

**BEFORE THE  
FEDERAL ENERGY REGULATORY COMMISSION**

PJM Interconnection, L.L.C.	)	
	)	ER23-729-000
	)	EL23-19-000

**COMMENTS OF THE PENNSYLVANIA PUBLIC UTILITY COMMISSION TO  
PJM’S 2024/2025 BASE RESIDUAL AUCTION MODIFICATION FILINGS**

The Pennsylvania Public Utility Commission (PAPUC) files these Comments in response to the December 23, 2022, filings of PJM Interconnection, L.L.C., under sections 205 and 206 of the Federal Power Act, 16 U.S.C. §§ 824d, 824e. While the PAPUC has joined the comments of the Organization of PJM States, Inc., the PAPUC writes separately to highlight the high burden which changes to PJM’s auction rules should face if made while bids are outstanding.

**I. BACKGROUND**

The Base Residual Auction (BRA) for the 2024/2025 delivery year commenced on December 7, 2022, and the auction window closed on December 13, 2022. The BRA combined with incremental auctions which follow are the mechanism by which PJM secures capacity for a forward delivery year. For this auction, PJM had indicated it would post results on December 20, 2022, however, due to the reasons set forth in PJM’s filing, PJM did not post the results on that date.

On December 21, 2022, PJM held a meeting with stakeholders where it first explained the problem with the 2024/2025 BRA. In part due to the short lead time

between auctions which are normally a year apart and procure capacity three years in advance, the 2024/2025 BRA only procured capacity 18 months in advance, for the delivery year which begins in June 2024. Planned generation which has a signed Interconnection Service Agreement (ISA) would thus normally have three years to enter service. With that much shorter runway, planned generation might be less willing to take on a capacity commitment if they are unsure their resource would be prepared to serve load in the relevant delivery year. Along with other potential causes, PJM's modelling assumption that all resources with a signed ISA would offer into the BRA broke down.

Because of this, the Reliability Requirement calculated by PJM's models took into account generation risks which would exist if the planned generation entered the capacity market, and the Reliability Requirement for the DPL-South Locational Deliverability Area increased by 12%. Yet, because that planned generation did not offer into the capacity market, that increased Reliability Requirement was based on faulty modelling assumptions, and prices would increase significantly for the DPL-South Locational Deliverability Area.

Also during the December 21 PJM briefing, stakeholders noted concern with the solution PJM now offers to FERC. Among other things, stakeholders were concerned that bids relied on the assumptions that PJM now seeks to change, and consequently PJM should not change its BRA rules while bids are outstanding.

## **II. PJM'S PROPOSED SOLUTION IS APPROPRIATE**

While the timing of PJM's filing making changes to PJM's auction structure while bids are outstanding creates a highly concerning precedent, notwithstanding that fact, the PAPUC believes PJM's solution is appropriate.

FERC should generally avoid changing auction rules while bids are outstanding. One circumstance where FERC should consider allowing such a change is where both of the following elements are met:

- (1) the tariff change is shown to be appropriate and uncontroversial if the rule were solely to be applied to future auctions, and
- (2) the costs to customers if the change were not to occur provide no benefit to those customers.

Based on PJM's explanations the PAPUC believes these elements are met. The load in DPL-South did not increase for the 2024/2025 delivery year. The increase in Capacity Emergency Transfer Objective, and thus the Reliability Requirement, was driven by the inclusion of Planned Generation Capacity Resources alone. The demand side of the capacity market increased because of the risk of planned large generation or planned intermittent generation not providing capacity. With the inclusion of those planned resources, the Capacity Emergency Transfer Objective increases to provide what is, in effect, outside insurance against that risk. When those resources did not ultimately offer into the market, the increased demand became solely an artifact of the market. Thus, the increased price does not provide benefit to the load in the DPL-South Locational Deliverability Area, where load did not change and is not experiencing

increased reliability risks compared to the 2023/2024 BRA absent the inclusion of the planned generation. PJM's solution is targeted and removes the illusory assumption in its model that planned generation would enter. This creates a more accurate Reliability Requirement.

### **III. CONCLUSION**

For these reasons, the PAPUC requests that its Comments be considered by FERC in this proceeding. FERC should approve PJM's requested changes based on the record created in this proceeding while recognizing the high burden that should be required if tariff changes are to be made which affect auction rules after bids have been entered.

Respectfully submitted,

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Dated: January 20, 2023

## CERTIFICATE OF SERVICE

I HEREBY CERTIFY that I am on this date serving a copy of the foregoing document upon each person designated on the official service list compiled by the Federal Energy Regulatory Commission in accordance with the requirements of Rule 2010 of the Commission's Rules of Practice and Procedure.

Respectfully submitted,

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