

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

February 19, 2024

Re: February 2024 Liaison Committee Meeting

Dear Chairman Takahashi and Board Members,

The undersigned environmental and public interest organizations (PIOs) write to provide our perspective on the matters the Board will discuss with the Liaison Committee on February 26, 2024.

A. Planning

1. Long-Term Regional Transmission Planning (LTRTP)

PIOs strongly encourage PJM to proactively plan transmission to facilitate the energy transition and to recognize the broad regional benefits from this transmission. PJM's current LTRTP proposal to introduce scenario-based planning is a major step forward. However, PIOs believe it will not adequately plan for future needs for two main reasons. First, PJM proposes not to consider economic factors that will likely drive fossil retirements in the future. Second, the proposed LTRTP will put generation built due to state policy outside of the main planning effort. These decisions will result in PJM not planning using a realistic view of the future, risking inefficiencies and incorrect investment decisions. Worse, the status quo bias in PJM's proposed base scenario may result in building transmission that undermines state energy goals.

PJM's usage of the State Agreement Approach must abide by legal precedent on cost allocation and not conflict with or replace planning under FERC's Order No. 1000 and its imminent regional planning rulemaking. Moving forward, PJM should ensure that LTRTP is consistent with FERC's Orders by properly accounting for the broad regional benefits of transmission that attains key public policies driving the energy transition. PJM should simply plan transmission to the most accurate possible vision of the future and allocate costs commensurate with benefits. PJM should also do more "right sizing" of regionally planned

transmission to more efficiently address needs currently served by Supplemental projects, which receive minimal oversight from PJM.

2. Deactivation Notice and Reliability-Must-Run Issues

Deactivation reform must be a top priority for PJM, as the status quo of waiting until a generator gives minimal notice of its deactivation to plan any needed transmission system upgrades simply does not work. This outcome is bad for consumers, as it leads to costly reliability-must-run agreements and non-competitive “immediate needs” transmission solutions. Last-minute “planning” deprives PJM and its stakeholders of the opportunity to consider those transmission upgrades together with other trends and needs in the region. It is also bad for reliability, as it leaves PJM dependent on the willingness of a generation owner to keep open a plant in which it has already been winding down investment.

As a complement to more proactive transmission planning for reasonably foreseeable retirements, PJM urgently needs to develop a process to consider and compensate alternatives to reliability-must-run arrangements.¹ Such a process could solicit competitive proposals for alternative resources that could be deployed in time to avoid all or part of the reliability-must-run arrangement. Reliability-must-run arrangements should be a last resort,² rather than PJM’s default response to a local reliability issue.

3. Capacity Interconnection Rights Transfers and Use of Surplus Transmission Capacity

Given the significant wait times that resources face in PJM’s interconnection queue, a speedier path for transferring capacity interconnection rights is essential to avoiding reliability-must-run arrangements and facilitating the energy transition. It is also important to ensure that existing surplus interconnection service rules are well designed, to enable utilization of that

¹ See, e.g., *New York Indep. Sys. Operator*, 161 FERC ¶ 61,189 (2017) (approving an RMR alternatives evaluation process).

² *New York Indep. Sys. Operator*, 150 FERC ¶ 61,116, at P 16 (2015) (noting that “all alternatives should be considered to ensure that designating a generator for RMR service is a last resort option for meeting immediate reliability needs”).

option. As a recent analysis by RMI explains,³ the opportunity presented by repowering existing generation sites with new, clean energy resources is enormous.

Currently, PJM rules allow transfers of capacity interconnection rights, but require the transferee to wait in the interconnection queue to be studied. PJM stakeholders initiated a process to consider ways to improve the efficiency of capacity interconnection rights (CIRs) transfers last summer, and PJM leadership has several times mentioned this particular stakeholder process as evidence of its concerns regarding generator deactivation.⁴ Unfortunately, progress in these discussions has slowed to a snail's pace. Without additional resources or direction from PJM leadership regarding the importance of an efficient CIR transfer process, PJM will miss an important opportunity to facilitate the new entry it needs at valuable locations on the grid.

