



VIA Electronic Delivery

October 14, 2021

Mr. Sean Baur et al.¹

Dear Stakeholders,

Thank you for your September 14, 2021 correspondence concerning the valuation of thermal resources and the sequencing of that issue in "Phase 2" of our capacity market reform efforts. PJM values your engagement in this important discussion.

PJM agrees that it is important to investigate the capacity valuation of all resources. PJM plans to do so as part of our Phase 2 efforts within a proposed new task force called the Resource Adequacy Senior Task Force (RASTF). PJM and stakeholders are in the process of scoping the RASTF, and assuming the RASTF charter is endorsed by the MRC in October, work within the RASTF could begin later that month.

PJM is suggesting that the RASTF consider the valuation of all resources along with the valuation (accreditation) of resources in the context of a potential seasonal capacity product. One component of the analysis will be to fully analyze the correlation of thermal outages during the peak times to ensure our modeling appropriately reflects those resources' reliability contribution to the grid. We agree that the correlation you reference exists, and PJM's 2017 analysis on this issue did identify a pattern of correlated thermal outages during the winter peak week. PJM intends to update and expand on this 2017 analysis and anticipates that it will look at a variety of factors, including fuel availability. Further, the discussion on correlated outage risks and extreme weather go beyond accreditation and can impact the model and inputs that establish the reliability targets. Finally, expansion of current resource adequacy models is not simple and likely will require complex design and the development of software.

PJM expects the discussion and related work will begin in the near term and we look forward to your input and participation in this effort.

Sincerely,

Mark Takahashi

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Chair, PJM Board of Managers

¹ Please see recipient list on next page.

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