



October 28, 2014

**Comments of the Organization of PJM States, Inc. on the PJM Capacity
Performance Updated Proposal**

Executive Summary

The Organization of PJM States, Inc. (“OPSI”)¹ commends PJM Interconnection, L.L.C. (“PJM”) for its identification and consideration of the reliability and operability concerns which it seeks to address in its October 7 Whitepaper. The solutions proposed in that Whitepaper, however, are quite complex and could have substantial adverse pricing effects upon end-users. PJM has not provided sufficient data to permit OPSI members and other stakeholders to develop firm beliefs and positions as to the need, benefits to load or effectiveness in protecting reliability of its proposals. These proposals require further examination and discussion among stakeholders once PJM has provided adequate analyses of their expected effects to permit a consensus of in their desirability. Accordingly, OPSI urges that PJM continue a robust stakeholder process at least through the next winter season. Also, OPSI believes that many of PJM’s more aggressive market redesign proposals should not be considered for adoption until after the implementation of several near-term programs this winter and the success of their operation has been evaluated.

As PJM has advised OPSI members, gas/electric system coordination, gas generating unit commitment practice changes, weatherization and testing of certain generation, targeted winter auctions and other steps along with existing Reliability Pricing Model (“RPM”) incentives for new generation development, may prove sufficient to resolve current reliability and operability concerns. Market rule changes that impose large pricing burdens upon end-users and the potential of unintended results and risks upon all market participants should not be adopted if more focused and limited actions will resolve realistic reliability and operational concerns. RPM is intended to send long-term price signals to resources. Deferring action on changes to these long-term price signals is warranted until PJM can provide stakeholders proper

¹ These comments are supported by the following OPSI members: Delaware, District of Columbia, Illinois, Indiana, Kentucky, Maryland, Michigan, New Jersey, North Carolina, Tennessee and Virginia. Two OPSI members abstained, Ohio and Pennsylvania. One member did not vote, West Virginia. The Indiana Utility Regulatory Commission supports these comments by OPSI and, in addition, requests that utilities using FRR, such as American Electric Power and its Indiana operating company, Indiana Michigan Power Company, be exempted from these capacity performance requirements.

analyses of their effects and a sufficient time to fully evaluate those analyses to consider the implications on state retail market designs, business plans and other issues.

OPSI also opposes the elimination of the 2.5% holdback as proposed by PJM in its October 7 Memorandum (See discussion at p. 9).

Background

PJM is responsible for procuring capacity sufficient to meet the reliability needs of its customers. To meet those requirements, PJM conducts a capacity auction for generation three years in advance of the delivery year. For the 2015- 2016 delivery year, PJM has procured 164,561 MW of capacity at a cost of \$9.7 billion to ensure reliability.² This capacity was 5,855 MW in excess of the reliability requirement. For the 2017-18 delivery year PJM has procured 167,003 MW of capacity at a cost of \$7.5 billion.³ This amount was 6,187 megawatts in excess of the reliability requirement.

On October 7, 2014, PJM released its “PJM Capacity Performance Updated Proposal” (“CP Proposal”). The CP Proposal seeks to address reliability and operational concerns PJM has identified in a whitepaper entitled “Problem Statement on PJM Capacity Performance Definition” previously released on August 1, 2014 (“PJM Whitepaper”). The CP Proposal includes major revisions in response to stakeholder comments to an earlier version of PJM’s Capacity Performance Proposal released on August 20, 2014.

The impact of the CP Proposal and other related proceedings (Triennial Review VRR curve modifications) affecting PJM’s RPM would be \$8.7 to \$15.1 billion on an RTO-wide basis in additional capacity market costs (not reduced by any energy cost savings) to end-users during the four delivery-years period 2015-16 to 2018-19. The largest annual increase in capacity market costs on an RTO-wide basis of \$6.7 billion or 87 percent (again not reflecting energy cost savings) occurs in 2018-19.⁴ OPSI therefore urges that further and more informative stakeholder proceedings are needed before this matter can be resolved at the PJM level.

² Monitoring Analytics, Analysis of the 2015-2016 RPM Base Residual Auction, at p. 5 (Sep. 24, 2014).

³ Monitoring Analytics, Analysis of the 2017-2018 RPM Base Residual Auction, at p. 5 (Oct. 6, 2014).

