

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

Q4 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

PJM and stakeholders remained focused on capacity and resource adequacy-related issues this reporting period following the conclusion of the Critical Issue Fast Path (CIFP) on August 23, 2023. On September 27, 2023, the PJM Board of Managers (Board) issued a letter to stakeholders outlining their decision regarding the CIFP and directing PJM to file a package, including but not limited to: maintaining an annual capacity market construct, adopting PJM Staff's risk modeling proposal, adopting a marginal effective load carrying capability accreditation approach for all resources and more. PJM carried out the Board's direction on October 13, 2023, making two filings at FERC containing the reforms enumerated in the Board's letter. One filing contained proposed reforms to the Market Seller Offer Cap and Capacity Performance related items such as performance assessments and more. The other filing contained PJM's proposed reforms related to resource adequacy modeling, accreditation, resource testing, annual stop-loss provisions and alignment of the Fixed Resource Requirement alternative with Reliability Pricing Model rules.

Capacity Market Issues

PJM Capacity Reforms: On October 13, 2023, PJM submitted proposed capacity market reforms designed to support reliability of the electric grid now and in the future amid increasingly extreme weather and a changing generation fleet in two separate filings. PJM's filing in ER24-98 included, but was not limited to the following:

- Market Seller Offer Cap reforms, such as a standardized methodology for calculating unit-specific Capacity Performance Quantifiable Risk (CPQR), revisions to the Energy and Ancillary Services offset, PJM ability to calculate an alternative unit-specific Market Seller Offer Cap and more.
- Limiting assessed resources (those subject to penalties and eligible for bonus payments during a Performance Assessment Interval) to committed Generation Capacity Resources.
- Other reforms related to Performance Assessments, included excusals, the Balancing Ratio and a newly proposed Performance Assessment Interval Obligation Transfer Market.
- Adoption of a forward-looking Energy & Ancillary Services for Market Seller Offer Cap and Minimum Offer price Rule.

PJM's filing in ER24-99 included, but was not limited to the following:

- Reforms to the reliability metric and risk modeling enhancements.
- Adoption of a Marginal Effective Load Carrying Capability Accreditation methodology.
- Additional and enhanced resource testing requirements.
- Revising the annual stop-loss provisions to base residual auction clearing prices.
- Alignment of Reliability Price Model rules with the Fixed Resource Requirement alternative.
- Binding notice of intent to offer for Planned Generation Capacity Resources.

PJM requested an effective date of December 12, 2023, for the proposed Tariff and RAA changes. Comments on each of PJM's respective proposals were due on November 9, 2023, with nearly 40 parties filing comments in response. On November 17, FERC issued deficiency letters in response to both of PJM's filings, requesting clarification and/or additional information regarding various provisions in each of PJM's respective filings.

[Winter Storm Elliott Complaints](#): On September 29, 2023, PJM Interconnection along with 80 settling parties submitted a comprehensive Settlement with the Commission that resolves the fifteen complaints filed against PJM relating to Winter Storm Elliott. The settling parties requested that the Commission approve the Settlement without modification or condition no later than December 29, 2023. Relatedly, on September 8, 2023, PJM filed a joint motion for waiver of tariff provisions in order to allow PJM to defer collection of the remaining unbilled Non-Performance Charges associated with Winter Storm Elliott and disbursement of the revenue from those Non-Performance Charges to Market Participants that had Bonus Performance during Winter Storm Elliott until PJM can implement the billing consequences of the Commission's approval or rejection of the Settlement. On September 25, 2023, FERC granted the joint motion for waiver.

Energy Market Issues

[OPSI Forward Energy Attribute Market Working Group](#): Interested members of the Organization of PJM States, Inc. (OPSI) have convened a voluntary working group aimed at developing and gathering consensus from the interested states on a fully implementable Forward Energy Attribute Market design by December 31, 2023. As part of the process, the Working Group will hold one meeting each month that is open to the public – the first such meeting was held October 19, 2023.

Ancillary Services Market Issues

[Reserve Certainty Senior Task Force](#): On October 10, 2023, PJM kicked off the Reserve Certainty Senior Task Force. The Reserve Certainty Senior Task Force will investigate enhancements to PJM's reserve markets. Immediate-term topics to be explored include the quantity of reserves procured, how reserves are deployed, event performance and penalty structure, and alignment of offer structure with fuel procurement practices. Additionally, the group will explore long-term system needs due to an evolving generation fleet, including reserve product participation requirements and incentives for resource flexibility. The Task Force reports to the Markets and Reliability Committee.

