

Thank you for the opportunity to provide comments regarding PJM's action plans related to the proposed Reliability Resource Initiative and potential capacity Sec. 205 filing. We also offer commentary on Surplus Interconnection Service since it has been included in RRI discussions, although it does not appear to be a formal component of the filed RRI.

PJM has painted itself into a reliability corner due to the confluence of slow queue administration, anemic market prices, the retirement of substantial generation, and explosive load growth. Consequently, PJM is resorting to discriminatory and out-of-market measures in an attempt to corral megawatts for the end of this decade. While we acknowledge that maintaining reliability is paramount, the proposed solutions to the potential future resource adequacy shortcomings generally do not instill confidence in the investment decisions we have already made in the region and will chill appetite for future investment. We recognize that PJM has a number of competing interests and stakeholders to satisfy. To that end, despite our misgivings about the direction of several of these policy positions, we have attempted to be constructive (or, at least, not obstructive) in our advocacy to date and in the remarks that follow.

Capacity 205

Generally, we are troubled by PJM's strategy to delay the auctions for the purpose of instituting the proposed suite of proposed tariff revisions. With the exception of the reversion to the prior Reference Resource, the revisions add risk to existing resources, artificially decrease capacity costs despite the "emergency" conditions that underpin the RRI, and de-commoditize the capacity product. We recommend that you file the proposed changes to the Reference Technology and non-performance charge rates. Conversely, we urge you to scrap the RMR and must-offer components.

Renewable Must-Offer

We strongly oppose the proposed modifications to OATT, Att. DD, Sec. 6.6(g). The proposed language is internally inconsistent with the categorical exemption for intermittent resources, resulting in a commercially unreasonable compliance trap. The proposed revisions should be jettisoned for several reasons.

Foremost, it is illogical that a resource that is *categorically exempt* from an offer requirement could be accused of withholding, market manipulation, or the exercise of market power for an act that is not prohibited by the tariff, and, in fact, is facilitated by tariff provisions just a few sentences before.

Additionally, PJM provides no bounds to what might trigger a claim of market manipulation. Consequently, any compliance program instituted by an intermittent resource owner that avails itself of the exemption could fall short. PJM provides no indication of what would be a defense to a withholding, market manipulation or market power claim should a unit owner avail itself of the categorical exemption. If the unit owner would be required to demonstrate that the unit is expected to be uneconomic with a capacity obligation, then PJM should say so and describe expected documentation required to support the unit owner's offer decision. However, as PJM has already acknowledged, such a task may be impossible with the risk limitations imposed by its current Market Seller Offer Cap rules.

Second, intermittent resource owners that engage asset managers or commercial managers do not control the decisions of other unit owners that engage the same contractor. Intermittent resource owners commonly employ third parties to handle the daily administrative functions required to interface with PJM. If a unit owner retains the right to direct whether its units offer

and the price of such offers, then the actions of the asset manager on behalf of other clients should not be imputed to the unit owner.

Irrespective of the foregoing concerns, PJM should clean up the syntax of the proposed language, which reads that withholding claims are brought by an entity affiliated with or under the common ownership or control of a Capacity Market Seller that requests a must-offer exception.

If PJM is concerned about collusion and market power abuse, then it should develop a more surgical solution. The proposed rule casts a wide net that results in unreasonable burdens and risks for all intermittent resources that clearly do not have market power, when PJM apparently is targeting a few big fish engaged in portfolio bidding rather than offering based on unit economics.

PJM appears zealous to assure that all economic resources are obligated to offer into the capacity auction. While that is a reasonable interest, PJM should jettison this attempt and prospectively develop such a rule with the following concepts in mind:

- Must-offer rules are a remedy for the exercise of market power.
- The Three Pivotal Supplier test is an outlier among power markets. PJM should undertake to bring its market power test into the norm in concert with any revision to the categorical exemption for intermittent resources.
- Neither in the TPS test, generally, or the proposed 6.6(g) provisions specifically, should PJM impute collusion unless the circumstances are specifically outlined.
- Intermittent resource owners should have the ability to develop their own risk assessment for the relevant delivery year that acknowledges the potentially unlimited risk associated with certain resource types (e.g., solar at night).
- A capacity seller should be able to demonstrate that its offer is justified on a stand-alone basis. If so, then no market power claim should stand.