⁴ See PJM/Monitoring Analytics, Capacity Performance Initiative at p. 4 (October 23, 2014); BRA VRR Curve Simulation Results - <http://www.pjm.com/committees-and-groups/closed-groups/cstf.aspx>. The numbers stated above include values from the “Incremental Capacity Cost Range” chart and first paragraph of text at p. 4 of the Capacity Performance Initiative document, plus the simulation results provided by PJM of VRR Curve modification revenue effects from the Triennial Review Stakeholder proceeding. OPSI has a number of questions about the existence and magnitude of the computed “Energy Market Cost Reduction” and for that reason has not reflected these asserted energy cost savings in the numbers stated above. However, these savings, as computed by PJM/IMM, would equal \$7.4

**Implementation of the CP Proposal Should Occur Only
Following a Full Stakeholder Deliberation Process**

OPSI, and many of its member State Regulatory Commissions, have reviewed PJM's CP Proposal to the extent possible in the limited time available, and OPSI member Commissions have participated in PJM stakeholder meetings held regarding the initial and revised CP Proposal over the past two months. OPSI finds the CP Proposal to be quite complex and finds further that it requires considerable additional study. There is also a substantial need for the development and presentation of PJM data to better quantify the CP Proposal's costs imposed on customers and effectiveness in improving system operations and grid reliability.

As examples of the CP Proposal's complexity, among other numerous revisions, the CP Proposal makes the following major, market design changes:

- (i) The creation of a new capacity product, the Capacity Performance Product, to supply end-use customer load along with the existing and revised Base Capacity Product.
- (ii) Elimination of market power mitigation in the RPM for offer bids below Net CONE and the imposition of undefined limits on downward revisions to RPM prices in subsequent years to maintain higher prices.
- (iii) Elimination of the 2.5 percent holdback of forecast capacity requirements in the RPM.
- (iv) A major performance revision and likely further restriction in the amount of demand response ("DR") permitted to participate in PJM's markets.
- (v) Establishment of a new penalty structure for generator non-performance that is intended to place generators at some financial risk for nonperformance in the amount of 1.5 times annual RPM capacity revenues based on Net Cone.
- (vi) The full application of CP requirements to Fixed Resource Requirement (FRR) entities.

PJM has only recently provided responses to stakeholder information requests for information essential to evaluating possible beneficial or negative consequences of these proposed market design changes.⁵ The data requested includes the costs of this CP Proposal and

billion, leaving a net cost increase of \$1.3 to \$7.7 billion over the four-year period. OPSI looks forward to discussing the assumptions and calculations underlying this PJM/IMM analysis in the further stakeholder proceedings it requests in these Comments.

⁵ See PJM Capacity Performance Action Items (updated as of October 17, 2014), Data Requests 88 to 92. For example, in response to a stakeholder data request that PJM "demonstrate how the solutions will solve the stated problems", PJM had responded as of October 17: "Further cost analysis will be provided after the Final Whitepaper is posted (the analysis may not address all aspects of this action item)." (Action Item 88, Schedule 126). In response to similar stakeholder requests 89 through 92 (Schedules 127-130):

a demonstration of how effective the program will be in correcting the concerns identified in the PJM Whitepaper. OPSI appreciates the difficulty of performing these analyses and PJM's effort in producing it. However, the data released to date provides only a high level perspective on the costs and possible benefits of this PJM program, and thus leaves OPSI and its member Commissions with many questions and concerns. The enhanced liaison committee process scheduled to conclude on November 4 will not allow an adequate opportunity for questions and requested follow-up analyses on either the revised CP Proposal or this essential data. Market design modifications with such significant potential consequences for both reliability of service and the price of service should not be adopted in such a hurried and harried process.

As an example, PJM has not provided estimates of the extent to which existing generation will be required or able to make large capital investments to comply with the CP Proposal, or if existing generation is already able to comply without such investments.⁶ Also PJM has not, to OPSI's understanding, yet provided persuasive data that the major investments and costs are actually needed to assure reliability of service. Such data is essential to understanding both the level of potential market power that could be created by the new dual product market and the extent of need for the proposed major and costly incentives for additional investment built into the CP Proposal's new market design.

