

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

PJM Interconnection, L.L.C.

)

Docket No. ER25-682-000

**COMMENTS OF
AMERICAN MUNICIPAL POWER, INC.**

American Municipal Power, Inc. (“AMP”) hereby files its comments on the December 9, 2024 filing by PJM Interconnection, L.L.C. (“PJM”) in the above-captioned docket,¹ in which PJM seeks Federal Energy Regulatory Commission (“Commission” or “FERC”) approval to revise the PJM Open Access Transmission Tariff (“Tariff”) to implement a number of changes to PJM’s Reliability Pricing Model (“RPM”) resource adequacy construct in advance of the 2026/2027 Base Residual Auction (“BRA”).² PJM requests an effective date of February 18, 2025.³

While certain of the Tariff changes in the PJM Filing may result in more reasonable outcomes in the 2026/2027 BRA, the hastily developed stop-gap proposals included in the PJM Filing will not meaningfully address the broader resource adequacy challenges facing the PJM region. Although AMP does not ask the Commission to reject the PJM Filing, these comments identify concerns with a number of PJM’s proposals and highlight the need for more comprehensive reforms to the RPM capacity construct.

¹ PJM, Revisions to Reliability Pricing Model, Docket No. ER25-682-000 (December 9, 2024) (“PJM Filing”).

² I.e., the BRA for the 2026/2027 Delivery Year, which PJM proposes to commence in July 2025. See PJM Filing, Transmittal Letter at 79.

³ *Id.* at 85.

I. INTRODUCTION

On the heels of the sharp increase in clearing prices in the 2025/2026 BRA and the submission of two pending Federal Power Act (“FPA”) section 206 complaints prompted by those results,⁴ PJM once again presents the Commission and stakeholders with a round of hastily developed piecemeal modifications to the RPM framework, arguing that the revisions must be rushed into place for the (already significantly delayed) 2026/2027 BRA. After initially indicating that it would not propose any changes to the RPM rules in advance of the 2026/2027 BRA,⁵ PJM reversed course, asking the Commission to further delay the 2026/2027 auction,⁶ and rushing the proposed revisions in this docket through an expedited stakeholder process, with little time for stakeholder review, analysis, or discussion.⁷ As if this were not problematic enough, PJM filed *additional* significant changes to RPM for the 2026/2027 BRA on December 20, 2024 in Docket No. ER25-785-000. While AMP shares the concerns regarding the increase in 2025/2026 BRA clearing prices, and agrees that reforms to PJM’s resource adequacy construct are imperative, such last-minute tinkering to discrete aspects of RPM is not the way to achieve meaningful or durable resource adequacy reform in PJM.⁸

⁴ Sierra Club, *et al.*, Complaint, Docket No. EL24-148-000 (Sept. 27, 2024) (“Sierra Club Complaint”); Joint Consumer Advocates, Complaint, Docket No. EL25-18-000 (Nov. 18, 2024) (“JCA Complaint”).

⁵ See Letter from PJM Board of Managers to Consumer Advocates at 4 (Sept. 19, 2024) (“we believe 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”), <https://www.pjm.com/-/media/DotCom/about-pjm/who-we-are/public-disclosures/2024/20240919-pjm-board-response-consumer-advocates-letter-re-urgent-reforms-pjm-capacity-market-re-reliability-must-run-units.pdf>.

⁶ See *PJM Interconnection, L.L.C.*, 189 FERC ¶ 61,105 (2024) (granting waiver to extend BRA deadlines by six months).

⁷ See PJM Filing, Transmittal Letter at 85.

