



Organization of PJM States, Inc. (OPSI)

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OPSI Competitive Policy Achievement Staff Working Group Guiding Principles¹

This year represents a critical turning point for PJM’s capacity market – a \$4 billion dollar market with significant impact on the type of generation that is built and retired in the nation’s largest RTO. Throughout PJM, customer demand for renewable generation is growing, demonstrated by state RPS policies and corporate sustainability goals. The PJM Board has instructed PJM management and stakeholders to consider clean capacity/energy auctions as an option to allow for procurement of clean resources. The OPSI Board has further requested PJM prioritize “consideration of the interaction of the capacity market with State clean energy procurement practices, including allowing States, on a voluntary basis, to meet their policy objectives through the PJM markets.”² PJM is launching its “Phase 2” stakeholder workshops in late summer and fall 2021 to explore additional changes the RTO might adopt in its market structures and regulations.³ The OPSI Board seeks to explore options to further the goal of enabling procurement of resources in line with state policy goals. We direct OPSI Staff to convene a working group to advance a coherent reform proposal. The group’s discussions will be targeted towards developing a sustainable solution option that can be submitted into the PJM Phase 2 capacity market workshops. We recognize that discussions are more likely to achieve a consensus-based solution if there is broad participation. We therefore propose the Staff working group conduct discussions with additional interested PJM Members, including but not limited to clean energy and consumer advocates, public power interests, generation owners, industrial energy users and clean energy buyers, with support from RMI and Dr. Kathleen Spees.⁴ Substantive reforms are more likely to be successful if diverse stakeholders communicate their priorities with the goal of a strong, aligned voice where possible.

Objectives of the working group:

- Develop a proposal for a potential voluntary, market-based procurement option that enables states and willing buyers to access competitive energy resources in line with their policy goals.
- Communicate to PJM about implementation of such procurement option.
- Continue constructive engagement between OPSI Board and staff, PJM Staff, and stakeholders.

Characteristics of the working group:

- A belief that the PJM capacity market must be robust, competitive, and achieve the energy policy needs of the region, while maintaining reliability and minimizing cost.

¹ Approved unanimously by OPSI’s Board of Directors on October 20, 2021.

² OPSI Board September 8, 2021 letter at 1.

³ Capacity Market Reform: Phase 2, PJM, Capacity Market Workshop #7 (August 12, 2021).

⁴ See Attachment A for Terms of RMI and Dr. Spees’ engagement with OPSI.

- Interest in engaging as part of an active stakeholder coalition in the upcoming PJM Phase 2 discussions.
- Commitment to working towards a sustainable solution to share with PJM where possible.

Proposed process:

- Weekly meetings of the working group will be conducted by OPSI staff, with facilitation and expert assistance from RMI and Dr. Spees.
 - Certain working group meetings will be open to stakeholders invited by OPSI staff for the discussion.
 - The OPSI staff working group may also elect to open select meetings to the public.
- The working group would hold conversations to coincide with PJM's Phase 2 discussions expected to launch this fall.
- The working group would seek to identify market design principles or proposals for recommendation to the OPSI Board for consideration.
- The OPSI Board will have regular updates from the OPSI staff at Board meetings or other additional special meetings where appropriate.

Attachment A

Terms of Expert Engagement with OPSI Voluntary Competitive Clean Staff Working Group

October 20, 2021

This document is intended to define an organizational structure to facilitate communication, analysis and, when appropriate, cooperative action among the Organization of PJM States, Inc. (“OPSI”) and the Rocky Mountain Institute (“RMI”), with analytical support from Dr. Kathleen Spees, as set out below.

On January 14, 2021, the OPSI Board voted to approve a letter on resource adequacy, seeking to further explore the future for resource adequacy across the PJM footprint, and setting out certain principles to guide discussion for this evolution of PJM’s capacity market design. On September 8, 2021, the OPSI Board further voted to approve a second letter on resource adequacy, requesting that PJM prioritize “consideration of the interaction of the capacity market with State clean energy procurement practices, including allowing States, on a voluntary basis, to meet their policy objectives through the PJM markets,” and providing recommendations on associated stakeholder processes.

PJM Stakeholders are currently exploring additional changes to the regional capacity market through a series of meetings known as “Phase 2,” including evaluating options for “procurement of forward clean energy and/or capacity as an option to allow states and customers to procure the desired level of clean resources.”⁵ To further these goals, on October 20, 2021, the OPSI Board directed Staff to create a Working Group to explore potential options and advance a coherent reform proposal for submission into the PJM Phase 2 workshops, with support from a diverse set of PJM stakeholders.

OPSI Staff has identified subject matter and facilitation expertise that will be necessary to assist Staff to achieve the goals of the Working Group, and this document sets out the terms and confidentiality provisions between OPSI, RMI, and Dr. Spees in pursuit of the OPSI Board’s goal. By attending the Working Group, RMI and Dr. Spees agree to the terms and confidentiality provisions outlined herein.

RMI’s Clean Competitive Grids initiative will develop or provide educational materials or resources for group review, offer facilitation support, and provide insights, as requested by OPSI Staff. RMI will support the effort with funding from existing RMI resources, without funding from any individual PJM stakeholder for the duration of the working group. Dr. Kathleen Spees will offer market design support to OPSI and participating states, as the group identifies and evaluates potential options and alternatives, and as requested by OPSI Staff. Dr. Spees will support the effort on a volunteer basis for the duration of the working group. RMI and Dr. Spees agree to keep State discussions confidential and privileged. Any requests for use of information developed for the purposes of sharing with the Working Group should be made to OPSI’s Executive Director, who will consult with OPSI or any seek permission from the relevant State, as appropriate. No OPSI discussions should be shared without such express permission from the OPSI Executive Director, after consultation with the relevant State or OPSI. Materials prepared by RMI or Dr. Spees for other purposes, and shared with OPSI, are not subject to these confidentiality provisions.

⁵ See Capacity Market Reform: Phase 2, PJM, Capacity Market Workshop #9 (September 28, 2021), at 7.