The updated CP Proposal indicates that PJM believes the market should ultimately transition to a 100% Capacity Performance product, but recognizes the need to transition legacy assets over time in order to moderate transition costs. PJM proposes that a maximum of 20% of capacity procured in the transition years (2016/2017, 2017/2018) be Base Capacity with the remainder as the new Capacity Performance product. The details surrounding the transition process are not well defined at this time. For example, the length of time required for transition, the magnitude of new capacity to be acquired and from where, and at what cost, not to mention who will pay that cost, remain to be defined.⁷ All of these matters are significant to understanding the ultimate impact of the CP Proposal and yet will remain unknown until well

"PJM staff and Monitoring Analytics should provide a cost impact analysis and conduct a review session on that analysis to better enable market stakeholders to understand the potential implications of any rule changes";

"PJM Staff should provide information on what they believe the price difference between the CP and BC products will be" ;

"PJM Staff should provide a comprehensive analysis by LDA of the potential for generation retirements";
"Can PJM Staff provide estimates of the incremental cost of the capacity performance product during the three delivery years in the transition period . . ." .PJM again stated as of October 17: "Further cost analysis will be provided after the Final Whitepaper is posted (the analysis may not address all aspects of this action item)."

⁶ Id. at stakeholder request 74, Slide 112.

⁷ Many state retail auctions already have been held and expected pricing during the PJM defined transition years has already been established.

after the November 4 Enhanced Liaison Committee Meeting.⁸

The CP Proposal is not the only initiative being pursued to address and resolve concerns respecting the reliability of regional grid operation. For example, the Federal Energy Regulatory Commission (“FERC”) has a major initiative to improve coordination of the natural gas and electric market and transmission systems.⁹ A lack of coordination between these two industries is viewed as a significant contributor to the operational and reliability problems experienced during the January 2014 extreme cold weather. PJM is developing several programs for weatherizing and testing generation to avoid, in part, excessive and unnecessary generation outages experienced during extreme cold weather. PJM is also implementing modifications to natural gas-fired generation commitment procedures to avoid fuel unavailability problems experienced at times last winter.¹⁰ Many commenters on the CP Proposal assert that the implementation of these programs will substantially lessen near-term concerns over reliability and operability of the regional grid.

In addition, the final proposal on October 7 contains new rules that were not presented in the August 20 draft, precluding even the abbreviated stakeholder review process afforded to other elements of the final proposal. Specifically, details on the applicability of CP requirements (e.g. physical or financial penalties) to FRR entities appeared for the first time in the finalized proposal without an opportunity for prior input or review.

Stakeholder comments on the CP Proposal describe existing FERC and PJM initiatives that they consider adequate to resolve these reliability and operational concerns. In addition, they point out that alternative, targeted and near-term programs can better alleviate these concerns than the CP Proposal. For example, Dominion Resources Services Inc. asserts in its comments that: “[E]xisting and forthcoming capacity and energy market tariff and rules in PJM are sufficient to address generator performance and other issues PJM raised in its August 1, Problem Statement on Capacity Performance”, and further that alternative more targeted proposals which it describes are available to resolve these concerns at less cost to end-users than the CP Proposal.¹¹ Similar comments have been made by other generation entities.¹²

⁸ See updated CP Proposal at pp. 7-8.

⁹ See Order Initiating Investigation into ISO and RTO Scheduling Practices and Establishing Paper Hearing Procedures, 146 FERC ¶ 61,202 (March 20, 2014).

¹⁰ See, e.g., PJM Operating Committee, Gas Unit Commitment Coordination – 2014/2015 Winter Scope Proposal Review (October 17, 2014) ; PJM Operating Committee, Cold Weather Resource Improvement Final Proposal, (September 18, 2014); PJM Operating Committee, Special Cold Weather Resource Improvement Final Proposal Report, (September 4, 2014) . These programs include a Generation Resource Cold Weather Checklist to be employed by generation owners to assure unit readiness at the start of cold weather periods, and an operational exercise to further assure readiness. These documents are available at the Operating Committee webpage at the PJM website.

¹¹ Comments of Dominion Resources Services Inc. at pp. 1-4 & 8-9 (September 16, 2014). Dominion continues in its Comments to reference the PJM Operating Committee programs described above, FERC natural gas/electric market coordination programs and triennial review/offer cap revenue proposals as

Additionally, evidence suggests that much of the capacity shortfall experienced last winter was the result of poor performance from infrequently dispatched combustion turbine units. Appropriate testing of these units is currently being pursued as a near-term reliability fix to mitigate equipment failures at a cost that can be justified through the current capacity market construct. Greater efficiencies with PJM's day-ahead dispatching system (i.e., better forecasting of RTO load curve during severe cold weather) could also limit generator forced outages due to an inability or unwillingness to procure gas at the prevailing market rate.