⁸ *Cf.*, *PJM Interconnection, L.L.C.*, 182 FERC ¶ 61,073 (2023) (Christie, Comm’r, concurring at P 2) (“This proposal is only the latest example — and one of the worst in its hopeless complexity — of the endless Rube Goldberg tinkering with the minute details of the capacity market construct. Such tinkering with

Regrettably, most of the changes proposed in the PJM Filing are reactive “Band-Aid” solutions that will not resolve the broader problems with the RPM framework.⁹ *First*, having discovered that previous RPM revisions and other changed circumstances are likely to result in a Net Cost of New Entry (“Net CONE”) of \$0 per megawatt-day (“MW-day”) in certain zones, PJM proposes to implement a uniform Non-Performance Charge Rate (“NPCR”) set at the Net CONE for the RTO.¹⁰ This change will not necessarily solve the problem it is intended to address, and it only reinforces the fundamental problems with tethering the NPCR to Net CONE. *Second*, in response to contentions that 2025/2026 BRA prices were improperly inflated by failing to reflect the capacity of units under Reliability Must Run (“RMR”) agreements in RPM (“RMR Resources”),¹¹ PJM offers “stop-gap” Tariff changes to account for certain RMR Resource capacity in the next two BRAs, even though these RMR Resources may not be available during the Delivery Year, and even though these resources are not subject to the same requirements – and will not be supplying the same product – as Capacity Resources. *Finally*, PJM proposes to reverse course on its Commission-approved decision to adopt a natural gas-fired combined cycle unit as the Reference Resource¹² and continue to use a gas-fired dual-fuel combustion turbine plant for the 2026/2027 BRA.¹³ There is logic in retaining a combustion turbine until the next Quadrennial Review, but PJM’s difficulties in identifying

the rules has gone on for years and never reaches a point of stability, yet stability of market design is essential to attract the necessary capital investment in capacity resources.”).

⁹ Indeed, PJM variously characterizes certain of the proposals as “stop-gap,” “interim,” “bridge,” and “short-term” measures.

¹⁰ PJM Filing, Transmittal Letter at 69-73.

¹¹ See Sierra Club Complaint and JCA Complaint, *supra* note 4.

¹² See *PJM Interconnection, L.L.C.*, 182 FERC ¶ 61,073 at PP 36-42 (approving PJM’s proposal to use a combined-cycle Reference Resource).

¹³ PJM Filing, Transmittal Letter at 8-10, 35-69.

a Reference Resource that conforms to the underlying premises of the RPM framework highlight the need for thoughtful consideration of the criteria applied in selecting the Reference Resource and the need to ensure that there is sufficient time between BRAs and Delivery Years to allow for a market response to the BRA price signal.

While AMP does not ask the Commission to reject the PJM Filing, particularly given the provisional nature of several of the proposals, the reactive, stop-gap nature of the filing highlights the need for more meaningful reform.¹⁴ Even if the Commission accepts the PJM Filing, it should encourage PJM to focus available resources on open and inclusive discussions addressing reliability-focused initiatives that more holistically and constructively address resource adequacy concerns in PJM.

II. COMMENTS

A. PJM's NPCR proposal overlooks a more reasonable approach while offering a solution that may not fix the problem PJM seeks to address.

Under PJM's Capacity Performance construct, Capacity Resources that fail to perform during emergency periods – Performance Assessment Intervals (“PAIs”) – may be subject to Non-Performance Charges based on the NPCR.¹⁵ Currently, the NPCR is calculated with reference to Net CONE,¹⁶ *i.e.*, the projected cost of new entry for the

¹⁴ AMP does not take issue with PJM's proposal to adjust the calculation of the energy and ancillary services (“EAS”) offset to reflect FERC Order No. 904, see PJM Filing, Transmittal Letter at 81-84, nor does AMP oppose PJM's proposal to add Tariff language indicating that being subject to the must-offer exemption does not immunize a resource from market power mitigation and market manipulation rules. *Id.* at 73-78. As to this latter change, however, AMP notes that PJM itself emphasizes that the “proposal does not provide for any new rights or obligations and does not alter the existing law related to market power determinations.” *Id.* at 78. In addition, PJM's filing in Docket No. ER25-785-000 proposes to further limit the scope of this Tariff revision by limiting the must-offer exemption to Demand Resources.

