



Organization of PJM States, Inc. (OPSI)

President: **Hon. Michael T. Richard**, Commissioner, Maryland PSC
Vice President: **Hon. Talina R. Mathews**, Commissioner, Kentucky PSC
Secretary: **Hon. Andrew G. Place**, Commissioner, Pennsylvania PUC
Treasurer: **Hon. Talina R. Mathews**, Commissioner, Kentucky PSC

Members:

*Delaware Public Service Commission • Public Service Commission of District of Columbia • Illinois Commerce Commission
Indiana Utility Regulatory Commission • Kentucky Public Service Commission • Maryland Public Service Commission
Michigan Public Service Commission • New Jersey Board of Public Utilities • North Carolina Utilities Commission
Public Utilities Commission of Ohio • Pennsylvania Public Utility Commission • Tennessee Public Utility Commission • Virginia State Corporation Commission • Public Service Commission of West Virginia*

January 23, 2019

PJM Board of Managers
PJM Interconnection
PO Box 1525
Southeastern, PA 19339-1525

Dear PJM Board of Managers,

OPSI has been monitoring the efforts being led by PJM in its Energy Price Formation Senior Task Force, has reservations regarding the PJM Board's direction in this matter as set forth in its December 5, 2018 letter, and requests reconsideration of the intention to terminate the stakeholder process by January 31, 2019 and direct a FERC filing.¹ PJM has detailed its concerns with current energy and operating reserve pricing mechanisms but has not justified the urgency of resolving these concerns, established the operational and cost effectiveness of its solutions, or adequately evaluated the risks and rewards of its proposed reforms. It seeks to institute new market structures under an unnecessarily rushed timeline, allowing little opportunity for its staff to generate the analyses necessary for stakeholders to fully understand the potential impacts these proposals will have on market sellers and consumers, gauge the reasonableness of the proposals or develop alternatives.

OPSI finds value in the stakeholder process in that it informs our commissions and generally provides the information needed to better understand PJM's operations and how changes thereto may affect ratepayers and PJM market participants in our states. The process often results in compromises, but the final market rules should always be fully informed, and most importantly, result in just and reasonable rates. OPSI recognizes that from time to time, PJM will need to explore changes to improve its markets. However, these changes must be demonstrably fair and necessary, and even then, OPSI supports applying the principles of transparency and gradualism in adopting such changes.

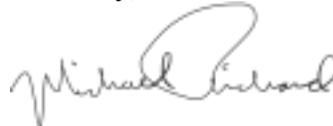
OPSI cannot support duplication between energy/ancillary services markets and the capacity construct that would result in ratepayers paying twice for the same product or service, even in transition to a new market design. And this includes all phases of transition. Such an outcome is not just and reasonable. Nor can we support insufficiently supported non-market and administratively determined market design elements that do not reflect value to ratepayers in terms of operating reserve quantity risks they may face. PJM must provide detailed analyses to support its proposals and be thoroughly transparent with its data

¹ This letter was approved by the OPSI Board of Directors on January 23, 2019

and simulations to allow independent verification and validation and proper evaluation of proposed market changes.

PJM's currently proposed changes to the energy and operating reserve markets will increase costs to rate-payers. PJM has not shown increases at these levels to be necessary or that they will be implemented in a manner that will maintain just and reasonable rates. The drive by PJM to adopt these immediate and costly changes, without sufficient justification, does not provide an opportunity for states and stakeholders to engage in productive dialog to attain a thorough and meaningful understanding of proposed reforms and optimal solutions. Accordingly, OPSI requests the PJM Board to extend its January 31, 2019 deadline terminating the stakeholder process and its intention for PJM to make an immediate FERC filing. Such accommodation by the PJM Board would allow for the appropriate analyses and discussion of these issues, which will greatly improve the likelihood of PJM and its stakeholders developing a proposal that is just, reasonable, and not unduly discriminatory.

Sincerely,

A handwritten signature in cursive script, appearing to read "Michael Richard".

Michael Richard
OPSI President