B. Resources for Energy Transition

As PIOs urged in July 2023,⁵ PJM must balance its duty to exercise independent judgment with its duty to be responsive to stakeholders. Responsiveness requires sincere efforts to seek and incorporate stakeholder feedback before publishing major reports, as well as explaining how PJM has balanced the interests expressed by various stakeholders. In our view, this sort of responsiveness is essential to PJM's credibility as the facilitator of the consensus-based issue resolution process, as it enables all stakeholders to understand and confront the basis for the positions that PJM takes. It also avoids surprises, such as hastily recommended proposals and policy-oriented reports, which can foment distrust and distract from important substantive issues.

PJM's stakeholder process would also benefit from PJM more frequently engaging outside expertise to assess stakeholder proposals and provide detailed, unbiased analyses of possible impacts. While we recognize PJM staff's expertise, we believe that PJM needs greater

³ RMI, "Clean Repowering: How to Capitalize on Fossil Grid Connections to Unlock Clean Energy Growth," (Jan. 2024), available at https://rmi.org/wp-content/uploads/dlm_uploads/2024/01/clean_repowering_web_deck_new.pdf.

⁴ See, e.g., PJM, "The Reliability Landscape: A Look Forward" (2023), available at <https://www.pjm.com/-/media/committees-groups/committees/mc/2023/20230501/20230501-item-06---the-reliability-landscape---a-look-forward.ashx>; PJM, PJM Board Response to OPSI Letter re: Grid Reliability (Dec. 14, 2023), available at <https://www.pjm.com/-/media/about-pjm/who-we-are/public-disclosures/20231214-pjm-board-response-to-opsi-letter-re-grid-reliability.ashx>.

⁵ Environmental and Public Interest Organizations Letter re: July 2023 Liaison Committee (Jul. 7, 2023), available at <https://www.pjm.com/-/media/about-pjm/who-we-are/public-disclosures/20230707-environmental-and-public-interest-organizations-letter-re-20230710-lc-topics.ashx>.

resources given the scale and novelty of issues being discussed, as well as the pace of many stakeholder processes. An unbiased consultant tasked with evaluating stakeholder proposals would allow PJM to focus on developing its own proposal in greater detail, and enable more informed stakeholder discussions, ideally setting the groundwork for greater consensus. As states and consumer representatives have repeatedly emphasized, understanding proposals' cost impacts is essential to meaningful and productive stakeholder discussions. ISO New England regularly produces "impact analyses" of its proposals, sometimes relying a consultant.⁶ The Brattle Group's recurring support for the PJM variable resource requirement curve quadrennial review process is an in-region example that we believe has worked reasonably well to gather stakeholder input and produce alternative approaches for consideration. The Board recently indicated that it will consider engaging a consultant for PJM's next round of capacity market reforms; we encourage the Board to do so.⁷

The energy transition will require PJM to tackle an increasingly ambitious scope of market design and market access challenges, which will require a corresponding increase in both in-house and outside resources. We recognize that increased PJM operating budgets are paid by consumers and must be carefully scrutinized, but submit that consumers are worse off if PJM is unable to adapt its market and planning constructs to enable the rapid new entry of low-cost clean energy resources.

Sincerely,

Casey Roberts, Sierra Club
Tom Rutigliano, Natural Resources Defense Council
Nick Lawton, Earthjustice
Rob Altenburg, PennFuture
Nicholas Guidi, Southern Environmental Law Center

Cc: Evelyn Robinson

⁶ See, e.g., Dane Schiro, ISO New England, Resource Capacity Accreditation in the Forward Capacity Market, Updated impact analysis framework (Jan. 9, 2024), available at https://www.iso-ne.com/static-assets/documents/100007/a07a_mc_2024_01_09_11_impact_analysis_iso_presentation.pdf

⁷ Takahashi, Mark, PJM Chairman Response Letter re: Multiple Parties' Request for Consultant on Alternative Market Constructs, (Feb. 8, 2024), available at <https://www.pjm.com/-/media/about-pjm/who-we-are/public-disclosures/2024/20240208-response-multiple-parties-request-for-consultant-on-alternative-market-constructs.ashx>.