¹⁵ See PJM Filing, Transmittal Letter at 69; see also, *e.g.*, *PJM Interconnection, L.L.C.*, 186 FERC ¶ 61,080, at PP 11-13, *order on reh'g*, 189 FERC ¶ 61,043 (2024).

¹⁶ PJM Filing, Transmittal Letter at 69.

Reference Resource, less EAS revenues.¹⁷ As a locational capacity construct, moreover, PJM models several different Locational Deliverability Areas (“LDAs”), and the Net CONE value, and, thus, the NPCR, may differ between LDAs.¹⁸

When PJM posted the 2026/2027 initial BRA planning period parameters on August 26, 2024, the posting showed a Net CONE of \$0/MW-day for several LDAs, including the “RTO” LDA.¹⁹ Among other consequences, using a Net CONE of \$0/MW-day in an LDA would result in a NPCR of zero for the LDA, meaning that Capacity Resources that failed to perform during a PAI would not face any Non-Performance Charges.²⁰ To address this concern, PJM proposes to implement a uniform NPCR for all LDAs at the RTO Net CONE beginning with the 2026/2027 BRA.²¹

Although AMP has been a consistent critic of the Capacity Performance framework as costly and ineffective, AMP agrees that it would be problematic to use a NPCR that eliminates the risk of penalties for Capacity Resources while Capacity Performance remains in place. Having identified a legitimate problem, however, PJM offers a flawed solution. For one thing, it is not clear from the PJM Filing that indexing the NPCR to Net CONE for the RTO LDA will necessarily resolve the issue PJM is seeking to address. While PJM observes that “[t]he RTO Net CONE is *comparatively less likely* to experience

¹⁷ See *id.* at 8.

¹⁸ See, e.g., *id.* at 69 (“Non-Performance Charge rates are currently tied to the value of Net CONE of the LDA in which the non-performing or under-performing Capacity Resource is located.”).

¹⁹ See PJM Filing, Graf and Marzewski Aff. at ¶ 74. As Dr. Graf and Mr. Marzewski note in their affidavit, the initial parameters posted on August 26, 2024 have since been removed from the PJM website. See *id.* ¶ 51 n.11.

²⁰ See PJM Filing, Transmittal Letter at 69-70.

²¹ *Id.* at 71-73. Because PJM proposes to change the Reference Resource, PJM no longer expects the Net CONE for the RTO to be zero. See *id.* at 36-37.

\$0 or near-\$0 Net CONE values,”²² PJM appears to leave open the possibility that the RTO Net CONE could be zero. While this may be unlikely – particularly if a combustion turbine is used as the Reference Resource – the fact that there is even a possibility that PJM’s proposed fix would be ineffective raises concerns about the reasonableness of the proposal, while at the same time highlighting longstanding questions about the logic of indexing NPCR to Net CONE in the first place (as discussed below).

Even if PJM’s proposal avoids a zero NPCR, the Tariff change eliminates the locational component of the NPCR by adopting a uniform penalty rate. Although PJM argues that this is a feature, not a bug, of the new approach,²³ the Commission has previously observed that “[t]he Net CONE-based penalty rate is . . . a *location-specific penalty rate* that reflects the cost of replacement capacity over time.”²⁴ PJM’s proposal to use a one-size-fits-all NPCR dispenses with this important aspect of setting the NPCR, potentially muting the location-specific incentives that the NPCR is supposed to provide.

Most problematic, however, PJM’s proposal doubles down on the practice of indexing the NPCR to Net CONE, an approach that the Independent Market Monitor for PJM (“IMM”), AMP, and others have criticized.²⁵ As an administratively determined estimate of the amortized cost of constructing a new Reference Resource, Net CONE bears no direct relationship to the revenues to be earned by Capacity Resources in PJM when they are awarded a capacity obligation in the BRA, and it does not represent a reasonable input for calculating the NPCR. As PJM correctly observes in the filing, use of

²² PJM Filing, Transmittal Letter at 71 (emphasis added).

