

# FirstEnergy's Perspective on PJM's Wholesale Electricity Markets: 2024

## Q1 2024 ISSUES

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*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

The first quarter of 2024 saw the resolution of PJM's respective capacity market reform dockets, with FERC issuing orders accepting the proposed reforms in one docket and rejecting the proposed reforms in the other. On January 30, 2024, FERC issued an order accepting PJM's proposed reforms to its capacity accreditation model, risk modeling enhancements, resource testing, and more, contingent on PJM submitting a compliance filing. On February 6, 2024, however, FERC issued an order rejecting PJM's proposed capacity market reforms relating to the Market Seller Offer Cap (MSOC), bonus payments, and other capacity performance related topics. The orders represent the culmination of a process PJM's Board formally announced in a February 24, 2023, letter to stakeholders, which kicked off an expedited stakeholder process to pursue near-term changes to the Reliability Pricing Model.

### Capacity Market Issues

PJM Capacity Reforms: FERC issued orders in each of PJM's capacity reform dockets, approving one contingent on PJM submitting a compliance filing in accordance with FERC's order and rejecting the other in its entirety.

- On January 30, 2024, FERC issued an order largely accepting PJM's capacity market reforms filing related to marginal effective load carrying capability (ELCC) accreditation, risk modeling, resource testing, and the annual stop-loss, conditioned on PJM submitting a compliance filing within 30 days addressing some minor clarification issues. Generally, the order finds that PJM's proposal is just and reasonable and will "help to ensure the PJM's capacity market design more accurately represents the PJM system's reliability needs, as well as the expected ability of both individual resources and the fleet as a whole to meet those needs." PJM was ordered to submit a compliance filing by February 29, 2024, addressing a limited number of minor corrections and revisions, as described in FERC's order. On February 16, PJM submitted its compliance filing in response to FERC's order.
- On February 6, 2024, FERC issued an order rejecting PJM's filing in ER24-98, which included proposed reforms addressing the Market Seller Offer Cap, Capacity Performance Quantifiable Risk (CPQR), Bonus Payment Eligibility, the Energy and Ancillary Services offset, and the Fixed Resource Requirement (FRR) Alternative. FERC found that PJM failed "to demonstrate that several elements of its proposal, including the standalone CPQR offer cap, the standardized methodology for calculating CPQR, the changes to the FRR Alternative, and PJM's proposal regarding excuses from performance shortfalls, are just and reasonable." FERC further ruled that PJM failed to demonstrate that PJM's proposal to limit eligibility for

Capacity Performance bonus payments is just and reasonable.

[Base Residual Auction Delay](#): On February 12, 2024, PJM submitted a request for prospective waiver and expedited Commission action to delay the Base Residual Auction associated with the 2025/2026 Delivery Year by 35 days, along with a delay of the associated pre-auction deadlines. PJM requested a shortened five-day comment period to expedite consideration of this waiver request and issuance of a Commission order by February 26, 2024. On February 26, 2024, FERC issued an order granting PJM's request for waiver of certain provisions of the Tariff to delay the commencement of the 2025/2026 base residual auction by 35 days. Further, FERC granted PJM's request for waiver of certain associated pre-auction deadlines for the 2025/2026 BRA identified in Attachment A of PJM's filing.

[Winter Storm Elliott Complaints](#): On December 19, 2023, FERC issued an order approving the Settlement Agreement filed on September 29, 2023, by PJM, along with 80 settling parties, resolving the fifteen complaints filed against PJM relating to Winter Storm Elliott. The Settlement Agreement specified a uniform 31.7% reduction in non-performance charges across all intervals of the performance assessment event and across all market participants, except for those that are in bankruptcy. It also provided an additional \$11.9 million reduction in non-performance charges to specific parties in the settlement. PJM will implement the Settlement Agreement in the February 2024 monthly billing statement, to be issued on March 7, 2024.

[Capacity Obligations for Large Load Additions](#): On January 31, 2024, FERC issued an order granting a December 2023 waiver request by American Electric Power Service Corp. on behalf of its affiliates Appalachian Power Company, Indiana Michigan Power Company, Kentucky Power Company, and Wheeling Power Company (collectively, the AEP FRR Entities). On December 4, 2023, the AEP FRR Entities filed a request for a limited waiver of the Base Zonal FRR Scaling Factor included in the PJM Reliability Assurance Agreement Among Load-Serving Entities in the PJM Region, Schedule 8.1.D, in the calculation of the AEP FRR Entities' capacity obligation for Delivery Year 2025/2026. On December 18, 2023, PJM filed a Motion to Intervene and Comments in response to a request for limited waiver by the AEP FRR Entities. In its Comments, PJM requested that any Commission decision to come out of this petition for waiver be limited to the facts of this case for only the 2025/2026 Delivery Year, and urged the Commission not to prejudge the outcome of any potential solution that may be developed through the stakeholder process regarding the appropriate way to allocate the impact of large load additions on capacity obligations.

## **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. As part of the process, the Working Group will hold meetings that are open to the public – the first such meeting was held October 19, 2023. Additional meetings are scheduled for February 29, March 21, and April 25.

## **Ancillary Services Market Issues**

*No updates at this time.*

## Emerging Technologies

[FERC Order 2222 Update](#): On December 13, 2023, PJM submitted a compliance filing in the Order No. 2222 compliance proceeding related to the participation of distributed energy resource aggregators in PJM's energy, capacity, and ancillary services markets. PJM's compliance filing does not contain any substantive revisions, but redates and reorganizes certain eTariff records to ensure that PJM's capacity market mitigation rules will be in effect in time for the commencement of pre-auction activities for, and prior to, the 2026/2027 Delivery Year BRA. PJM requested an effective date of July 1, 2024.

## Other

[New ComEd Cost of New Entry \(CONE\) Area](#): On January 19, 2024, FERC issued an order accepting PJM's submitted revisions to its Open Access Transmission Tariff (Tariff) to establish a new CONE Area for the Commonwealth Edison Company (ComEd) transmission zone. On November 21, 2023, PJM submitted its proposal for Tariff revisions to establish a new 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.

[Financial Transmission Rights \(FTR\) Bilateral Agreement Reform](#): On January 16, 2024, PJM filed a Deficiency Response relating to their proposed FTR Bilateral Agreement Reforms in response to a December 14 FERC deficiency letter. FERC's deficiency letter sought clarification on a number of items raised in a protest from the PJM Independent Market Monitor (IMM). On November 9, 2023, PJM filed a proposal at FERC seeking modifications to create additional transparency in the bilateral FTR market. PJM asserted their proposal would "better enable PJM to conduct market surveillance of its FTR market by standardizing and improving the quality of the data PJM receives from FTR Participants about FTR bilateral agreements."

[U.S. Environmental Protection Agency \(EPA\) Proposed Rule](#): On December 20, 2023, the Joint ISOs/RTOs (ERCOT, MISO, PJM, and SPP) provided comments to the U.S. EPA regarding their proposed rule establishing new source performance standards and emissions guidelines for electric generating units. The comments were made in response to the EPA's Supplemental Notice of Proposed Rulemaking request for comments published in the Federal Register on November 20, 2023.

[Peak Market Activity Credit Requirement](#): On January 19, 2024, FERC issued an order approving PJM's revisions to its peak market activity credit calculation. On November 21, 2023, PJM submitted its Enhancements to Peak Market Activity Credit Requirement proposal. PJM asserts the 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.

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

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