Reliability Must Run

An RMR agreement, at its essence, is a bi-lateral contract between aggregate load and the RMR resource. It should be treated as such. RMR units do not require discriminatory terms and conditions to undertake a capacity commitment. Capacity is designed and intended to be a fungible commodity. Generators compete to receive a capacity obligation. It is discriminatory to permit an RMR generator to offer, clear, and receive a capacity commitment yet have inferior performance obligations relative to all other resources competing for that commitment. A better path would be to permit the RMR unit to offer at a price negotiated with the aggregate load (presumably at \$0) with the same operational expectations and ELCC that the tariff requires for other market participants. The RMR unit should have operational obligations and non-performance risk exposure consistent with other capacity resources. The aggregate load and the RMR unit owner could bargain to establish a cost of risk that the load is willing to bear, fixing load's capacity exposure for the resource it is purchasing and, concurrently, encouraging the resource owner to operate the unit as efficiently as possible. If load and the supplier cannot reach an acceptable cost for the risk of RMR unit capacity performance, then the load would bear responsibility for potential operational shortfalls, regardless of the reason (e.g., contractual limitations, unit outage, etc.).

The PJM Board has acknowledged the harms stemming from discriminatory treatment of RMR resources in the capacity market. We agree with the Board that "it would be counterproductive to try to change our market rules prior to the next BRA to force RMR units to offer into capacity auctions." We urge staff act independently, consistent with the Board's position, rather than developing discriminatory rules to appease political pressure.

Reliability Resource Initiative

The RRI initiative appears logical in the context of the reliability corner into which PJM has painted itself. Nonetheless, it is a travesty that projects that have dutifully waited years for interconnection may have investment undermined as PJM lifts the velvet rope to permit nuclear and thermal projects (and their business deals) to move forward with preferential access. The RRI undermines the competitive principles that are core to PJM's mission. We do not believe that the RRI is consistent with open access, nor do we believe it is consistent with the recent FERC decision in CAISO which approved application of a *prospective* reliability queue. We are heartened that PJM intends this to be a unique, one-time process; but we have little confidence that it will ultimately be so, given the ongoing advocacy of the market monitor and others to make the program permanent, coupled with PJM's track record in making one-off adjustments (remember when an auction delay was a unique and one-time occurrence?).

Despite our reservations, we believe PJM will be able to make the case to FERC that the discrimination is due, given the reliability circumstances. To that end, we recommend the following:

- Explicitly state that the RRI is a one-time response to expected supply/demand imbalance that PJM expects to result in resource adequacy shortfalls in the 2029-30 Delivery Year (or whenever you expect such occurrence is most likely). Provide the data to demonstrate the projection. Data that demonstrates the need for preferred resources within a defined time that warrants this surgical intervention into PJM's competitive markets will be crucial to appease potential opponents and persuade the Commission.
- Modify the RRI Eligibility criteria to make In-Service Date the primary criteria. If resources cannot meet the reliability projection, then the queue preference is unduly discriminatory.
- Disqualify any resource with in-service date viability that is potentially outside of the date by which Cycle 1 projects would come online. Such risky projects are clearly not "shovel ready."
- Include tariff provisions that restrict milestones to dates within the Cycle 1 window and without the potential for extension. Again, if projects need more time, then they are not "shovel ready" projects that require discriminatory interconnection access.
- Acknowledge that the queued renewables that are providing reliability services, but a lower magnitude. PJM seems to overlook the value of dispersed resources, in favor of large, central station development and uprates.
- Minimize cost-shifts in the implementation. The preferred units are receiving a tremendous advantage to accelerate and de-risk their investment. TC2 projects should not have to pay more as a consequence of the preferred projects jumping in the queue.
- Require preferred RRI units to offer the full unit ICAP, including any subsequent uprates, for the useful life of the unit.

Surplus Interconnection Service

We appreciate PJM's change of direction on the importance and utility of SIS. The following thoughts largely amplify advocacy already offered by renewables providers. Generally, we believe that the proposed tariff redlines provided to the Members Committee are a good start. However, PJM must go further to bring its definition of "material impact" into conformity with other RTOs. PJM's conservative application of this undefined standard appears to be the outlier among its market operators. Irrespective of the ultimate "material impact" standard, PJM should also develop a cure period such that material impacts that can be quickly mitigated do not upend viable projects. Finally, PJM must commit in the RRI filing to move SIS reform across the finish line such that surplus interconnection projects under the new rules can be eligible for the December 2025 BRA for Delivery Year 2027-28.