

Public Interest Organization Feedback regarding Reliability Resource Initiative

PJM Interconnection, L.L.C.

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Thank you for the opportunity to provide feedback on the Reliability Resource Initiative (RRI). The undersigned Public Interest Organizations (PIOs) wish to express that, absent the following reforms, the RRI is unjust and unreasonable as it retroactively changes the terms for projects that have been waiting years in the interconnection queue, and is unduly discriminatory against certain technologies. Worse yet, the lack of very firm in-service commitments means that RRI cannot be counted on to solve the resource adequacy issues that might justify a proposal that, even with the suggested changes, will be at the edge of reasonableness.

The RRI must be designed to preserve open access principles and, crucially, to address the resource adequacy threats due to load growth, retirements, and a severely backlogged interconnection queue while allowing the energy transition to proceed. The current proposal does not achieve any of these goals.

As have many other stakeholders, including OPSI,¹ and individual states, the PIOs also urge PJM to pursue holistic reforms to Surplus Interconnection Service (Surplus). A functional surplus process has the potential to address near-term resource adequacy challenges, adding up to 8 GW of accredited capacity by 2028,² while maintaining open access and efficiently utilizing the transmission system. We are encouraged by PJM's proposed solution to surplus but additional reforms are necessary to fully harness the benefits of surplus interconnection. These additional reforms are detailed in the presentation given to the Members Committee by RMI, Gabel Associates, and Miles Farmer PLCC on November 21³ and in a feedback letter submitted by RMI. Additionally, PJM must reform battery storage modeling in all interconnection processes to capture the flexibility and real-life behavior of battery storage resources, as is required by Order No. 2023.⁴

Beyond surplus reforms, we also urge PJM to work with urgency towards a seamless, same-day generator replacement process. While PJM and stakeholders have taken strides with the reformed Capacity Interconnection Right (CIR) transfer process, PJM must continue to progress toward a generator replacement process that minimizes down-time between deactivation and replacement and harnesses efficiencies at existing points of interconnection. Even with the new CIR transfer process, there could be multi-year delays between retirement and replacement, resulting in avoidable Reliability Must-Run agreements or transmission upgrades and forcing hundreds of MW of transmission capacity to sit idle.

¹ Organization of PJM States, Inc., "OPSI Letter Re: Proposed Reliability Resource Initiative," November 21, 2024. <https://www.pjm.com/-/media/about-pjm/who-we-are/public-disclosures/2024/20241121-opsi-letter-re-proposed-reliability-resource-initiative.ashx>

² Michael Borgatti, Sarah Yasutake, "ReSISting a Resource Shortfall: Fixing PJM's Surplus Interconnection Service (SIS) to Enable Battery Storage," *Gabel Associates, Inc.*, September 17, 2024. <https://acore.org/wp-content/uploads/2024/09/Report-ReSISting-a-Resource-Shortfall-Fixing-PJMs-Surplus-Interconnection-Service-SIS-to-Enable-Battery-Storage.pdf>

³ Sarah Toth Kotwis, PhD, Miles Farmer, Sarah Yasutake, "Surplus Interconnection Service: The Scale of the Opportunity and the Needed Reforms," *RMI, Gabel Associates, and Miles Farmer PLCC*, PJM Members Committee, November 21, 2024. <https://www.pjm.com/-/media/committees-groups/committees/mc/2024/20241121/20241121-item-04b---6-surplus-interconnection-service---presentation.ashx>

⁴ *Order No. 2023, Improvements to Generator Interconnection Procedures and Agreements*, 184 FERC ¶ 61,054 (2023).

Analysis prepared by Astrape Consulting found that battery storage reusing the interconnection capacity of fossil generators retiring under Illinois' CEJA can both maintain resource adequacy and minimize transmission upgrades.⁵ More generally, retirements are one of the drivers of PJM's resource adequacy challenges, and PJM needs a process that inherently scales to address retirements. A seamless generator replacement process would help achieve this, allowing states to meet their clean energy laws and retirements to proceed economically without causing resource adequacy crises.

The RRI must meet the following criteria:

1. Projects currently in the queue must not be harmed.

As the RRI is currently designed, up to 50 selected projects will be added to Transition Cycle 2 (TC2), an existing cluster with 96 GW of resources (26.3 GW UCAP).⁶ The insertion of an unknown amount of capacity into TC2 could cause harm to projects in TC2 and Cycle 1, the cycle following TC2, by increasing network upgrade and study costs, as explained by American Clean Power and associated organizations in a letter to the PJM Board.⁷ In addition to network upgrade and study cost increases, Cycle 1 might face timeline delays. Both increased costs and timeline delays could increase the risk of attrition, restudies, and the delayed addition of much-needed new capacity.