²³ See *id.* at 72-73.

²⁴ *Indep. Market Monitor v. PJM Interconnection, L.L.C.*, 188 FERC ¶ 61,129, at P 35 (2024).

²⁵ See, e.g., *id.* (denying complaint challenging use of Net CONE as the basis for NPCR).

a zero Net CONE as the basis for the NPCR would unreasonably eliminate Non-Performance Charges under Capacity Performance.²⁶ On the other hand, use of a very high Net CONE can result in penalties that significantly exceed the BRA revenues to which a Capacity Resource is entitled. In the PJM stakeholder process that preceded PJM's filing in Docket No. ER23-1996-000 to revise the Tariff definition of Emergency Action used for the purpose of determining when PAIs are triggered,²⁷ for example, AMP calculated that, for the 2024/2025 Delivery Year, the NPCR based on Net CONE was more than ten times higher than the BRA clearing price in dollars per megawatt-day.²⁸ This means that for every five-minute PAI of non-performance, a resource is effectively penalized ten days of RPM revenue.²⁹ While the Commission's acceptance of PJM's proposal to tether the stop-loss to the BRA price in Docket No. ER24-99-000³⁰ means that resources now face a maximum potential loss of 1.5 times available annual capacity revenue,³¹ the potential for very high (or very low) Non-Performance Charges remains arbitrarily tied to Net CONE.

PJM's proposal to index the NPCR to the RTO Net CONE disregards the much more reasonable approach of tethering the NPCR to the BRA clearing price in the LDA – a fix that PJM stakeholders endorsed by a two-thirds sector-weighted vote in the process preceding PJM's PAI trigger filing in Docket No. ER23-1996-000, but which PJM refused

²⁶ PJM Filing, Transmittal Letter at 71-73.

²⁷ See *PJM Interconnection, L.L.C.*, 184 FERC ¶ 61,058 (2023).

²⁸ AMP, *Comparison of Market Design Options for Non-Performance Charge Rate and Stop-Loss Rate*, <https://pjm.com/-/media/committees-groups/committees/mc/2023/20230511-special/item-01a---2-amp-supplement-to-may-11-special-mc.ashx>.

²⁹ *Id.*

³⁰ See *PJM Interconnection, L.L.C.*, 186 FERC ¶ 61,080 at PP 234-40.

³¹ *Id.* P 234.

to file.³² Indexing the NPCR to the BRA clearing price in the relevant LDA reasonably links the penalty rate to the level of revenues to be earned by Capacity Resources in PJM when they are awarded a capacity obligation. This approach also reduces the risk of a zero NPCR, as the BRA is highly unlikely to clear at zero in any LDA.

Tethering the NPCR to the BRA clearing price would have the added benefit of harmonizing the NPCR with the stop-loss limit which, as noted above, is tied to the BRA clearing price. Utilizing the *same* index price in both calculations promotes resource performance under the Capacity Performance construct. In situations when a NPCR tied to Net CONE is very high, using a stop-loss tied to the BRA price means the overall annual Non-Performance Charges faced by Capacity Resources can be exhausted in just a few hours of non-performance during consecutive PAIs, leaving those resources with no further Non-Performance Charge incentive to operate reliably during the entire remainder of the Delivery Year.³³ Indexing both the NPCR and the stop-loss limit to the BRA clearing price would be more likely to result in resources facing Non-Performance Charges over the course of the entire Delivery Year.

While the Commission has upheld the use of a NPCR indexed to Net CONE,³⁴ AMP submits that PJM should reconsider its use of Net CONE as the basis for the NPCR given PJM's acknowledged need to revisit NPCR and the problems associated with PJM's ad-hoc solution that simply applies the same Net CONE-based NPCR to all LDAs. The

³² See *PJM Interconnection, L.L.C.*, 184 FERC ¶ 61,058 at PP 8, 17.