Load and load-serving entities, such as Public Power, PJMICC, Direct Energy and NextERA Energy, have expressed even greater concerns with the cost and market mechanics of the CP Proposal, both as to its planned final design and even more with the transition process that PJM proposes to employ in its implementation. These entities argue that reliability and operability concerns are not so immediate that time is not available for a full and thorough stakeholder process to examine the CP Proposal, about which they have expressed many concerns. In addition to completion of the initiatives described above, these entities note that PJM has proposed a targeted and limited auction to obtain up to 10,000 MW of additional capacity for the 2015-2016 delivery year.¹³ Much of this capacity, if such capacity is needed, could be obtainable at reasonable cost. OPSI supports such a targeted, winter procurement of capacity if its need can be demonstrated, but notes that such a demonstration has not yet been made.

existing initiatives which alone are sufficient to overcome PJM's reliability/operability concerns. If additional programs are determined to be needed, Dominion notes that "This PJM proposal, should it move forward, will unnecessarily and substantially increase costs to customers with little consideration for less disruptive alternatives to the proposed market design." In its place, Dominion proposes dividing RPM into separate summer and winter markets, enhancing the existing EFORp penalty structure and several other lesser changes. These proposals, of course, require further elucidation and consideration in a stakeholder deliberative process with the time for thorough review.

¹² See, e.g., Comments of the PSE&G Companies,(September 16,2014); Comments of LS Power Group(September 16, 2014) ("The Proposal presents a significant risk to the successful operation of the PJM market and creates considerable risk of other unintended consequences."). For example, PSE&G states that: "[T]he proposed timeframe for accomplishing these revisions is not adequate. We are concerned that the ramifications of the CP Proposal are not being fully considered by PJM and that PJM stakeholders do not have enough time to fully understand the impact of the CP Proposal and thus how to participate competitively in the upcoming auction. As such, the PSE&G Companies suggest that PJM extend the timeframe for stakeholder consideration of the CP Proposal . . ." (at p. 1). LS Power further urged PJM "to address the immediate winter reliability needs with a more targeted and less disruptive alternative," than the CP Proposal. (at p. 1).

¹³ See, e.g., Comments of NextEra Energy Resources, LLC(September 16, 2014); Comments of PJM Industrial Customer Coalition ("PJMICC")(September 16, 2014); Comments of American Municipal Power, Inc(September 16, 2014).; Comments of Old Dominion Electric Cooperative(September 16, 2014). These commenters also note that significant new natural gas fired capacity is expected to be available by the 2017-2018 delivery years, avoiding the need for such targeted, limited auctions in delivery years after 2015-2016.

Deferral of a decision on the CP Proposal will permit further resolution of uncertainties surrounding the continued participation of Demand Response (“DR”) in PJM markets in response to the decision in *EPSA v. FERC*.¹⁴ A one-year deferral of a decision on a final design for the PJM CP Proposal will permit FERC and state proceedings to defining of new methods as may be necessary to continue DR formation, compensation and implementation. On October 20, 2014, the Circuit Court withheld the mandate in its decision in *EPSA v. FERC* until December 16, 2014, to permit certiorari review to the U.S. Supreme Court.¹⁵ Consequently, a deferral of the CP Proposal is reasonable, as it will permit PJM to know whether the Supreme Court grants review, and better determine its options. PJM thereby will be better able to identify the market design enhancements that will best benefit end-users and market participants to reflect any new methods or programs and to integrate DR with its markets once FERC and state regulators have addressed and resolved the uncertainties created by the *EPSA* decision.

Finally, both the ISO-NE and NYISO recently have completed market design enhancement processes focused on addressing reliability and operability concerns similar to those expressed by PJM. Unlike PJM, these RTOs developed their proposals through a thorough stakeholder process that concluded only after a full year-long examination. These more in-depth processes ensure full consideration by all affected stakeholders, collection of all needed data to assure accurate analysis for improvement are obtained and fully considered, and that unintended negative consequences are identified and avoided or mitigated.¹⁶

