May 23, 2023

Manu Asthana  
President and CEO  
PJM Interconnection, L.L.C.  
2750 Monroe Boulevard  
Audubon, PA 19403

PJM Board of Managers  
c/o Mark Takahashi, Chairman  
2750 Monroe Boulevard  
Audubon, PA 19403

Dear Mr. Takahashi and Mr. Asthana,

The undersigned public interest organizations write in opposition to the proposed reduction in RPM capacity performance penalty rates for the 2024/25 Delivery Year which were endorsed at the May 11 Members Committee. The May 11th Proposal would harm reliability and undermine the functioning of PJM’s markets.

During Winter Storm Elliott, reliability was maintained thanks to resources that made investments and operational decisions based on the current capacity performance penalty structure. The same will be true during future emergencies. To ensure future reliability, these signals must remain robust. In the coming months, generation owners and demand side suppliers will make decisions on winter readiness preparations. The 60% to 90% reduction in penalty rates contemplated under the May 11th Proposal would be an explicit signal to reduce spending on those preparations. It would also render the capacity prices to be paid in the 2024/25 Delivery Year unjust and unreasonable, as they reflect the status quo level of capacity performance risk.

Reducing obligations for an auction that has already cleared is a subsidy for the worst performing resources in PJM’s fleet at the expense of consumers who will receive a lower assurance of reliability than they are paying for.

Some have raised the possibility of supplier bankruptcy as justification for the May 11th Proposal. The Board should reject those arguments. A “market” that offers returns to investors but transfers risk to the public is doomed to fail. More practically, power plants continue to operate while their owners undergo restructuring. The May 11th Proposal solely protects investors; it should not be allowed to masquerade as protecting reliability. Similar arguments regarding “investor confidence” also fail; investors should be confident they can meet their commitments, not that they can avoid consequences for failing to do so.
The Board should not lightly override a stakeholder vote. However, PJM and its Board are independent by design and must maintain reliability and just and reasonable rates. Filing the May 11th Proposal would undermine both. We call on the Board to exercise its independent judgement and reject the May 11th Proposal.

Sincerely,

/s/ Nick Lawton
Nick Lawton
Senior Attorney, Clean Energy Program
Earthjustice
PIEOUG member

/s/ Tom Rutigliano
Tom Rutigliano
Senior Advocate
Natural Resources Defense Council
PIEOUG member

/s/ Rob Altenburg
Rob Altenburg
Senior Director, Energy & Climate
Penn Future
PIEOUG member

/s/ Tyson Slocum
Tyson Slocum
Energy Program Director
Public Citizen
PIEOUG member

/s/ Casey Roberts
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Senior Attorney
Sierra Club Environmental Law Program
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/s/ Mike Jacobs
Mike Jacobs
Senior Energy Analyst
Union of Concerned Scientists
PIEOUG member

/s/ John Moore
John Moore
Director
Sustainable FERC Project

CC: Evelyn Robinson