

June 16, 2022

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

Dear Chairman Takahashi and PJM Board of Managers,

We are writing to you concerning the upcoming decision to adopt reforms to PJM's capacity market and, specifically, the Quadrennial Review reform proposals that will be before the Board prior to August 31, 2022. PJM staff has proposed to adopt the recommendations of its consultant, the Brattle Group. Although this proposal would begin to address persistent over-procurement of generation resources, PJM must do more to right-size capacity procurement. As just one example, Brattle recommends that "PJM should eliminate the over-forecast bias historically seen in the load forecast."<sup>1</sup>

As legislators, we are very sympathetic to the competing demands any entity has. In the case of a Regional Transmission Organization, it faces great pressure to keep the grid reliable, well supplied, affordable, and able to meet the ongoing energy transition. While PJM's capacity market has been an important contributor to the region's reliability in the last decade, it must be well-designed to continue serving that role. A key component of good design is buying no more capacity than needed. We are concerned by PJM's consistent pattern of over-procuring generation by as much as double the supply margin already built into the system. For the 2021-2022 auction alone, our constituents paid \$4.4 billion for 8,000 MW of excess reserve capacity.<sup>2</sup>

Over twenty years ago, FERC stated that "the principle of independence is the bedrock upon which the ISO must be built."<sup>3</sup> It is our belief, PJM has a duty to balance between a market that both enables adequate supply and protects consumers. All evidence points to a system that is not balanced, and thus consumers are paying excess supply that will likely never be used. We know that PJM's leadership has acknowledged that capacity over-procurement can be harmful to consumers. While we appreciate PJM's recognition of this problem, we now urge you to put those words into action.

To that end, we very strongly encourage the PJM Board of Managers and executive leadership to act as the trustees you are and to take additional meaningful steps to "right size" the oversupply issue generally and the capacity market specifically. The Brattle Group's Quadrennial Review recommendations are a step in the right direction. However,

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<sup>1</sup> The Brattle Group, Fifth Review of PJM's Variable Resource Requirement Curve (Apr. 19, 2022), at page vi.

<sup>2</sup> Over-Procurement of Generating Capacity in PJM; Wilson Energy Economics; Feb 2020, at p.12.

<sup>3</sup> 89 FERC ¶ 61,285; FEDERAL ENERGY REGULATORY COMMISSION; December, 1999, at page 154

more must be done, including addressing the chronic over-forecasting. There is simply no reason for captive consumers to be paying billions extra for long-term oversupply that brings so little benefit.

Thank you for your time and attention to this matter. We will be following the proceedings and look forward to reading about the final outcome.

Sincerely,

*Ohio Representative Kent Smith*

*Delaware Representative Paul Baumbach*

*Delaware Representative Edward Osienski*

*Illinois Representative LaShawn Ford*

*Illinois Representative Robyn Gabel*

*Illinois Representative Will Guzzardi*

*Illinois Representative Ann Williams*

*Illinois Senator Laura Fine*

*Indiana Representative Maureen Bauer*

*Indiana Representative Sue Errington*

*Kentucky Representative Nima Kulkarni*

*Maryland Delegate Lorig Charkoudian*

*Maryland Delegate Jessica Feldmark*

*Maryland Delegate David Fraser-Hidalgo*

*Maryland Delegate David Moon*

*Maryland Delegate Sheila Ruth*

*Maryland Senator Shelly Hettleman*

*Maryland Senator Benjamin Kramer*

*Michigan Representative Abraham Aiyash*

*Michigan Representative Yousef Rabhi*

*New Jersey Senator Bob Smith*

*North Carolina Representative John Autry*

*North Carolina Representative Mary Harrison*

*North Carolina Senator Valerie Foushee*

*Ohio Representative Mary Lightbody*

*Pennsylvania Representative Mary Daley*

*Pennsylvania Representative Joseph Hohenstein*

*Pennsylvania Representative MaryLouise Isaacson*

*Pennsylvania Representative Rick Krajewski*

*Pennsylvania Representative Jeanne McNeill*

*Pennsylvania Representative Danielle Otten*

*Pennsylvania Representative Benjamin Sanchez*

*Pennsylvania Representative Michael Sturla*

*Pennsylvania Representative Gregory Vitali*

*Tennessee Representative Dwayne Thompson*

*Tennessee Senator London Lamar*

*Virginia Delegate Mark Keam*

*Virginia Delegate Kaye Kory*

*West Virginia Delegate Robert Doyle*

*Virginia Delegate Salam Rasoul*

*West Virginia Delegate Evan Hansen*

*Virginia Senator Ghazala Hashmi*

*West Virginia Delegate Kayla Young*