Suggestions that, since PJM is the third RTO to respond to these reliability and operability concerns, stakeholders should be able to address such concerns in substantially less time than was previously needed are without merit. Particularly, PJM region state regulators and load interests were not participants in the other RTO efforts and thus have no experience in these matters. Moreover, PJM’s markets are different from those of the other RTOs, and the solutions proposed to overcome reliability and operability concerns are also different. PJM has proposed extensive revisions between the August and October CP Proposals. In the October CP Proposal, the number of capacity products in the market declined from four to two (CP, Base, Extended Summer and Limited DR declined to just CP and Base Capacity), the penalty structure was modified from a cap of 2.5 times to 1.5 times annual capacity revenues, from no stop-loss to a stop-loss and from application of LMP to Net CONE and shortage pricing, and many others. Expecting PJM stakeholders to review and address the CP Proposal in a shorter time period might be persuasive if PJM was seeking to conduct this activity in 6-8 months and did not revise its proposal. But that is not the case. Rather, PJM is seeking to conduct this activity in two months (August 20 to November 4) as compared to the more than 12 months taken by ISO-NE

¹⁴ *Electric Power Supply Ass’n v. FERC*, 753 F.3rd 216 (D.C. Cir. 2014). See also PJM Capacity Performance Updated Proposal at pp. 15-18.

¹⁵ *Electric Power Supply Ass’n v. FERC*, Case 11-1486 (October 20, 2014).

¹⁶ See, e.g., Letter of New York ISO to Kimberly D. Bose, FERC Secretary at Docket No. ER14-2518-000 at p.3 (July 28, 2014); Letter of New England Power Pool to Kimberly D. Bose, FERC Secretary at Docket No. ER14-1050-000 at p. 5 (January 17, 2014).

and the NYISO. These ad hoc, on-the-fly procedures are not conducive to producing reasonable and effective market or regulatory outcomes.

PJM's CP Market Design Raises Concerns that Require Careful and Deliberative Examination Before Such Changes are Finalized

State Regulators appreciate the reliability of the PJM system as much as any PJM stakeholder, if not more. When customers experience outages, State Regulators are extremely concerned. State Regulators, however, also are very concerned when customers receive energy bills that are higher than they can afford and are forced to adjust purchases of medicines and food, balance rent or mortgage payments, and expenses for other necessities. State Regulators must somehow seek a balance to ensure that increased costs are necessary and appropriate and sufficient benefits to customers to justify the increased costs. OPSI respectfully suggests to PJM that the cost effectiveness of the CP Proposal has not been justified with sufficient detail. The simple recognition that costs will increase and benefits will occur does not provide the OPSI jurisdictions with the necessary information to support the CP Proposal. A much more robust stakeholder process with sufficient time to identify and resolve issues is vitally necessary for State Regulators to make an informed decision regarding the CP Proposal.

A second concern of State Regulators is that the transition program to achieve reliance on new CP-qualified generation conflicts with price certainty established in state retail auctions. For example, PJM proposes that 80 percent of all capacity employed to serve load shall be CP-qualified beginning in 2016-17. This capacity is to be obtained through incremental auctions from new and existing capacity, including capacity already committed to providing service as Annual Capacity Resources in these years.¹⁷ It is expected that CP resources will receive higher compensation by a significant degree than existing Base or Annual Capacity Resources and to the extent they do, the additional costs will need to be recovered from state retail end-users.¹⁸ However, retail load serving entities have already committed in state retail auctions and obtained contracts from generators based on existing BRA prices to provide service. PJM appears to be proposing that these established retail service prices must be raised to reflect the new CP cost structure, and moreover has not provided any clear estimate as to how great this price addition will be. The need for such price increases requires considerable further consultation before this plan should be implemented. In regulated states, proposed applicability of CP requirements to FRR entities would require a retroactive redefinition of capacity previously included in approved self-supply plans and would require modifications to existing contracts to incorporate the higher cost of these requirements. There is also a greater concern regarding the exercise of market power under a new dual product RPM which could adversely affect end-user price of service. This is exacerbated by market power mitigation safe harbor proposed to be provided up to the

¹⁷ PJM Capacity Performance Updated Proposal at p. 34.

¹⁸ Indeed, according to industry commenters, this additional compensation may increase by 50 to 100% of existing RPM capacity charges. See, e.g., Comments of Exelon Corporation; Comments of NextEra Energy Resources.

level of Net CONE and undefined limits on market price decline between delivery years. Again, PJM has not as yet provided any data or analysis that allays these concerns.¹⁹

OPSI shares PJM's concerns for maintaining reliable electricity service. However, State Regulators are confronted with another important impact that resulted from last winter's extreme weather conditions – higher costs. As PJM has noted, the costs of providing electric supply in January 2014 were 148.5 percent higher than in 2013.²⁰ These higher costs call into question the ability to continue to maintain affordable service. OPSI urges that additional time and stakeholder deliberation is required to assure that the solutions to current reliability and operability concerns are properly balanced with concerns of maintaining affordable service.

