The PJM Board of Managers  
c/o Mark Takahashi, Chairman  
PJM Interconnection, L.L.C.  
2750 Monroe Boulevard  
Audubon, PA 19043

Dear Chairman Takahashi and PJM Board of Managers,

We are writing to you concerning the upcoming decision to adopt reforms to PJM’s capacity market and, specifically, the Quadrennial Review reform proposals that will be before the Board prior to August 31, 2022. PJM staff has proposed to adopt the recommendations of its consultant, the Brattle Group. Although this proposal would begin to address persistent over-procurement of generation resources, PJM must do more to right-size capacity procurement. As just one example, Brattle recommends that “PJM should eliminate the over-forecast bias historically seen in the load forecast.”

As legislators, we are very sympathetic to the competing demands any entity has. In the case of a Regional Transmission Organization, it faces great pressure to keep the grid reliable, well supplied, affordable, and able to meet the ongoing energy transition. While PJM’s capacity market has been an important contributor to the region’s reliability in the last decade, it must be well-designed to continue serving that role. A key component of good design is buying no more capacity than needed. We are concerned by PJM’s consistent pattern of over-procuring generation by as much as double the supply margin already built into the system. For the 2021-2022 auction alone, our constituents paid $4.4 billion for 8,000 MW of excess reserve capacity.

Over twenty years ago, FERC stated that “the principle of independence is the bedrock upon which the ISO must be built.” It is our belief, PJM has a duty to balance between a market that both enables adequate supply and protects consumers. All evidence points to a system that is not balanced, and thus consumers are paying excess supply that will likely never be used. We know that PJM’s leadership has acknowledged that capacity over-procurement can be harmful to consumers. While we appreciate PJM’s recognition of this problem, we now urge you to put those words into action.

To that end, we very strongly encourage the PJM Board of Managers and executive leadership to act as the trustees you are and to take additional meaningful steps to “right size” the oversupply issue generally and the capacity market specifically. The Brattle Group’s Quadrennial Review recommendations are a step in the right direction. However,

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2 Over-Procurement of Generating Capacity in PJM; Wilson Energy Economics; Feb 2020, at p.12.  
3 89 FERC ¶ 61,285; FEDERAL ENERGY REGULATORY COMMISSION; December, 1999, at page 154
more must be done, including addressing the chronic over-forecasting. There is simply no reason for captive consumers to be paying billions extra for long-term oversupply that brings so little benefit.

Thank you for your time and attention to this matter. We will be following the proceedings and look forward to reading about the final outcome.

Sincerely,

Ohio Representative Kent Smith
Delaware Representative Paul Baumbach  Michigan Representative Yousef Rabhi
Delaware Representative Edward Osienski  New Jersey Senator Bob Smith
Illinois Representative LaShawn Ford  North Carolina Representative John Autry
Illinois Representative Robyn Gabel  North Carolina Representative Mary Harrison
Illinois Representative Will Guzzardi  North Carolina Senator Valerie Foushee
Illinois Representative Ann Williams  Ohio Representative Mary Lightbody
Illinois Senator Laura Fine  Pennsylvania Representative Mary Daley
Indiana Representative Maureen Bauer  Pennsylvania Representative Joseph Hohenstein
Indiana Representative Sue Errington  Pennsylvania Representative MaryLouise Isaacson
Kentucky Representative Nima Kulkarni  Pennsylvania Representative Rick Krajewski
Maryland Delegate Lorig Charkoudian  Pennsylvania Representative Jeanne McNeill
Maryland Delegate Jessica Feldmark  Pennsylvania Representative Danielle Otten
Maryland Delegate David Fraser-Hidalgo  Pennsylvania Representative Benjamin Sanchez
Maryland Delegate David Moon  Pennsylvania Representative Michael Sturla
Maryland Delegate Sheila Ruth  Pennsylvania Representative Gregory Vitali
Maryland Senator Shelly Hettleman  Tennessee Representative Dwayne Thompson
Maryland Senator Benjamin Kramer  Tennessee Senator London Lamar
Michigan Representative Abraham Aiyash  Virginia Delegate Mark Keam
| Virginia Delegate Kaye Kory                  | West Virginia Delegate Robert Doyle |
| Virginia Delegate Salam Rasoul              | West Virginia Delegate Evan Hansen  |
| Virginia Senator Ghazala Hashmi            | West Virginia Delegate Kayla Young  |