



GOVERNOR JOSH SHAPIRO

May 16, 2023

Mr. Mark Takahashi
Chair, Board of Directors
PJM Interconnection

Mr. Manu Asthana
President and CEO
PJM Interconnection

Dear Mr. Takahashi and Mr. Asthana:

The energy sector is undergoing a period of profound change. Here in the Commonwealth, we are embracing the advantages that cheaper, lower carbon fuel sources offer. At the same time, we are managing the impacts of the market's shift away from coal that has been a bedrock of Pennsylvania's electricity industry for generations. We are actively collaborating with companies across the energy sector as well as local communities to leverage unprecedented federal funding opportunities, meaningful Commonwealth initiatives, and private investment to meet these objectives. Over the next decade, we expect billions of dollars of investment in renewable energy and deep decarbonization to occur here in Pennsylvania, along with investments in legacy energy communities to help them through this transition.

All of this work depends on the proper functioning of the regional electric transmission grid. The Commonwealth has long entrusted the management of that grid to PJM, relying upon you to implement planning processes to meet the evolving needs of all Pennsylvanians. However, the processes in place at PJM currently stand as impediments to the development of new generation resources and to grid modernization itself. As existing generation sources announce retirement and go offline, that generation cannot be replaced in a timely manner.

Delays in the interconnection queue are hampering our ability to bring new generation online in Pennsylvania, resulting in stranded investments and missed opportunities. PJM's commitment to speeding up the interconnection queue for critical projects is a welcome development, but I call on you to begin using this process today rather than in 2026, when PJM's current 2,700 application backlog has been cleared. Without meaningful reform by PJM now, the inherent shortcomings of the grid interconnection queue will imperil our efforts to take full advantage of the opportunities available in the years before 2026.

Specifically, PJM must address interconnection issues with the same urgency and process that it is currently using for capacity planning through the Critical Issues Fast Path process. These two processes are inextricably linked and should be dealt with on similar timelines and with similar urgency. With funding and tax credits through the Inflation Reduction Act limited to only those projects that have begun planning by January 2025, PJM's current timeline threatens to meaningfully impact our eligibility for federal investment in the next two years.

These same delays are also making it harder for legacy plants that are going offline, like Homer City, to be re-invented in ways that maintain jobs and continue to be assets for their local communities. A faster pathway to re-connection for previously shut down sites needs to

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be implemented that will expedite the interconnection process for new, on-site generation options to serve as replacements for these decommissioned facilities.

In addition to difficulties in bringing new generation into the grid, I am concerned about PJM's inability to ensure that capacity sources are ready and able to meet critical market needs at the right time. Pennsylvania's confidence in PJM's Capacity Performance design was greatly diminished through the serious grid capacity issues experienced due to Winter Storm Elliott.

Despite representations made by PJM that Capacity Performance (CP) would ensure grid reliability in even the worst conditions, the narrowly averted prospect of rolling blackouts throughout bitterly cold days and nights illustrates the fundamental vulnerability of the CP design. This near disaster is particularly frustrating given that electric customers across PJM are paying billions per year for CP, far more than the penalties that are being levied against generators that failed to perform as contracted. While I am encouraged by recent efforts through PJM's Critical Issues Fast Path process, PJM must restore trust in its capacity planning through concrete and meaningful improvements now.

While Pennsylvania has ceded day-to-day planning operations to PJM and individual market participants, we continue to undertake strategic energy assurance planning through our annual U.S. Department of Energy-sanctioned State Energy Plan and other programs to ensure the Commonwealth has an adequate power supply. This planning can and should be utilized by PJM as it considers how to best manage our grid and I am calling on you to stand up a process to formalize that coordination.

As PJM's largest net exporter of electricity and a proudly all-of-the-above energy state, Pennsylvania intends to maintain sufficient generation capacity from a diversity of sources to ensure electrical reliability here in Pennsylvania and across the entire PJM service area. To better understand the steps PJM is taking to meet the Commonwealth's needs, I am requesting you provide my team a full and comprehensive briefing. We look forward to hearing the status of the proposed interconnection reforms outlined here, those advanced by the Organization of PJM States (OPSI), and those under consideration by PJM, as well as how we can align our planning efforts going forward.

Sincerely,



Governor Josh Shapiro