³³ While the total *magnitude* of Non-Performance Charge exposure would potentially be the same if the NPCR were indexed to the BRA price, it would (absent a clearing price at Net CONE) take a greater number of PAIs to reach the stop-loss limit than the current model where the stop-loss limit alone is tied to BRA clearing prices, thereby preserving the incentive to continue to operate reliably during the balance of the Delivery Year.

³⁴ See, e.g., *Indep. Market Monitor*, 188 FERC ¶ 61,129.

Commission has recognized that different reasonable approaches to setting the NPCR may exist,³⁵ and the Commission should encourage PJM to revisit its continued adherence to a Net CONE-based NPCR.

B. Accounting for RMR Resource capacity in RPM raises reliability concerns that PJM must address in a more comprehensive and durable way.

Responding to objections that the current RPM framework does not appropriately account for the resource adequacy contributions of RMR Resources, PJM proposes, as a “stop-gap” measure, to amend the Tariff to account for an RMR Resource’s capacity in RPM auctions if certain enumerated criteria are met.³⁶ PJM would include RMR Resources that meet the criteria for the 2026/27 and 2027/28 Delivery Years in the BRAs as price-takers for those Delivery Years.³⁷ PJM proposes to offset the capacity charges for the customers paying for an RMR Resource by the amount of capacity credits that would have been paid to the RMR Resource.³⁸ The proposal is intended as an “interim solution,” and PJM states that it “intends to work with stakeholders to develop a more fulsome proposal for considering the resource adequacy contributions of RMR resources; including potential development of a pro forma RMR agreement, to be applicable starting with the 2028/2029 Delivery Year.”³⁹ PJM observes that, while it is an “open question”

³⁵ See *id.* P 33.

³⁶ PJM Filing, Transmittal Letter at 12-35. Specifically, in order to be accounted for in the capacity construct, an RMR Resource would need to satisfy the following criteria: (1) the ability to meet deliverability requirements and have sufficient Capacity Interconnection Rights; (2) not cleared in the capacity market and have an accepted cost recovery agreement; (3) reasonably expected to be able to operate for the entire Delivery Year; and (4) required by its RMR agreement to be available for PJM dispatch in expectation of all PJM emergencies. *Id.* at 14.

³⁷ *Id.* at 14.

³⁸ *Id.* at 32-35.

³⁹ *Id.* at 8.

which, if any, resources will meet its proposed criteria,⁴⁰ the only resources that, as a practical matter, might qualify are the Brandon Shores and Wagner plants.⁴¹

PJM's proposal is an understandable effort to address objections that consumers are being asked to pay the costs of RMR Resources without receiving any reciprocal capacity benefit in RPM, while at the same time BRA prices have increased dramatically, particularly in the Baltimore Gas & Electric Company ("BGE") LDA where the Brandon Shores and Wagner RMR Resources are located.⁴² AMP is sympathetic to these economic concerns. As discussed below, however, there are legitimate reliability-based reasons not to account for the capacity of RMR Resources in the BRA under the current PJM Tariff, as PJM itself has argued.⁴³ These reliability considerations are not necessarily resolved by PJM's interim approach, and the "more fulsome proposal" that PJM hopes to develop would need to provide greater assurance that RMR Resources can be counted on to provide energy when needed, the same as other Capacity Resources in PJM.

As an initial matter, the need to retain deactivating resources under RMR agreements generally reflects a failure of holistic and proactive planning – both generation and transmission. While the need for such agreements may be unavoidable in certain cases, it is poor market design to implement "stop-gap" changes to the RPM rules to reflect RMR Resource capacity in the BRA even where the resource does not participate in the auction. If perpetuated beyond the interim period proposed in the filing, PJM's

⁴⁰ *Id.* at 24.

⁴¹ *Id.* at 19 n.41.

