

October 25, 2024

Mr. Mark Takahashi
Chair, PJM Board of Managers

Mr. Manu Asthana
President & CEO

PJM Interconnection, LLC
2750 Monroe Boulevard
Audubon, Pennsylvania 19403

Dear Mr. Takahashi and Mr. Asthana:

The undersigned states represent approximately half of the load served by PJM Interconnection. Our states have energy and economic development goals that require an electric grid that is ready to affordably meet the challenges of the modern economy. As we noted in our June 12, 2024 letter, we stand ready to collaborate with PJM to meet FERC's compliance deadline and to ensure proper investment in our grid.

The record-high clearing prices in the PJM's capacity market for the 2025/2026 delivery year only underscore the need for PJM to plan the grid to accelerate the connection of clean energy resources and allow them to compete in PJM's markets. Further, accelerating new entry of generation is critical to minimizing the affordability crisis for our customers caused by the last Base Residual Auction.

FERC Order No. 1920 envisions a clear collaboration between the grid operator and state policymakers to identify long-range planning scenarios that incorporate state policy priorities. In that spirit, the undersigned states urge PJM to embrace the opportunity offered by Order 1920 without delay, and specifically to:

- **Ensure that all scenarios analyzed by PJM incorporate the full suite of state energy policies, as required by Order No. 1920.** PJM should oppose development of scenarios that do not incorporate existing state laws and regulations, which could otherwise waste scarce PJM planning resources. Selected scenarios should also minimize the risk of the PJM grid not being prepared to meet state energy policy goals.

- **Adopt a clear threshold for selection of transmission projects that meet a stated benefit-to-cost ratio.** Order No. 1920 does not require selection of a particular transmission project, no matter how cost-effective. However, nothing prevents PJM from proposing such a threshold on compliance and we urge PJM adopt a benefit-cost threshold ratio above which PJM will recommend construction of the project. Further, we request that PJM include a transparent process to allow entities to voluntarily contribute to bringing projects above the benefit-to-cost ratio that would trigger selection of a project.
- **Allow states to request inclusion of specific public policy transmission needs for inclusion in a planning scenario,** using a process similar to the existing State Agreement Approach. Any specific transmission facilities needed to meet that public policy need would then be subject to the applicable cost allocation method developed under Order No. 1920.
- **Ensure that PJM's short-term transmission planning process has a clear mechanism for considering more efficient transmission solutions identified as part of the long-term planning process.** Otherwise, the short-term process may identify less efficient solutions without the opportunity to “right-size” those facilities or identify more comprehensive transmission solutions that could save consumers billions.¹
- **Ensure that PJM's scenario and benefits analysis expressly include consideration of Advanced Transmission Technologies,** regardless of whether they are installed by utilities or third-party sponsors. Many of our state policies view innovative transmission technologies as critical to affordably meeting the challenge of the clean energy transition and we are committed to ensuring that business model considerations do not get in the way of identifying affordable and reliable uses for new transmission technologies.
- While Order No. 1920 is primarily about regional transmission planning, **PJM should include interregional planning opportunities (including potential to intertie regions or allow for future interregional expansion) as a benefit.** We request that PJM should work with its neighboring regions to ensure that benefit metrics are calculated in a consistent fashion across regional market boundaries, both under normal and extreme weather conditions.

¹ For example, if the long-term process finds that a double circuit tower represents the most efficient solution across multiple scenarios, the short-term planning process should not recommend construction of a single-circuit tower.

- **Ensure that the resource adequacy benefits of interregional interties are fully recognized in benefits calculations**, which is of immediate concern because of the tightening supply-demand conditions across the PJM footprint.

State and regional decisionmakers each play a critical role in ensuring that our residents have access to affordable and reliable power. Our states applaud PJM's efforts to educate stakeholders on Order No. 1920 and have benefited from the educational sessions provided by PJM's dedicated staff. We fully support PJM's efforts to meet FERC's 1920 compliance deadlines without requests for extension and PJM's commitment to build on the minimum requirements of Order 1920. We look forward to working to the greatest extent possible with PJM management, staff, and stakeholders in shaping regional transmission planning and cost allocation approaches.

Sincerely,

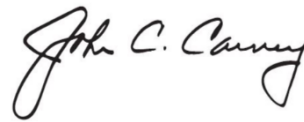
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