Any increase in costs for projects currently in Transition Cycle 2 (TC2) must be fully allocated to RRI projects. We endorse the concept that other stakeholders have suggested that PJM run two parallel study processes for the purposes of cost allocation between RRI projects and TC2 projects.

We support the proposal that projects currently in Cycle 1 are eligible for the RRI. However, projects in Cycle 1 must be prioritized for consideration for the RRI over new applicants. Cycle 1 contains over 18 GW of accredited capacity and thousands of projects that have been waiting in the queue for up to 3 years, and thus should be prioritized over new applications if they meet eligibility criteria. Cycle 1 projects also may be ready to provide capacity by the late 2020s and early 2030s with increased certainty compared to new applicants. Finally, projects that remain in Cycle 1 and beyond must not be delayed or face any adverse consequences due to the addition of RRI projects ahead of Cycle 1.

2. "In-Service Date Viability" criteria must be stronger and consider state input, and firm in-service requirements must be added.

PJM has stated that the reason for the RRI, a one-time extraordinary process, is an extraordinary resource adequacy threat. The proposed tariff language will not solve this resource adequacy threat because 1) the "In-Service Date Viability" (Viability) criteria is not adequate to determine if an applicant will reasonably be online, creating the risk that projects will be selected for RRI which cannot meet target deadlines, and 2) there is no requirement that projects will be in-service by the date that PJM expects to see resource adequacy issues, or consequences if they fail to do so. As proposed, RRI allows exactly the kind of

⁵ Kevin Carden, Chase Winkler, "Illinois Deactivations: Maintaining Reliability with Energy Storage," *Astrape Consulting*, August 2024. https://www.astrape.com/wp-content/uploads/2024/08/NRDC_2024_Illinois-Deactivations_Maintaining-Reliability-with-Energy-Storage.pdf

⁶ PJM, "Reliability Resource Initiative MRC Update," Markets and Reliability Committee, November 7, 2024, p. 7. <https://www.pjm.com/-/media/committees-groups/committees/mrc/2024/20241107-special/item-04---reliability-resource-initiative--presentation.ashx>

⁷ American Clean Power, Advanced Energy United, MACREC Action, SEIA, "PJM Board Letter Re: Reliability Resource Initiative," November 22, 2024. <https://www.pjm.com/-/media/about-pjm/who-we-are/public-disclosures/2024/20241122-american-clean-power-et-al-letter-re-proposed-reliability-resource-initiative.ashx>

speculative applications PJM has frequently cited as problematic. Worse, absent financially binding commitments, RRI allows participants to claim but not use scarce transmission headroom and so delay their competitors' projects.

Projects granted the privilege of participating in RRI must make a commitment of similar gravity to an RPM obligation to enter service on schedule. PJM claims that RRI exists to serve a resource adequacy need. It only follows that RRI commitments must be at least as firm as any other resource adequacy commitment; indeed, given RRI resources' favored treatment in the form of accelerated processing, increased access to transmission headroom ahead of other queued resources, and earlier in-service dates, it would be appropriate to put RRI resources under stricter obligations than routine capacity resources. We propose the following reforms to ensure that PJM's proposed solution matches the stated problem.