⁴² The Sierra Club Complaint in Docket No. EL24-148, for example, cited analyses by the IMM and others that the existing RPM rules for RMR Resources resulted in \$4.2 billion to \$5 billion in excess costs for consumers in the 2025/2026 BRA, with the impact falling heavily on the BGE LDA. See Sierra Club Complaint at 19-24.

⁴³ See, e.g., PJM, Answer, Docket No. EL24-148-000, at 7-11 (Oct. 18, 2024).

approach would likely diminish the incentive to avoid RMR agreements while weakening the price signal to build new capacity and promote resource adequacy that RPM is supposed to provide.

PJM insists that accounting for RMR Resource capacity that meets the applicable criteria is appropriate from a market design standpoint and results in an efficient allocation of resources.⁴⁴ The problem with this position is that it assumes that the resource adequacy product (capacity) provided by RMR Resources is equivalent to the product provided by actual Capacity Resources, when, by definition, it is not.⁴⁵ As PJM explains, its longstanding, Commission-approved framework for generator deactivation⁴⁶ does not permit the RTO to dictate the terms under which a unit will remain in operation,⁴⁷ and RMR Resources have little incentive to offer into the capacity auctions.⁴⁸ Nothing in the PJM Filing changes these incentives or makes it more likely that an RMR Resource will participate in the BRA. Rather, PJM has merely developed a number of criteria for RMR Resources that, if satisfied, would allegedly ensure the resources provide “capacity-equivalent value.”⁴⁹

⁴⁴ See, e.g., PJM Filing, Graf and Marzewski Aff. at ¶¶ 24-27.

⁴⁵ If an RMR Resource actually participates and clears in the BRA, and thereby takes on the full obligations of a Capacity Resource, PJM’s stop-gap Tariff measures will not apply to that resource. PJM Filing, Transmittal Letter at 17-18.

⁴⁶ See *PJM Interconnection, L.L.C.*, 110 FERC ¶ 61,053, *order on reh’g and compliance*, 112 FERC ¶ 61,031 (2005); *PJM Interconnection, L.L.C.*, 115 FERC ¶ 61,079 (2006).

⁴⁷ See Tariff § 113.2. A deactivating generator needed for transmission reliability that is willing to continue to be available has the option of using either a default rate or filing a cost-based rate at FERC. *Id.*

⁴⁸ See, e.g., PJM Filing, Graf and Marzewski Aff. at ¶ 22 (“Under current rules, RMR resource owners choose whether or not to offer the resource into the market; this approach will almost always result in the resource not being offered in the market, as RMR resource owners are not generally required or incentivized to offer the resource as capacity supply.”).

⁴⁹ PJM Filing, Transmittal Letter at 15.

PJM's criteria, however, do not ensure that a qualifying RMR Resource will provide capacity that is equivalent to a Capacity Resource under the Capacity Performance framework. To the contrary, PJM states that, "[b]ecause any RMR resource that PJM has administratively deemed to be in the supply stack did not make an affirmative choice to be a Capacity Resource, it would be inappropriate to subject such resources to the rights and obligations of a committed Capacity Resource."⁵⁰ Thus, qualifying RMR Resources will not be incentivized to perform during emergencies by exposure to Non-Performance Charges.⁵¹ Nor will these resources be subject to the enhanced operational testing requirements accepted by the Commission in Docket No. ER24-99.⁵² Capacity accreditation for RMR Resources should not exceed that justified by contributions to resource adequacy, which would be the case under PJM's proposal.

Another potentially significant difference between an RMR Resource and a typical Capacity Resource is that the RMR Resource's future availability may depend on the timing of the transmission solution implemented to address the transmission reliability issues that necessitated the RMR agreement. The PJM Filing does not include any discussion of the timing of the transmission solutions that might obviate the need for RMR agreements for the Wagner and/or Brandon Shores units, but if there is an earlier-than-expected resolution to the transmission reliability issues underlying an RMR Resource accounted for in the auctions for the 2026/27 or 2027/28 Delivery Years, the RMR

⁵⁰ *Id.* at 26.

