

**UNITED STATES OF AMERICA  
BEFORE THE  
FEDERAL ENERGY REGULATORY COMMISSION**

Periodic Review of Variable Resource )  
Requirement Curve Shape and Key Parameters )

Docket No. ER22-2984-000

**COMMENTS OF THE  
ORGANIZATION OF PJM STATES, INC.**

Pursuant to Rule 212 of the Federal Energy Regulatory Commission’s (“FERC” or “Commission”) Rules of Practice and Procedure, 18 C.F.R. § 385.212, the Organization of PJM States, Inc. (“OPSI”),<sup>1</sup> respectfully submits the following comments and attached letter.

**I. COMMENTS**

On September 30, 2022, PJM filed revisions to its Variable Resource Requirement Curve as part of its Quadrennial Review of this curve and associated parameters.<sup>2</sup> OPSI has attached a letter it sent to the PJM Board of Managers on the afternoon of September 2, 2022.<sup>3</sup> That same afternoon, PJM’s Board of Managers authorized PJM to file the proposal now before the Commission. PJM’s Board of Managers did not have time to consider OPSI’s letter before it authorized PJM to file its proposal in this docket, but PJM’s Board of Managers did respond to OPSI a few weeks later.<sup>4</sup> The attached letter provides the Commission with OPSI’s perspective on the issues in this docket.

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<sup>1</sup> The following OPSI members generally support this filing: the Delaware Public Service Commission, Public Service Commission of the 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, Pennsylvania Public Utility Commission, Tennessee Public Utility Commission, Virginia State Corporation Commission, and Public Service Commission of West Virginia. The Public Utilities Commission of Ohio abstained in the vote on this filing.

<sup>2</sup> *PJM Interconnection, L.L.C.*, “Periodic Review of Variable Resource Requirement Curve Shape and Key Parameters”, Docket No. ER22-2984 (September 30, 2022).

<sup>3</sup> OPSI, Letter to PJM Board of Managers, (September 2, 2022). See Attachment A.

<sup>4</sup> PJM Board of Managers, Letter to OPSI President Mitchell (September 22, 2022) available at: <https://www.pjm.com/-/media/about-pjm/who-we-are/public-disclosures/20220922-pjm-board-response-to-opsi-letter-re-quadrennial-review.ashx>.

## II. CONCLUSION

OPSI appreciates the opportunity to share its perspective on the issues contained in PJM's filing.

Respectfully Submitted,

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Dated: October 21, 2022

**CERTIFICATE OF SERVICE**

I hereby certify that the foregoing has been served in accordance with 18 C.F.R. Section 385.2010 upon each person designated on the official service list compiled by the Secretary in this proceeding.

/s/ Gregory V. Carmean

Gregory V. Carmean  
Executive Director  
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700 Barksdale Road, Suite 1  
Newark, DE 19711  
Tel: 302-266-0914

Dated at Newark, Delaware this October 21, 2022.

## ATTACHMENT A

1. OPSI, Letter to the PJM Board of Managers (September 2, 2022).



## Organization of PJM States, Inc. (OPSI)

President: **Hon. Charlotte A. Mitchell**, Chair, *North Carolina UC*  
Vice President: **Vacant**  
Secretary: **Hon. Kent A. Chandler**, *Chairman, Kentucky PSC*  
Treasurer: **Hon. Michael T. Richard**, *Commissioner, Maryland 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.*

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September 2, 2022

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

Dear Mr. Takahashi and Mr. Asthana:

On August 24, 2022, the PJM stakeholders voted on four different capacity auction parameters packages as part of the Quadrennial Review. OPSI would like to commend PJM for the extensive process used to develop those packages, which included ample opportunity to review and question the independent consultant recommendations and additional meetings to allow stakeholders to review the proposed packages. With customers experiencing the largest increase in load-weighted average energy prices for the first six months of a year since the creation of PJM markets in 1999,<sup>1</sup> it is important that the Quadrennial Review elements work to maintain reliability at the most economic cost to ratepayers. OPSI has previously expressed concerns with the Reliability Pricing Model's ("RPM") chronic over-procurement of capacity resulting from the shape of the VRR curve and load forecasting issues.<sup>2</sup> Accordingly, OPSI<sup>3</sup> generally supports Package B as it begins to address these over-procurement concerns better than the other packages. However, in OPSI's opinion more remains to be done.

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<sup>1</sup> Marketing Analytics, Q2 2022 State of the Market Report for PJM at p. 1 (August 11, 2022).

<sup>2</sup> OPSI, Letter to the PJM Board of Managers at fn. 2 (January 8, 2021) ("[T]he over-procurement of capacity caused by the demand curve [and] load forecasting issues that are generally agreed to undermine RPM's effectiveness.") *available at*: Resource-Adequacy-Letter-dated-1.8.21. <https://opsi.us/wp-content/uploads/2021/01/Resource-Adequacy-Letter-dated-1.8.21.pdf>.

<sup>3</sup> These comments are supported by the following states: 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, Pennsylvania Utility Commission, Virginia State Corporation Commission, Public Service Commission of West Virginia. Abstain: Public Utilities Commission of Ohio.

With respect to the reference technology, shape of the VRR curve and energy and ancillary service (“E&AS”) offset, OPSI supports the choice of a combined cycle (“CC”) plant as the reference technology as it is the least cost resource that can be built quickly and relative to a combustion turbine, is currently the resource of choice in PJM. Using a combined cycle plant as the reference technology will also result in a shift of the VRR curve to the left due to the lower cost of a CC but does not fully address our concerns with the shape and location of the VRR curve.

The slope of the VRR curve is a key factor in the amount of capacity procured in the Base Residual Auctions. The current VRR curve has a relatively shallow slope that results in the procurement of excess capacity beyond the installed reserve margin. Procuring additional reliability at an affordable price is appealing, but in practice, ratepayers are paying substantial amounts of money for levels of capacity that far exceed the target reserve margin. Shifting the foot of the VRR curve to the left creates a steeper lower portion of the VRR curve that will help reduce the procurement of excess “insurance capacity.” These costs are not insignificant - PJM consumers most likely pay billions of dollars annually for additional capacity. Accordingly, with respect to the shape of the VRR curve, OPSI would urge the adoption of this aspect of Package B.

OPSI agrees with PJM that a forward-looking E&AS offset will better reflect commercial expectations from changes in market design and forward revenues.

OPSI commends PJM and its staff for their effort to allow stakeholder input into the Quadrennial Review process. Adoption of the parameters discussed above will be a good first step in addressing RPM’s chronic over-procurement while allowing PJM to maintain reliability at the most economic cost to ratepayers.

Sincerely,

A handwritten signature in blue ink, appearing to read "C. Mitchell".

Charlotte A. Mitchell, President  
Organization of PJM States, Inc.