The 2.5% Holdback Should be Retained

PJM has historically withheld procuring 2.5 percent of its generation resource requirement in the Base Residual Auction (“BRA”). Two rationales have been advanced to support the holdback. First, the holdback is a mechanism to provide an opportunity for short term resources to participate, and second it prevents systematic over-procurement of capacity.²¹ PJM now proposes to eliminate this 2.5 percent holdback. OPSI supports continuation of the 2.5 percent holdback, as it has been effective in reducing over-procurement of resources in light of PJM's tendency to over-forecast its reliability requirement.²² Thus, over the past three BRAs, PJM's reliability requirement was adjusted downward between 3.3-6.9 percent from the date of the BRA to actual load during the delivery year three years later. These adjustments are well in excess of the 2.5 percent holdback.²³ Moreover, a recent study by the Brattle Group (prepared for the Sustainable FERC Project) documented a further impact of PJM's failure to include the effects of existing and planned energy efficiency programs in its forecasting process, providing further evidence of the need to retain the 2.5 percent holdback to avoid over-procurement of capacity and unneeded cost imposition on end-users.²⁴

OPSI members assert that consistent over-forecasting and the ability of customers to implement demand reduction plans when required to maintain system reliability support the retention of the 2.5 percent holdback. Moreover, as measured by PJM's Independent Market Monitor, the additional price effects imposed on end-users from elimination of the holdback

¹⁹ PJM Capacity Performance Updated Proposal at pp. 14, 30-31; Comments of PJMICC, (September 16, 2014)

²⁰ Monitoring Analytics, LLC, Q1-2014 State of the Market Report for PJM at pp. 3 & 14 (May 15, 2014).

²¹ See PJM's Response to the 2013 State of the Market Report, (May 7, 2014), at p. 12

²² See OPSI Resolution # OPSI-201101(adopted May 5, 2011).

²³ Affidavit of James F. Wilson in support of the Protest of the PJM Load Group, Table 2 at p. 25 filed in PJM Interconnection, L.L.C., Docket No. ER14-2940-000 (October 16, 2014).

²⁴ The Brattle Group, Quantifying the Amount and Economic Impacts of Missing Energy Efficiency in PJM's Load Forecast (September 2014). Brattle concluded that PJM overstates load growth by approximately 30% per year as the result of this failing.

would be approximately \$2.4 billion, an increase of about 32 percent in capacity market costs.²⁵ Further, the 2.5 percent holdback is not germane to the reliability and operability issues addressed by PJM in its CP Proposal and therefore, should not be addressed as a part of that plan.

This \$2.4 billion increased cost level would be in addition to an approximate \$1.5 billion increase being sought in PJM's recent Triennial Review filing at the FERC.²⁶ Together, these proposed modifications to RPM could impose an almost \$4 billion additional cost burden upon end-users. Considering those additional investment costs, an increase in PJM capacity costs of between \$3.5 and \$6.7 billion annually could occur during the three delivery-years period from 2016-17 to 2018-19, less any energy cost savings which OPSI views as unproven.²⁷ The potential for such major cost increases imposed on end-users necessitates thorough review, and a full and informative stakeholder proceeding, as requested above.

OPSI Recommendation for PJM Action

For the reasons stated above, the Organization of PJM States, Inc. strongly urges that PJM: (i) pursue near-term solutions to mitigate reliability concerns for the coming winter that can be implemented within the current market definitions; (ii) continue and expand the stakeholder deliberation process on its proposed market design changes with the expectation that any changes approved by that process would be implemented starting with the May 2016 BRA; (iii) fully consider the concerns here expressed by OPSI and its member state regulatory commissions in that further stakeholder process; and (iv) reject proposals to eliminate the 2.5 percent holdback.

Submitted on behalf of the Organization of PJM States, Inc.

s/s Lawrence Brenner

Lawrence Brenner, President
Organization of PJM States, Inc.

cc: OPSI Board of Directors

²⁵ See Monitoring Analytics, Analysis of the 2017/2018 RPM Base Residual Auction at p. 5 (October 6, 2014).

²⁶ See Letter to Honorable Kimberly D. Bose, FERC Secretary, PJM Interconnection L.L.C, Docket No. ER14-2940-000 (September 25, 2014); BRA VRR Curve Simulation Results - <http://www.pjm.com/committees-and-groups/closed-groups/cstf.aspx>.

²⁷ See explanation and source citation at footnote 4 supra.