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September 14, 2023

VIA E-MAIL

Mark Takahashi, Chair, PJM Board of Managers
Manu Asthana, PJM President and CEO
PJM Interconnection, L.L.C.
2750 Monroe Boulevard
Audubon, Pennsylvania 19403

RE: Next Steps for the Critical Issue Fast Path (“CIFP”) Capacity Market Reforms

Dear Mr. Takahashi, Mr. Asthana, and Members of the PJM Board:

On September 13, 2023, you received a letter from some PJM Members on next steps for the CIFP process. The signatories, generally constituents of the PJM generation community, encouraged the PJM Board to direct staff to make a “more surgical filing with the Federal Energy Regulatory Commission” that adopts certain “reasonably well-understood enhancements” to PJM’s resource adequacy construct. PJM Industrial Customer Coalition reviewed this letter with interest, supports the recommended “surgical” approach, and agrees with many (but not all) of the letter’s recommendations.

With the objective of providing information to the PJM Board on areas where consensus may exist, PJMICC offers that it generally supports the September 13th letter’s recommendations in the following respects:

- Using enhanced modeling and metrics that better capture winter risks provided PJM’s modeling and metrics continue to capture existing reliability risks during the summer period, especially with growing electrification;
- Using extended weather history;
- Implementing mandatory summer and winter seasonal capacity testing requirements for all Capacity Resources (noting that demand response resources (“DR”) currently operate under such seasonal testing);
- Mandating firm fuel contract reporting for thermal generators to improve situational awareness for PJM operators and for consideration in thermal capacity accreditation; and,

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- Adopting non-performance penalty rates and stop-loss limits that are a function of capacity revenues, not the Net Cost of New Entry.

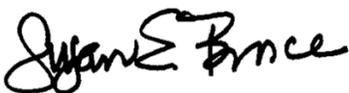
While PJMICC is aligned on these many aspects of the September 13 letter, PJMICC has a different view from the signatories of the September 13th letter on the Market Seller Offer Cap (“MSOC”). FERC carefully considered, in recent proceedings, the correct design of the MSOC and the current MSOC reflects FERC’s thinking. The FERC orders requiring the current MSOC were recently affirmed by the D.C. Circuit, over the objections of many of the entities that are currently urging further MSOC reformation. PJMICC opposes efforts to change the current design or question the underlying fundamentals of the current MSOC. PJMICC would not oppose further stakeholder discussions about improving the administration of the MSOC, provided that alternatives to the status quo are consistent with the recent FERC and appellate precedent.

PJMICC supports further stakeholder discussions along the lines suggested by the September 13 letter signatories, focusing on the following principles outlined in the September 13 letter:

- Clearly define the capacity product so that all market participants easily understand it;
- Make transparent and replicable those factors determinative to market outcomes (e.g., capacity accreditation and procurement targets);
- Provide modelling and “stress test” results to help ensure confidence that the capacity model functions as intended upon implementation; and,
- Provide clear visibility into market opportunities and risks for market participants, including for demand resources.

PJMICC appreciates the Board’s consideration of these areas of consensus among PJMICC and the signatories of the September 13 letter.

Sincerely,



Susan E. Bruce
MCNEES WALLACE & NURICK LLC

Counsel to the PJM Industrial Customer Coalition