



Organization of PJM States, Inc. (OPSI)

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November 28, 2023

Mr. Mark Takahashi, Chair, PJM Board of Managers
Mr. Manu Asthana, PJM President, and CEO
PJM Interconnection, L.L.C.
2750 Monroe Boulevard
Audubon, Pennsylvania 19403

Dear Mr. Asthana and Mr. Takahashi:

PJM is experiencing a significant, and pressing, shift in the bulk power landscape.¹ As explained below, the OPSI Board is concerned with our region's reactive stance as it relates to those changes. Based on the OPSI Board's collective concerns regarding the shortcomings of our current processes, we seek your support in finding solutions to address our needs in ways that elevate reliability and affordability. Within the PJM footprint, rapid changes in both load forecasts and available supply are creating pronounced grid reliability issues that challenge PJM's existing planning tools. To take a single but significant recent example, on October 31, 2023, PJM announced at its Transmission Expansion Advisory Committee meeting that, in early December, it will be presenting the PJM Board with a recommended suite of transmission upgrades at proportions never seen before in the region and with costs expected to approach \$6 billion. PJM has explained that most of the transmission upgrades are being proposed to accommodate a 7,500 MW increase in demand from data center developments coincident with thousands of MWs of generator deactivations within the next several years which, together, present imminent grid reliability challenges.

OPSI understands that when PJM identifies reliability challenges, sometimes transmission upgrades may be the only viable solution. Several factors may necessitate this outcome, including, but not limited to when significant load growth or supply deactivations do not align with timely development of supply resources or when Capacity Interconnection Rights ("CIRs") from deactivated generators are not repurposed in a timely manner. These factors may be attributed to a variety of reasons, but their impact on cost and reliability merit attention.

¹ Energy Transition in PJM: Resource Retirement, Replacements and Risk, February 24, 2023.

The reliability challenges that have recently presented themselves, coupled with the significant cost impact on customers associated with addressing these challenges have amplified our concern that factors outside the transmission planning process may contribute to the high cost of transmission upgrades and warrant attention to ensure these costs do not become an undue burden to retail consumers. As such, the OPSI Board requests your support in working hand-in-hand, with the help of our respective staffs, to better understand the issues and explore solutions, tools and reforms that may more timely and cost effectively ensure grid reliability. These solutions may be PJM-oriented, but they could also function in alignment with actions that can be taken by states within their jurisdiction and without interfering with state jurisdiction over integrated resource plans and the generation mix within states. Regardless, given the pressing nature of our reliability challenges, such an endeavor should be prioritized.

While we appreciate the resources PJM has devoted to exploring improvements in a variety of related areas, more is needed. Just last week, FERC noted “the importance of ensuring that PJM develops cost effective solutions to grid reliability.”² Like FERC, we are encouraged that PJM has initiated a stakeholder process “to examine whether changes to PJM’s existing generation retirement” process is necessary. However, that scope alone does not invite the prospect of “cost effective solutions to grid reliability.” Exploring innovative solutions that complement this scope, and transmission planning in general, are necessary to make sure all the other important improvements PJM is undertaking, such as Order No. 2023 compliance, long term transmission planning and capacity market reform are *given the opportunity* to work in concert. Unless PJM tackles grid reliability holistically, it may not always be “cost-effective.”

The expected magnitude, complexity and cost of the planned transmission upgrades that will be presented to the Board in December should resolve the Board to direct this effort as soon as possible. While the plan for these upgrades may not necessarily change course, it is well within PJM’s responsibility to ensure the projects continue to meet the reliability needs of the grid in a cost-effective manner. As PJM has asserted, “PJM revisits its RTEP at least annually to examine any need to revise, defer or cancel approved enhancements and expansion”³ and “PJM’s planning process also provides ample opportunities for non-transmission alternatives to compete with transmission solutions on a comparable basis through various market structures...it is critical [to] recognize the role of PJM market design...in identifying and choosing non-transmission alternatives where such alternatives more efficiently or cost effectively ensure overall reliability of the system.”⁴

To reiterate a previous point, this letter is not only a reflection of the magnitude of the transmission you will be presented with next month. The size and scope of those projects merely amplifies the concerns many OPSI members have had for years about the negative impact of siloed, reactive planning. These concerns range from transmission projects designated as “Immediate Need,” even though many of them have remained uncompleted past their required in-service dates, to multi-year Reliability Must Run (“RMR”) agreements that can cost customers hundreds of millions of dollars per year, all while the region waits for even costlier transmission upgrades. What’s more, the costs of these RMR agreements are not factored in selecting the most overall cost-effective reliability solutions. As such, the PJM Board should not read this letter as a reaction to a single set of RTEP projects, but rather a culmination of concerns that

² *Order on Cost Allocation Report and Tariff Revisions*, 185 FERC ¶ 61,107 (November 8, 2023).

³ Compliance Filing of PJM Interconnection, L.L.C., FERC Docket No. RM10-23-000, October 25, 2012 (PJM OATT Order No. 1000 Compliance Filing) at 11.

⁴ *Id.*, at 31.

is only growing and that has resulted in our resolve to timely seek solutions through our boards working together.

The PJM Board has demonstrated the importance of embarking on a fast path to address critical issues when the facts of the situation deem it necessary. OPSI requests the PJM Board act with the same sense of urgency in working with us to address this important issue. We appreciate your attention to this matter and look forward to working with your staff and PJM stakeholders on this in an expedited manner.⁵

Sincerely,

A handwritten signature in blue ink, appearing to read 'K. Chandler', is positioned above the printed name.

Kent A. Chandler, President
Organization of PJM States, Inc

⁵This letter was approved by the following states: Delaware Public Service Commission, Public Service Commission of District of Columbia, Illinois Commerce Commission, Indiana Utility Regulatory Commission, Kentucky Public Service Commission, Maryland Public Service Commission, Michigan Public Service Commission, New Jersey Board of Public Utilities, North Carolina Utilities Commission, Public Utilities Commission of Ohio , Pennsylvania Utility Commission, Tennessee Public Utility Commission, Public Service Commission of West Virginia. Nay: Virginia State Corporation Commission.