

Dominion Energy Services, Inc.
120 Tredegar Street, Richmond, VA 23219
DominionEnergy.com



March 17, 2021

Mrs. Jennifer Tribulski
PJM Interconnection, LLC
2750 Monroe Boulevard
Audubon, PA 19403

Dear Mrs. Tribulski,

Today I am writing you on behalf of Dominion Energy's principle affiliate operating in PJM Virginia Electric and Power Company, dba Dominion Energy Virginia (Dominion) in response to PJM's request for stakeholders to submit comments regarding the second capacity workshop held on March 4, 2021. Thank you for providing the opportunity for stakeholders to provide their different perspectives on this important issue. Dominion Energy offers these comments to help PJM and its stakeholder to clearly define the problem, provide guiding principles for market reforms, and prioritize both short-term and long-term goals.

About Dominion Energy:

Dominion Energy is an integrated electric and gas company serving over 7 million customers in 16 states, with a strong focus on our regulated utility businesses and customers. We have 28,000 MW of nuclear, renewable, and fossil electric generation, and we've committed to achieving net zero carbon dioxide and methane emissions from our power generation and gas infrastructure operations by 2050. Since 2005, the year that Dominion Energy joined PJM, Dominion Energy Virginia alone has reduced its carbon emissions by more than 50% by retiring coal and adding natural gas and renewable generation facilities.

Virginia Clean Economy Act of 2020

In Virginia, the Clean Economy Act of 2020 will induce transformational changes to our entire electric system, from generation to transmission to distribution. Not only does it require us to achieve zero carbon generation by 2045, but it also sets interim goals we must achieve along the way. By 2035 alone, Dominion Energy Virginia is planning to deploy over 16,000 MW of solar, over 5,000 MW of offshore wind and nearly 3,000 MW of energy storage assets. Electric generation from our renewable assets will rise from 5% in 2019 to over 50% in 2035. This will be a transformational period for our company, our customers, and the state of Virginia. However, Virginia is not the only state in the region adopting clean energy goals, and it is clear that the impacts of state policy goals will cascade throughout PJM, requiring a comprehensive review of the impacts on PJM planning, markets and operations.

Questions raised in Session 2:

Q1: What is the problem we are trying to solve in this effort?

PJM and its stakeholders need to return their concerted efforts back to solving the problem of accommodating state clean energy policy goals in the PJM markets. Based on the workshop discussions it appears the almost all stakeholders agree. The capacity market construct under the expanded Minimum Offer Pricing Rules (MOPR) does the opposite of accommodating state policy goals and essentially prohibits certain business models from participating in the capacity market if they are trying to meet those state policy goals. In Dominion Energy's case, the company is a vertically integrated utility that is a self-supply participant in a state that has one of the most aggressive emission reduction goals and renewable portfolio standards in the United States. The expanded MOPR rules force self-supply participants to either forego the benefits of markets and elect the Fixed Resource Requirement (FRR) alternative or participate in the expanded MOPR construct risking the double procurement of capacity resources, which would ultimately be borne by our customers. If this issue is not addressed, more and more participants will be forced to leave the capacity markets, potentially causing other negative effects.

Q2: Do you agree with PJM that we should be attempting to advance this discussion at this time?

Dominion Energy believes that now is the right time to commence these discussions, however PJM and its stakeholders should bifurcate the process to examine both short-term and long-term problems and solutions.

We are rapidly approaching the commencement of PJM's Base Residual Auction (BRA) under the expanded MOPR rules for the 2022/2023 delivery year. Market participants and the PJM states are faced with making commercial and legislative decisions under the assumption that the expanded MOPR will continue to be in effect for years to come. Yet, PJM is contemplating long-term, significant changes that will impact those decisions. Dominion Energy agrees these are all important discussions to have, but would ask that PJM and its stakeholders first contemplate short-term reforms that would allow the transition to a new construct and mitigate certain risks, such as doubly procuring resources, while competitively ensuring the continued reliability of the electric system.

Q3: What are the principles that possible enhancements should be built upon?

Dominion Energy agrees with the principles that OPSI provided in the first workshop session. States procurements must be accommodated and respected. States should have the option to select their own resource mix, either through procurements or through competitive markets. Any resource adequacy solutions must respect the states authority for resource adequacy under the Federal Power Act and allow for a mechanism similar to the current FRR alternative. Any market construct should have effective and appropriate market power mitigation measures to function.

Dominion Energy would expand upon those principles that any market design should provide the flexibility for multiple business models to participate. In Dominion Energy's case, the self-supply model must be accommodated in any future design changes, whether it is the elimination or scaling back of the expanded MOPR, implementation of a forward clean energy construct or any other proposed alternative market modifications contemplated by PJM and stakeholders. Additionally, Dominion Energy agrees with PJM that any solution should support long-term grid reliability in an efficient manner. A solution should also appropriately value the attributes and services that different generation technologies may provide, both now and in the future.

Q: Are there particular issues or proposed prioritization that you would like to propose?

In the short term, modifications are necessary to provide some protections for states and the self-supply entities forced to make significant business decisions based on the expanded MOPR construct. In particular, PJM should consider whether the 5-year minimum stay requirement for FRR should be enforced if market participants are forced to elect FRR due to the expanded MOPR and then the application of the MOPR to state subsidies is removed. PJM and stakeholders should also consider any other short-term changes that would afford some flexibility to the commitments that market participants make based on the expanded MOPR construct.

The principle is the same for any long-term market changes. Dominion Energy believes that any overhaul of the capacity market construct, whether it is the rescinding of the expanded MOPR or some other concept like the Integrated Clean Capacity Market (ICCM), PJM and its stakeholders should accommodate self-supply entities, including vertically integrated utilities, to ensure that they can continually participate in the wholesale electricity markets in the future.

Although the primary focus is for PJM to resolve a number of the issues with the capacity market, Dominion Energy believes that the central issue of accommodating state clean energy policies has significant cascading impacts into PJM planning, operations and markets. PJM and stakeholders must begin looking holistically at addressing these issues with long-term solutions or risk needing to address them every few years, over and over. The PJM interconnection queue is swelling with clean energy projects to the point that it has significantly slowed the process down, which hinders all development. Retirement of fossil plants coupled with an increase in intermittent resources will require a reexamination of reliability criteria in multiple areas. The existing market is reactive and limits the long-term view and directional trends that are occurring in a particular region or state. It is imperative that PJM take a more holistic approach to resource adequacy and grid planning, with the end in mind. For example, there is an opportunity to consider a more transformative grid planning concept, using principles suggested by Dominion Energy at the December 2020 Interconnection Workshop, whereby longer-term transmission planning is coordinated with the expected renewable development in the PJM region.

Again, I would like to express Dominion Energy's gratitude to PJM for providing the opportunity to submit these comments. We look forward to participating in the future stakeholder discussions on these issues.

Sincerely,

/s/ Jim Davis

Jim Davis

Regulatory and Market Policy Strategic Advisor
Dominion Energy Services, Inc.

James.g.davis@dominionenergy.com

(804) 393-3271