1. RRI must include a capacity must-offer requirement *as soon as the resource is eligible to offer as a Planned Capacity Resource*, but no later than for the 2029/2030 Delivery Year. In other words, RRI projects that opt to remain in TC2 at Decision Point 1 are also taking on a binding capacity must-offer commitment beginning with the next Base Residual Auction (BRA), with the associated credit requirements and deficiency penalty risk. Applicants that commit to participate in the Reliability Pricing Model (RPM) prior to the 2029/2030 Delivery Year could be prioritized and receive higher points, but resources that are not able to deliver capacity for the 2029/2030 Delivery Year must not be eligible for RRI. This capacity obligation should not be avoidable and must be treated as a gating criterion. RRI projects that proceed past Decision Point 1 must supply capacity (possibly through replacement transactions) or face deficiency penalties.
2. The "In-Service Date Viability" criteria should be the heaviest-weighted section of the eligibility formula. It is currently worth 35 points out of 100 maximum points, only 35% of an applicant's total score, while "Market Impact Criteria" receives 65 points and 65% of an applicant's total score. We suggest that these points are swapped, so that "In-Service Data Viability" is worth 65 points and "Market Impact Criteria" is worth 35 points. Additionally, the fact that PJM's scoring mechanism offers 125 total points, and applicants can achieve up to 100 points, means that applicants could score very low on important criteria, including the "Critical Path Construction Schedule," and then "make up" these points elsewhere and still be selected. The relative weighting of certain sections without justification introduces a level of subjectivity that may disproportionately impact the selected projects. Applicants should be prioritized primarily by their ability to come online and deliver capacity. The size and capacity of a project is irrelevant to address resource adequacy needs if such resources cannot deliver this capacity when PJM needs it in the late 2020s and by no later than the 2029/2030 Delivery Year. The RRI should resemble a "first-ready, first-served" process as much as possible.
3. The viability criteria must consider state input. States have visibility into many of the criteria listed in the "Critical Path Construction Schedule" (Schedule) section of the draft tariff language, especially state permitting and site readiness, as explained in a recent letter from Governor Josh Shapiro on November 20. PJM must offer states a formal process to provide input and verify applicants' schedules and viability.
4. As proposed, RRI incentivizes participants to submit unrealistic and overly ambitious schedules to increase their viability points and be selected, and then negotiate to increase their timelines as part of the Generator Interconnection Agreement (GIA) process. Requiring an RPM commitment at Decision Point 1 encourages accurate, conservative schedules. In addition to penalties for deviations from the GIA, applicants' proffered schedules must flow directly into the GIAs with minimal modifications once they have been selected for the RRI.

To summarize, project viability should be a gating criterion, and applicants must have a must-offer obligation for the 2029/2030 Delivery Year. Project viability should be the most heavily weighted criteria. Applicants' project development schedules should be 1) well supported by state confirmation and documentary evidence and 2) flow directly into the GIA with minimal modifications.

3. The ELCC criteria must be removed.

The "Market Impact Criteria" section of the RRI selection formula considers Unforced Capacity (UCAP) for 35 points, Effective Load Carrying Capacity (ELCC) for 20 points, and Location for 10 points, bringing the total amount of points for this section to 65 – far greater than any other section, and equivalent to 65% of an applicant's total score.

First, we propose that PJM reduce the total points of this criteria to 35, as explained in the previous section. We suggest that PJM allocate 20 points for Unforced Capacity and 15 points for Location. This weighting will ensure that applicants are meaningfully prioritized if they are located within a constrained zone, while still valuing projects that can provide capacity.

Second, we propose that PJM strike proposed section 306.4.a.ii ("ELCC (maximum of 20 points)") in Part VII, Subpart C of the Tariff. The Unforced Capacity (UCAP) criteria already considers the impact of ELCC, because ELCC is an input to a project's UCAP value. Adding an additional ELCC section will double-count ELCC without meaningfully distinguishing a project's ability to provide adequate capacity. ELCC on its own has no bearing on a project's ability to address resource adequacy concerns. The resource adequacy value of a project is fully captured by its UCAP, leaving redundant application of ELCC as little more than undue discrimination. PJM must eliminate the standalone ELCC criteria.

4. The number of projects selected must be based on a defined need, not arbitrarily "50 projects."

The current RRI proposal will select up to 50 projects to participate. Instead of capping the RRI at an arbitrary number of projects that will deliver an unknown amount of capacity on an unknown timeline, PJM should instead base its RRI cap on a defined resource adequacy need. For example, if PJM identifies a 5 GW shortfall in 2030 (after assuming completion rates of TC2 projects and robust utilization of PJM's improved surplus interconnection service and generator replacement processes), then it could seek to advance 6-7 GW of projects through RRI.

Additionally, PJM proposes to only use the evaluation criteria if there are more than 50 projects, meaning that if fewer than 50 projects seek RRI status. This means that projects with very low viability could proceed if fewer than 50 apply. To address this, we suggest PJM establish a minimum viability threshold of a must-offer requirement for no later than the 2029/2030 Delivery Year for projects to qualify for RRI treatment, ensuring a baseline standard for consideration.

In conclusion, the undersigned PIOs request that PJM make these changes to the RRI to preserve open access, maintain resource neutrality, and ensure any resources selected are viable and able to deliver capacity to address resource adequacy issues. The above changes are necessary to ensure any proposal to create a queue bypass to address capacity shortfalls is not unduly discriminatory and actually addresses the problem it purports to solve. Absent these reforms, the undersigned PIOs believe the RRI is unjust and unreasonable.

Sincerely,

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