Talen Energy Marketing, LLC Comments, Critical Issue Fast Path - Resource Adequacy Stage 4

Talen Energy Marketing, LLC ("Talen") respectfully submits the following comments regarding PJM's proposed Critical Issue Fast Path ("CIFP") packages as part of the current stakeholder process. We recognize the hard work that has occurred and appreciate the opportunity to share our comments on this important topic.

Talen's primary concern is with CIFP Matrix row #26 Excusals from Performance Shortfalls – specifically the "No excusal for offline units absent Manual dispatch instruction" and the impact of this dynamic on long-lead resources (i.e., resources with longer start times due to physical constraints). As stated in PJM's mission statement, PJM's primary task is to ensure the safety, reliability, and security of the bulk electric power system. The responsibility to ensure system reliability, including the dispatch decisions to support that reliability, lies solely with PJM. Long-lead resources should not be penalized for following PJM dispatch instructions or the lack thereof. When PJM shifts responsibility for knowledge of the grid needs, including commitment and dispatch decisions, to generators by penalizing them during long start times, *even if* PJM dispatches them late or not at all, PJM introduces risk which generators cannot mitigate -- and therefore has the potential to lead to the retirement of the very resources that are critical for reliability today and necessary for a reliable transition to a cleaner future.

PJM is the entity responsible for starting resources when needed, taking into account their start-time limitations.

All generators, including long-lead resources, have the responsibility to appropriately reflect their capabilities to PJM and stand ready to execute with fuel when instructed by PJM. However, PJM has always known and fully understood long-lead resource limitations and a generator's need for advance dispatch instructions. During events like Winter Storm Elliott, long-lead resources should not be penalized for following PJM dispatch instructions, whether it be adhering to the start time provided to PJM or not producing when they receive no dispatch instructions or communication from PJM at all. Individual generators have far less information about the state of the grid than PJM.

Generators cannot effectively mitigate the risk caused by PJM's application of Performance Assessment Interval ("PAI") penalties on long-lead resources, regardless of the amount of Capacity Performance ("CP") capacity payments received.

Generators do not have reasonable avenues to mitigate the risk caused by PJM's application of PAI penalties on long-lead resources, regardless of the amount of CP capacity payments received from various auctions. First, it is a false narrative that the "increase" in capacity revenues from CP would incent investment in generators to shorten start times. Capital spend will not alter the core technology of a long-lead boiler, nor will it lead to a meaningfully reduced start time. It is not physically possible for such resources to shorten their start time, regardless of the amount of investment. Second, a generator faces significant uncertainty trying to mitigate non-existent PJM dispatch instructions. PJM suggests that a unit may self-schedule and proactively turn itself on in advance of a CP Event. This self-scheduling mitigation strategy, however, makes little sense for the following reasons: (1) the cost to self-start a resource cannot be reflected in the capacity offer that obligates the generator to perform in a CP Event; (2) long-lead generators will need to start themselves up well ahead of any tight system

conditions and potentially run at an enormous economic loss (for large oil these run costs can exceed $2 million/day) if the shortage never materializes; importantly, generators are not allowed to put these risks into their capacity bids; and (3) PJM has historically discouraged generators from self-scheduling to avoid aggravating system constraints and enable PJM to maintain control of the system.

Generators need to be able to rely on PJM and its informed dispatch instructions. Uninformed self-scheduling could exacerbate an already difficult situation on the grid.

In its Winter Storm Elliott Report, PJM noted that it considered, but did not issue, a Deploy All Resources Action, which would have included starting long-lead resources. "This specific emergency procedure was discussed by PJM Operations and decided against implementing for several reasons, as implementing the Deploy All Resources Action *could have aggravated some of the thermal and voltage constraints that were being managed*" (emphasis added). A generator would not have visibility into these constraints and by proactively turning on, the generator may inadvertently aggravate system constraints. This is why generators need to be able to rely on PJM for informed dispatch instructions.

PJM itself confirmed the importance of relying on its informed dispatch instructions in its review of the limited CP Event which occurred in October 2019. During the event generators, transmission operators, and load management resources successfully worked with PJM operators to maintain reliability during a short, abnormal October heat wave that led to emergency procedures, a PAI, and the first call on demand response resources in more than five years. In its "A Review of the October 2019 Performance Assessment Event" document PJM stated:

> "[It] is important to system reliability during the performance assessment event that resources continue to follow PJM direction to help maintain power balance. If all resources were to come online and generate without PJM direction, this could result in reliability issues, such as transmission overloads, ACE imbalance, and stability."

Again, uninformed self-scheduling could exacerbate an already difficult situation on the grid.

PJM has suggested that it will consider a generator to be following PJM Manual Dispatch and excuse it if the generator calls PJM to ask to come online and is explicitly instructed not to. This extremely narrow excusal is unlikely in the post-Winter Storm Elliott world. PJM Dispatch will more likely instruct the generator to come online at its own cost and the generator will incur economic losses. It is also unclear the duration of such a "Manual Dispatch Excusal" should PJM grant one. Is a generator expected to call every hour and is excused up to its start time for a day? A week? What if PJM suddenly finds itself in trouble and changes its mind?

Finally, Talen finds it contradictory that in a PJM-initiated Generator Operational Test, PJM will respect parameter limits of the available schedule on which the unit is committed, but PJM proposes to not respect the schedules during a CP Event.

The application of penalties for long-lead resources during periods of time when PJM did not request them to operate will lead to the deactivation of units that are needed to help PJM in its transition to cleaner generation.

Talen believes that long-lead resources, such as large steam turbines, are critical for reliability today and necessary for a reliable transition to a cleaner future. Reliable markets require steel in the ground - not extreme penalties. The application of penalties for long-lead resources during periods of time when PJM did not request them to operate (or requested them late) without regard to their parameters will not lead to more reliable markets. It will lead to less steel in the ground. It will lead to the deactivation of the very units that are needed to help PJM in its transition to a cleaner future. If the goal is reliability, severe penalties for long-lead resources, which simply result in the transfer of dollars among generators, is not the answer.

Thank you for the opportunity to provide these comments. This issue is of vital importance to Talen and the reliability of the grid, and we believe that any package the Board endorses must address this narrow issue.