⁵¹ *See id.*

⁵² *See id;* see also *PJM Interconnection, L.L.C.*, 186 FERC ¶ 61,080 at P 205 ("We agree . . . that the proposed additional testing requirements should enable PJM to more accurately assess a resource's physical capabilities and expected availability during periods of system stress, help PJM and generation owners identify and correct mechanical issues, and incentivize generators to keep PJM apprised of their operational status." (footnote omitted)).

agreement would presumably terminate and the resource would no longer be available to perform during an emergency.⁵³ None of PJM’s criteria for including RMR Resource capacity in the BRA appear to directly address the fact that ahead-of-schedule transmission upgrades may obviate the need for an RMR agreement that had been expected to be in effect in the Delivery Year.⁵⁴ Indeed, PJM does not address the issue at all in its filing.

Thus, while AMP understands the economic concerns underlying PJM’s RMR-related Tariff changes, the “more fulsome proposal” promised by PJM must address these concerns with counting RMR Resources as Capacity Resources in a more comprehensive and durable way.

C. PJM’s Reference Resource proposal highlights problems with RPM’s forward auction construct.

As noted above, when PJM initially posted the 2026/2027 BRA planning parameters, they showed a Net CONE of \$0/MW-day for several LDAs, including the “RTO” LDA. A key driver of this outcome was the switch to a combined-cycle unit as the Reference Resource for determining Net CONE as part of PJM’s last Quadrennial

⁵³ The RMR agreement for the Indian River 4 unit in Delaware is scheduled to remain in effect until December 31, 2026. See NRG Power Marketing LLC, Settlement Agreement and Offer of Settlement, Docket Nos. ER22-1539-002, *et al.*, Settlement Agreement at § 2.2 (April 2, 2024). But PJM states in the instant filing that it “expects the transmission upgrades addressing the reliability issues necessitating retention of [Indian River unit 4] to be in service on or around December 20, 2024,” and, consequently, the Indian River RMR agreement would terminate shortly thereafter. PJM Filing, Transmittal Letter at 20.

⁵⁴ The proposed Tariff’s “reasonably expected” criteria could conceivably address this concern, but the applicable language appears focused on other considerations. See PJM Filing, Proposed Tariff, § 5.3(b)(i)(A) (requiring that a qualified RMR Resource “is reasonably expected to be deliverable and able to operate during the relevant Delivery Year *in accordance with applicable permits* and is *not prohibited from operating during the relevant Delivery Year based on any bilateral restrictions with any private third-party entity*” (emphasis added)); *id.* § 5.3(b)(i)(B) (requiring that a qualified RMR Resource “is reasonably expected to be available for dispatch by the Office of the Interconnection *in expectation of any PJM emergencies* and *to perform to address emergencies* absent the resource being on an outage.” (emphasis added)).

Review.⁵⁵ To address the potentially unreasonable consequences of a \$0 Net CONE, PJM proposes to continue using a dual-fuel combustion turbine as the Reference Resource for the 2026/2027 and 2027/2028 Delivery Years while the next Quadrennial Review is being completed.⁵⁶

PJM's proposal to continue using a combustion turbine as the Reference Resource until the next Quadrennial Review is not unreasonable given the problems that would result from the use of a \$0/MW-day Net CONE in the BRA. Using a zero Net CONE would result in a Variable Resource Requirement ("VRR") curve that diverges from the intended shape, as the price would fall to \$0 at Point 2 on the curve and remain at \$0 between Point 2 and Point 3.⁵⁷ This, PJM explains, would mean that the resulting VRR curve would "provid[e] no distinct price signals between 101.5% and 104.5% of the Reliability Requirement."⁵⁸ Further, the use of a \$0 Net CONE would eliminate the risk of Non-Performance Charges.⁵⁹

While continuing to use a combustion turbine as the Reference Resource reduces the risk that Net CONE will be \$0/MW-day, particularly in the RTO LDA, use of a combustion turbine does not resolve broader challenges with identifying an appropriate

⁵⁵ See PJM Filing, Transmittal Letter at 36 ("the market also observed that the CC Reference Resource's expected ability to earn energy and ancillary services markets . . . revenues caused the Net CONE for the CC to be \$0/MW-day in certain LDAs"); see also *PJM Interconnection, L.L.C.*, 182 FERC ¶ 61,073 at PP 15-42.

