

Impact of Wholesale Market Costs and Pricing on Customers

** These comments were developed prior to, and in anticipation of, the August 5, 2024, PJM Liaison Committee Meeting by David Lapp, Maryland People's Counsel. Note: Some aspects of these comments may have been omitted from the oral presentation to the PJM Board.**

Good afternoon. Thanks for the opportunity to be here. I am here to ask the Board to start thinking about customers and to impress upon you that PJM is failing the very people that it is supposed to serve.

One need look no further than last week's capacity auction to see how dysfunctional the market is. Region-wide capacity prices grew more than 800%.

These results are devastating for customers. We estimate the increases to Maryland residential customers average from \$168 to \$216 per year. And those are just capacity costs.

As a result of the failures of PJM's market construct, customers are also being hit by generous reliability must-run arrangements and reliability projects. Vast sums are also being charged to customers for supplemental projects and so-called "immediate need" projects that avoid competitive procurements. Across the region, transmission costs have tripled since 2014.

The extraordinary impacts reflect PJM's indifference to all the costs and risks that it is imposing on customers.

The market defects—and PJM's mistakes, as the DPL South situation shows—all favor the transmission owners and generators. Customers bear all the risks and all the costs.

For evidence of generator favoritism, consider the items that PJM is cherry-picking to change outside of the quadrennial reliability review. It is in the process of making changes to reflect higher inflation rates, and it recalculated Comm Ed Zone 5's requirement because of Illinois' climate law. These changes benefit generators, but PJM does not consider changes to reflect facts adverse to customers. And the Board just swept aside multiple requests to add a circuit breaker to prevent prices from skyrocketing under emergency conditions.

For transmission owners, just one example from the laundry list is PJM's recent CTOA filing that we and many others have protested. The CTOA would further lock in the TO's

influence over transmission planning by giving them unique rights, including secret discussions between the TOs and PJM. Customer interests have already been left on the floor in PJM's planning process, but the CTOA would literally sweep customers out of the room.

One important way that PJM can demonstrate that customers do matter is by addressing the shocking lack of transparency and information available to the customers that pay all the bills.

PJM's "Market Reports" provide a case in point. PJM has provided inaccurate transmission cost information in these reports for at least a year. The July report understates those costs by 20%. PJM staff have acknowledged the error, yet PJM continues to use erroneous numbers in its presentation.

It is outrageous that PJM continues to publish false numbers and that it has failed to issue corrections to previously reported false numbers. This problem is a manifestation of PJM's neglect of customers.

Beyond the market reports, PJM should perform and make public analyses available before market reforms in time for stakeholders to understand and influence decisions. PJM is the only entity with all the information to perform the needed analysis. It can't predict the future, but there is no excuse for the lack of timely analysis.

PJM has a serious and growing credibility problem. Greater transparency is a small but important way that PJM can help, but it will take much more work to better balance the interests of customers.

Thank you.