



Organization of PJM States, Inc. (OPSI)

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January 8, 2021

Via Electronic Delivery Only

The PJM Board of Managers
c/o Dr. Ake Almgren, Chairman
c/o Mr. Manu Asthana, PJM President and CEO
PJM Interconnection, L.L.C.
2750 Monroe Boulevard
Audubon, Pennsylvania 19408

Dear Dr. Almgren and Mr. Asthana,

OPSI is encouraged by the outreach from PJM management about the future of resource adequacy in the PJM region, and commends PJM's recognition that today's market design is not sustainable. As Mr. Asthana said about the amount of clean energy in the PJM queue, "[t]his is not some distant theoretical change that we're talking about. This change is here now."¹ OPSI looks forward to working cooperatively with PJM to improve PJM's market design to better align with state policies and retain robust market competition.

While OPSI understands the need for PJM to move forward with base residual auctions, we also look forward to an urgent and constructive dialog with PJM about immediate concerns² as well as "what's next" for resource adequacy across the PJM footprint. OPSI recommends four core principles to guide discussion about the evolution of market design in the PJM region, including:

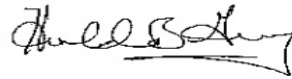
¹ *Pritzker Commits to Working with PJM on Climate Goals*, RTO Insider, Sep. 15, 2020, at 22 ("[President and CEO of PJM, Manu] Asthana said PJM stakeholders have said they are open to starting a conversation about [] long-term solutions to resource adequacy challenges. He pointed out that of the 107,000 MW of generation currently in PJM's interconnection queue, about 86% is either solar, wind, or batteries. 'This is not some distant theoretical change that we're talking about,' Asthana said. 'This change is here now.'").

² OPSI's immediate concerns include: (i) the double capacity procurement driven by MOPR; (ii) the over-procurement of capacity caused by the demand curve; and (iii) load forecasting issues that are generally agreed to undermine RPM's effectiveness.

1. State procurements or competitive solicitations,³ policy choices, emissions levels, or clean energy requirements must be respected and accommodated, rather than over-ridden or made infeasible by PJM market rules.
2. States should have the option of specifying the clean energy, emission levels, or other content of their own resource mix, in whole or in part, which the PJM market would then account for or procure on a competitive, least-cost basis, consistent with reliability.
3. Because states retain primary authority for resource adequacy under the Federal Power Act, any re-imagined resource adequacy solution must continue to allow states the option of meeting resource adequacy through a mechanism independently, similar to the current Fixed Resource Requirement.
4. Effective and appropriate market power mitigation is imperative for a properly functioning market design, and for PJM-administered markets generally.

These principles are critical to the long-term success of the PJM market and should form the cornerstones of a concentrated effort to recast the future of resource adequacy in PJM. OPSI recognizes and appreciates PJM harmonizing its rules with state requirements and OPSI believes cooperation from the PJM Board and Management in adopting and following these broad principles will result in more efficient achievement of PJM's mission and state policy goals.⁴

Sincerely,



Harold B. Gray, President
Organization of PJM States, Inc.

³ For example, state default auctions, REC markets, offshore wind solicitation proceedings, etc.

⁴ This letter was adopted on December 17, 2020 by the OPSI Board of Directors. States in support: Delaware PSC; PSC of District of Columbia; Indiana URC; Kentucky PSC; Maryland PSC; Michigan PSC; New Jersey BPU; North Carolina UC; PUC of Ohio; Pennsylvania PUC; Tennessee PUC; Virginia SCC; PSC of West Virginia. Nay: Illinois CC.