⁵⁶ See PJM Filing, Transmittal Letter at 10.

⁵⁷ *Id.* at 60.

⁵⁸ *Id.*

⁵⁹ While, as explained above, AMP does not support setting the NPCR based on Net CONE, AMP agrees with PJM that it would be problematic to eliminate any risk of penalties for Capacity Resources while Capacity Performance remains in place – which would be the result if Net CONE were zero. See *supra* section II.A.

Reference Resource. As PJM acknowledges, there may still be some local areas where the Net CONE is \$0/MW-day.⁶⁰ This suggests that, at least in some LDAs, a combustion turbine may not be an appropriate Reference Resource.

An even more fundamental question is that, if the Reference Resource cannot (or will not) be built in certain LDAs, what is the purpose of the auction pricing signal? If RPM is to continue in its current form, it is important that the Reference Resource reflect a unit that may actually be built in response to the price signal. As the Commission noted in connection with the last Quadrennial Review, “there are no specific criteria in the PJM Tariff that define the characteristics of the Reference Resource.”⁶¹ PJM has historically suggested that relevant criteria include: (1) feasibility to build; (2) economic source of incremental capacity; and (3) accurate estimation of the resource’s Net CONE.⁶² AMP would supplement and amend these criteria to provide that the technology must also: (4) be commercially feasible; (5) be capable of obtaining required permits; (6) provide necessary operational attributes; (7) be capable of being developed and built during the three-year period between the BRA and the Delivery Year; and (8) provide consumers with confidence that pricing signals are meaningful. As part of the next Quadrennial Review process, it will be important to carefully apply such criteria to identify one or more Reference Resources that are consistent with the underlying design of RPM, including the core assumption that a resource using the Reference Resource design can respond to the auction pricing signal.

⁶⁰ PJM Filing, Transmittal Letter at 70.

⁶¹ *PJM Interconnection, L.L.C.*, 182 FERC ¶ 61,073 at P 36.

⁶² *See id.* P 15.

It is also imperative that BRAs be conducted on a cadence that provides potential new entry with adequate time to respond to the price signal, consistent with the premise of PJM's forward capacity construct.⁶³ That premise has been undermined in recent years through repeated delays that have compressed the time between BRAs and Delivery Years. If anything, PJM should consider a period of time *longer* than three years between the BRA and Delivery Year. For example, with a generator interconnection study process of two years and new entry build (based on a combustion turbine) of about eighteen months, if a combustion turbine remains the Reference Resource, BRAs should be held no less than forty-two months in advance of the Delivery Year to provide meaningful and credible pricing signals for new entry beginning with the BRA for the 2031/2032 Delivery Year (scheduled for December 2027). Certainly anything less than two years would be unreasonable, as a period that short fails to provide enough time for market participants to engage in demand management, budgeting, and other necessary activities in advance of the Delivery Year.

⁶³ See, e.g., *PJM Interconnection, L.L.C.*, 119 FERC ¶ 61,318, at P 92 (2007).

III. CONCLUSION

WHEREFORE, for the foregoing reasons, American Municipal Power, Inc. respectfully requests that the Commission: (1) consider these comments in addressing PJM's filing; and (2) encourage PJM to engage in stakeholder processes with the goal of developing a more comprehensive and durable set of reforms to its resource adequacy framework.

Respectfully submitted,

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DATED: January 6, 2025

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon each person designated on the official service list compiled by the Secretary in this proceeding.

Dated at Washington, D.C., this 6th day of January, 2025.

/s/ John McCaffrey
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