Emerging Technologies

[FERC Order 2222 Update](#): On September 1, 2023, PJM submitted a compliance filing in the Order No. 2222 compliance proceeding related to the participation of Distributed Energy Resource Aggregations (DERAs) in PJM markets, in accordance with the Commission's March 1, 2023, order accepting PJM's

initial February 1, 2022, Order No. 2222 compliance filing. On November 13, 2023, FERC issued an Order accepting PJM's filing in part and rejecting in part. FERC accepted PJM's proposed capacity market mitigation rules in the Tariff and the Operating Agreement. FERC rejected the indefinite implementation date and directed a revision, within 30 days, to make a firm date applicable to DERAs before the pre-auction activity timeline of the 2026/2027 base residual auction. Additionally, FERC rejected a related PJM filing made pursuant to Section 205 of the Federal Power Act on grounds that an indefinite implementation date was not a "reasonable implementation date" and suggested PJM could make an additional filing at a later date when the timeline is clearer.

Other

[Deactivation Enhancements Senior Task Force](#): On October 12, 2023, PJM kicked off the Deactivation Enhancements Senior Task Force. Given the anticipated volume of generation resource retirements expected in the coming years, the Deactivation Enhancements Senior Task Force will evaluate the general deactivation process and the provisions contained primarily in Part V of the Open Access Transmission Tariff. It will focus on compensation, the deactivation notification timeline, and transparency. The Task Force will report to the Markets & Reliability Committee.

[Financial Transmission Right Credit Requirements](#): On September 21, 2023, FERC issued an order that addressed PJM's June 2022 filing to revise its Financial Transmission Right (FTR) Credit Requirement. Following a Federal Power Act Section 206 investigation, the order accepted PJM's June 2022 filing, except PJM's proposal to use a 97% confidence interval in its historical simulation (HSIM) model, finding that PJM failed to justify the use of the 97%. FERC directed PJM to submit within 30 days of the date of this order, a compliance filing with revisions to the PJM Tariff in accordance with the order, including changing the confidence interval used in the HSIM model from 97% to 99%. Additionally, in response to a request for rehearing, the order sustained the Commission's February 2022 order, which rejected PJM's December 2021 filing to revise its FTR Credit Requirement.

[U.S. House Energy, Climate and Grid Security Subcommittee Hearing on Reliability](#): On September 28, 2023, the U.S. House of Representatives Energy, Climate and Grid Security Subcommittee held a hearing titled "Powering America's Economy, Security, and our Way of Life: Examining the State of Grid Reliability." A number of witnesses provided testimony, including PJM's Senior Vice President of Market Services, Frederick "Stu" Bresler III. Bresler's testimony discussed who PJM is, what PJM does, trends in the pace of generation retirements and their replacement, steps PJM has taken to address reliability, and more.

[FERC & NERC Report on Winter Storm Elliott](#): On November 7, 2023, FERC and the North American Electric Reliability Corporation (NERC) released the final report on Winter Storm Elliott, with recommendations regarding the completion of cold weather reliability standards initially identified after 2021's Winter Storm Uri, and improvements to reliability for U.S. natural gas infrastructure.

[2023 Annual Reliability Technical Conference](#): On November 9, 2023, FERC convened its annual Reliability Technical Conference to discuss policy issues related to the reliability and security of the Bulk-Power System. The conference included multiple panels that discussed 1) the state of bulk power system reliability with a focus on the changing resource mix and resource adequacy, 2) CIP reliability standards and the evolving grid, 3) U.S. EPA's Section 111 Proposed Rule.

[Peak Market Activity Credit Requirement:](#) On November 21, 2023, PJM submitted its Enhancements to Peak Market Activity Credit Requirement proposal. The proposed Tariff enhancements will better protect market participants, particularly during times of stress, through effective collateralization. PJM requested that the Tariff revisions become effective as of January 22, 2024.

[New ComEd Cost of New Entry \(CONE\) Area:](#) On November 21, 2023, PJM submitted its proposal for Tariff revisions to establish a new Cost of New Entry (CONE) Area for ComEd to address the impacts of Illinois' Climate and Equitable Jobs Act on the expected economic life of the Reference Resource in the ComEd Zone. PJM requested that the Tariff revisions become effective as of January 22, 2024.

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

12/1/2023 2:22:57 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.