



Organization of PJM States, Inc. (OPSI)

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June 16, 2023

via e-mail

To Rebecca Carroll
Senior Director – Market Design
PJM Interconnection L.L.C.
2750 Monroe Boulevard
Audubon, Pennsylvania 19408

Dear Ms. Carroll,

The Organization of PJM States, Inc. (OPSI),¹ appreciates that the PJM Board has directed PJM staff to present a circuit breaker proposal for the Board's consideration. OPSI continues to believe that the PJM region urgently needs a circuit breaker to address potential emergency conditions that, by their nature, are not correctable by market forces.

OPSI has previously written to the PJM Board expressing concern that PJM's previous circuit breaker proposal was not fully satisfactory because it would "allow PJM markets to collect \$6 billion in daily energy market revenues without commensurate benefits."²

Market conditions that trigger a circuit breaker should be rare and clearly defined, only triggering the circuit breaker when market signals break down. OPSI has previously written that a basic component of a circuit breaker should provide that "[w]here prices continue to serve the purposes for which they were designed, PJM should abide by market principles since high prices alone do not indicate a breakdown in market function."³ However, PJM's current proposal would require PJM to wait 48 hours before even *considering* triggering a circuit breaker. This is too long. It is OPSI's understanding that PJM will know if the market is malfunctioning long before 48 hours have passed.

OPSI has previously written that "[s]uch market conditions would likely lead to market participant, retail customer, and municipal bankruptcies, high market-risk premiums, and rapid loss of investor confidence in PJM markets." OPSI was also concerned "that a point arises at which these high prices will (i) be unable to incent beneficial market behavior and therefore (ii) become unjust and unreasonable."

¹ This letter was approved unanimously by the OPSI Board.

² OPSI, Letter to PJM Board of Managers (Nov. 11, 2022) available at: [OPSI-Circuit-Breaker-Letter-to-PJM-2022-11-10.pdf](#).

³ *Id.*

OPSI has the same concerns with respect to PJM's current proposal. PJM's proposal could subject customers to extreme, unjust, and unreasonable energy prices for up to two full days before PJM Staff even has the opportunity to initiate a circuit breaker. Providing PJM with discretion to invoke a circuit breaker earlier would improve this proposal. Further, PJM should provide additional clarification regarding and perhaps examples of the minimum level of continuous, region-wide load shed and voltage reductions that would be needed to trigger a circuit breaker.

Other potential weaknesses of the current proposal include:

1. The requirement for twenty-four or more hours of contiguous trigger conditions may not capture events where all but one or two hours in a day fail to contain the triggering conditions.
2. The requirement for RTO-wide triggering conditions fails to address other events that may cause significant damage to transmission and/or generation infrastructure that does not extend to the whole region, and which higher pricing will not remedy.
3. The PJM staff proposal does not adequately address the lower price cap requirements for an extended event that may take weeks or even months to repair.

OPSI appreciates the PJM Board's recognition of the real potential for catastrophic economic consequences if PJM does not have a circuit breaker in place to invoke. The revisions OPSI has proposed, combined with PJM staff development of solutions to the identified weakness, would improve the current proposal.

Sincerely,

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

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