

FirstEnergy's Perspective on PJM's Wholesale Electricity Markets: 2023

Q2 2023 ISSUES

This report will be updated on a quarterly basis (December 1, March 1, June 1, and September 1). The purpose of this report is to provide an overview of key FERC and PJM initiatives active in each quarter.

Executive Summary

This reporting period, PJM has been working with stakeholders to implement the Critical Issue Fast Path (CIFP) – an accelerated stakeholder process mechanism. The CIFP is focused on resolving key issues the PJM Board believes would have “a direct benefit to reliability,” including, but not limited to, enhanced risk modeling, modifications to the Capacity Performance construct, improved accreditation and synchronizing Reliability Pricing Model (RPM) and Fixed Resource Requirement rules. As a result of that effort, PJM deemed it necessary to concurrently seek delays of all forthcoming Base Residual Auctions, including the auction for the 2025/2026 Delivery Year, for which pre-auction activities have already begun.

Capacity Market Issues

Collection of Non-Performance Charges: On February 2, 2023, PJM filed Tariff revisions proposing changes to the billing of Non-Performance Charges. PJM proposed spreading the Non-Performance Charges over a maximum of nine monthly bills, subject to interest for any future Performance Assessment Intervals, where there are fewer than six monthly bills remaining in a Delivery Year for which Non-Performance Charges have not been invoiced. On April 3, 2023, FERC issued an Order accepting PJM's proposed tariff revisions but directed PJM to clarify that extensions granted would apply to all resources, rather than on a unit-by-unit basis. On April 18, 2023, PJM submitted a compliance filing in accordance with FERC's Order.

PJM Capacity Reforms: On February 24, the PJM Board issued a letter to stakeholders asserting that near-term changes are needed to the RPM, and therefore they have decided to initiate the CIFP process. The Board indicated that they hope to reach consensus in key capacity market design areas, with a targeted October 1, 2023 FERC filing date. PJM's initial draft proposal included refinement of reliability risk modeling, moving to a marginal accreditation construct, bolstering winterization requirements, changes to market power mitigation rules and performance assessments and testing.

Base Residual Auction (BRA) Delays: On April 11, 2023, PJM submitted a Section 205 filing to delay RPM Auctions through the 2028/2029 Delivery Year, along with a request for waiver to delay associated pre-auction activities through the 2028/2029 Delivery Year. In this filing, PJM requested an effective date of June 10, 2023. On May 10, 2023, PJM submitted an answer to the various

protests filed against PJM's proposal to delay the upcoming RPM Auctions. In this answer, PJM provides further justification for a delay of the RPM Auctions. Ten parties filed comments in response to PJM's proposed BRA delay filing. If PJM does not receive an order by June 10, 2023, they will proceed with the 2025/2026 BRA in June as scheduled.

[Capacity Performance Penalty Rate](#): On May 30, 2023, in Docket No. ER23-1996-000, PJM submitted proposed revisions to the PJM Tariff to refine the definition of Emergency Action for purposes of determining Performance Assessment Intervals. PJM requested a shortened 10 day comment period and requested that the Commission accept the proposed revisions no later than July 14, 2023, and to become effective as of June 1, 2023.

[Updated Default Gross Cost of New Entry & Avoidable Cost Rate Value](#): On April 24, 2023, PJM submitted revisions to update Default Gross Cost of New Entry and Avoidable Cost Rate values, which are used for purposes of the Minimum Offer Price Rule and Minimum Seller Offer Cap in PJM's Capacity Market. PJM requested the revisions be effective as of June 23, 2023.

Energy Market Issues

[Day-Ahead Zonal Load Factors](#): On March 31, 2023, PJM submitted revisions to its Tariff to improve the determination of Day-ahead Zonal Load Factors used in the Day-ahead Energy Market to better represent actual Real-time operations. PJM proposed to implement the proposed Tariff reforms during the third quarter of 2023, and requested that the Commission issue an order accepting this filing by May 30, 2023, and direct PJM to submit a compliance filing with the Commission to establish the actual effective date once it is known.

Ancillary Services Market Issues

No updates at this time.

Emerging Technologies

[FERC Order 2222](#): On March 30, 2023, PJM submitted a motion to extend the deadline for its 60-day compliance filing in the Order No. 2222 compliance proceeding, from May 1, 2023 to September 1, 2023. The motion was submitted in response to the Commission's March 1, 2023 order, in which the Commission accepted PJM's initial Order No. 2222 compliance filing, to become effective July 1, 2023, and February 2, 2026, subject to further compliance filings to be submitted within 30 and 60 days of the date of issuance of the order. The Commission directed PJM to submit an informational filing within 30 days of the date of issuance of the order to provide an update on implementation timeline milestones associated with meeting the July 1, 2023 and February 2, 2026, effective dates for participation in its markets and to remove its proposed language exempting Distributed Energy Resource (DER) Capacity Aggregation Resources from capacity market power mitigation rules if any of the Component DER are co-located with retail end-use load. On March 31, 2023, PJM submitted a required informational filing on effective date implementation, and its 30-day compliance filing, in accordance with the Commission's Order.

Other

Liaison Committee Attendance: On March 8, 2023, the Public Service Commission of West Virginia (PSC WV) filed a Federal Power Act (FPA) Section 206 complaint against PJM alleging PJM is violating Sections 205 and 206 of the FPA and PJM's Operating Agreement, and the independence, open stakeholder meetings and transparency requirements of FERC's Order Nos. 2000 and 719 for RTOs by refusing to allow the PSC WV to observe and attend the PJM Liaison Committee meetings. On March 24, 2023, the PJM Independent Market Monitor (IMM) filed a similar complaint against PJM pursuant to Federal Power Act Section 206. The IMM's Complaint requests that FERC issue an order directing PJM to permit the IMM to participate in Liaison Committee meetings. FERC has not yet ruled on either filing.

Market Suspension: On March 21, 2023, PJM submitted revisions to the PJM Tariff and Operating Agreement to provide clear rules for settlement procedures in the unlikely event of a Market Suspension, where PJM cannot clear and produce market results due to extraordinary circumstances. Although PJM has never declared a Market Suspension, this proposal provides PJM markets transparency and certainty as to how prices will be determined in the event of a Market Suspension. PJM requested an effective date of June 1, 2023.

**This foregoing document was electronically filed with the Public Utilities
Commission of Ohio Docketing Information System on**

6/1/2023 2:32:07 PM

in

Case No(s). 14-1297-EL-SSO

Summary: Report Quarterly Update Pursuant to Section V.C.2. of the Third
Supplemental Stipulation and Recommendation electronically filed by Ms. Jill R.
Olbrysh Sustar on behalf of Ohio Edison Company and The Cleveland Electric
Illuminating Company and The Toledo Edison Company.