue study process and thus are completed on a faster timeline more than meeting any 2029/2030 timing need. The Proposal is the wrong option.

- **The Proposal ignores the opportunity to take advantage of battery energy storage systems (“BESS”).** PJM was provided data that shows (i) the Accredited Capacity values for battery storage resources for the 2026/2027 Delivery Year are 57-78% of their Installed Capacity, (ii) as of June 2024, there are about 45 GW of BESS supply in PJM’s queue. Using current ELCC values, that could provide over 26 GW of Accredited Capacity for the 2026/2027 Delivery Year and (iii) BESS can be constructed and be online in less than two years. This is a ready source to fill any resource adequacy or data center need, particularly when coupled with SIS. PJM management has refused to tap this resource as well to the detriment of ratepayers.
- **The Proposal is contrary to other federal and state policy.** The Inflation Reduction Act was signed into law on August 16, 2022, and it was intended to dramatically increase the deployment of renewable generation. The IRA has had its desired impact – increasing the amount of renewable generation seeking to interconnect and come online in PJM. Similarly, states in PJM also have renewable-energy and emissions-reduction. PJM is on record for complaining at the October 18th Special PC Meeting that the current queue is dominated by renewable generation and the Proposal seeks to add “diversity” to the queue. PJM’s statement is a representation of its clear intention to discriminate against renewable generation and impede these state and federal goals.

FOR THESE AND MANY OTHER REASONS, we urge the PJM Board to halt the Proposal. PJM’s Proposal is not in the best interest of the region and will not survive review from the FERC or the Courts.

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