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Via Electronic Delivery

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Dear Stakeholders,

Thank you for your correspondence dated March 27, 2023, wherein Earthjustice, the Sierra Club, the Natural Resources Defense Council, the Union of Concerned Scientists and Rocky Mountain Institute provided feedback on PJM's Resource Retirements, Replacements and Risks ("4R Study") published on Feb. 24, 2023.

This paper is the third in the Energy Transition in PJM series of reports, which look at the needs of the evolving bulk electric system as we transition to more intermittent resources. The 4R Study examines four trends that when taken in the aggregate could present a reliability concern for the PJM footprint in the latter part of this decade:

- The growth rate of electricity demand is likely to continue to increase from electrification coupled with the proliferation of high-demand data centers in the region.
- Thermal generators are retiring at a rapid pace due to government and private sector policies, as well as economics.
- Retirements are at risk of outpacing the construction of new resources due to a combination of industry forces around siting, financing and the supply chain, and the long-term impacts of this are not fully known.
- PJM's interconnection queue is composed primarily of intermittent and limited-duration resources. Given the operating characteristics of these resources, we need multiple megawatts of these resources to replace one megawatt of thermal generation.

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PJM appreciates the feedback received from your organizations on the 4R Study, both through your correspondence to the PJM Board and through your participation in the Energy Transition in PJM Workshop held on March 28, 2023. PJM has released a Frequently Asked Questions (FAQ) [document](#) on this study to help address feedback and questions received.

In performing the analysis discussed in this study, the PJM team made assumptions it believes are conservative, meaning that PJM did not try to overstate resource retirements, and it provided both a low- and high-entry scenario for resources coming onto the system in order to both reflect the current reality of renewable entry and a more ideal scenario derived from objective S&P Global data. In fact, just recently, the largest Pennsylvania coal-fired generating plant, Homer City, announced its retirement. Homer City was not included in our retirement assumptions because the policy drivers underlying its retirement were not known at the time of the study.

While we continue to be open to feedback on any and all aspects of our work, we remain concerned with the generation retirement risk outlined in the study. We will continue to update our “balance sheet” of resource retirements against new entry, so that the data reflects actual entry and exit.

As to expediting the pace of new entry, we agree that accelerating interconnection queue throughput is critical. To this end, PJM is currently implementing interconnection queue reform that was overwhelmingly supported by our stakeholders and approved by the Federal Energy Regulatory Commission. We already have approximately 38 GW of new generation through the queue with signed Interconnection Service Agreements, with another approximately 6 GW of generation with completed studies. Once the transition to the new interconnection process commences in the third quarter of 2023, PJM will begin to clear significant additional resources through its queue at an increasing pace. PJM has also invested significantly in tools, automation and increased staffing in support of more quickly processing queue requests. All of this was necessary to move the queue into a new generation where PJM is evaluating thousands of renewable projects as opposed to the few large centralized projects that were historically typical of the PJM system.

Additionally, PJM has worked closely with New Jersey on the first-ever deployment of the State Agreement Approach, which led to the selection of \$1.1 billion of transmission projects to enable 7.5 GW of offshore wind resources. We continue to work with New Jersey and our other states on potential future deployments of the State Agreement Approach to enable interconnection of their policy choices.

As to your suggestions for additional reform, they are appreciated. PJM will evaluate them, and there is already a plan to advance additional transmission planning reform, including continued queue improvements, that could serve to address some of your recommendations.

The PJM Board embraces the challenge ahead and fully acknowledges that we are in an energy transition. Simultaneously, the 65 million consumers we serve expect that the lights will stay on during this transition. These reliability concerns are shared globally by grid operators and by the North American Electric Reliability Corporation. We seek solutions and then seek to take action, and we are appreciative of the helpful suggestions made in your correspondence.

Sincerely,

Mark Takahashi

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Chairman, PJM Board