UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

PJM Interconnection, L.L.C. : Docket No. ER19-511-000

MOTION TO ACCEPT LATE-FILED COMMENTS AND COMMENTS OF THE PENNSYLVANIA PUBLIC UTILITY COMMISSION

I. MOTION TO ACCEPT LATE-FILED COMMENTS

A. Background

On December 7, 2018, PJM Interconnection, L.L.C. ("PJM") submitted proposed revisions to PJM's Reliability Assurance Agreement Among Load Serving Entities in the PJM Region ("RAA"), Open Access Transmission Tariff ("Tariff") and Amended and Restated Operating Agreement of PJM Interconnection, L.L.C. ("Operating Agreement"). In its filing, PJM proposes to amend language to explain that Customer Baseline Load ("CBL") will be the metric used for measuring the performance of peak-shaving programs, add a new definition for Peak Shaving Adjustment and amend the Price Responsive Demand ("PRD") plan submission deadline for the 2022/2023 Delivery Year.[1]

PJM contends that, given the three-month delay in the upcoming Base Residual Auction ("BRA") for the 2022/2023 Delivery Year, PJM will be able to incorporate the modified load forecast described in this filing in the upcoming BRA to be held in August

[1] *PJM Interconnection L.L.C.*, Docket No. ER19-511-000 (Filed December 7, 2018).

of 2019. PJM requests that the Commission issue an order accepting the enclosed revisions by no later than February 5, 2019, sixty (60) days from the date of this filing, with an effective date of February 5, 2019. Comments on these tariff revisions were due to be filed by December 28, 2018.

B. Motion

The Pennsylvania Public Utility Commission (PAPUC) moves for acceptance of late-filed Comments in this matter pursuant to Rule 212 of the FERC's Rules of Practice and Procedure. 18 C.F.R. § 385.212. The PAPUC only became aware of this filing on December 19, 2018. The PAPUC was not able to adequately analyze the contents of the tariff filing and prepare comments due to absence of technical personnel and the filing date falling between two holidays.

The PAPUC has been an active and vocal participant on the issue of PJM's proper utilization of seasonal demand-response resources and summer-only resources given the prevalence and importance of these resources in Pennsylvania. The PAPUC has also advocated its position before the Summer Only Demand Response Task Force (SODRTF). As will be stated in its Comments herein, the PAPUC supports PJM's tariff filing as an important step in properly recognizing the important contribution of summer-only demand response as a peak-shaving resource but objects to certain restrictions placed on peak shaving load participants. As a state commission, the PAPUC also represents interests not adequately represented by other parties to this proceeding and believes its Comments should be considered. Finally, the acceptance of the PAPUC's late-filed Comments will not materially delay the Commissions' consideration of PJM's filing in this matter.

II. SUMMARY OF PJM'S FILING

The PAPUC supports PJM's proposed tariff revisions as a long-overdue measure to recognize the contributions of summer-only demand response resources (SODRR) that have historically been unable to make annual commitments, aggregate commercially prior to the BRA or clear as "summer only" demand response through the enhanced seasonal aggregation rules. The PAPUC endorses PJM's proposed revisions which will better recognize SODRR as demand-side resources rather than supply-side resources. PJM's proposal is designed to capture the peak-shaving benefits in its load forecast resulting in the additional benefit of more accurate load forecasts.

Specifically, PJM's tariff revision is based on the following components:

- PJM's current econometric model which utilizes historical data to develop zonal and RTO-wide load forecasts, suffers from the disadvantage that administrators of peak shaving programs cannot always determine precisely when load curtailments would have the largest impact on the load forecast as it is difficult to predict when the peak periods will occur in real time.

- Under the proposed tariff, PJM's revised load forecasting model will require program administrators to peak shave any day that an anticipated curtailment behavior trigger is met or exceeded.[2]

- PJM proposes to analyze historical peak-shaving results of load curtailment participants and incorporate these MW curtailment results into its load forecast model. Over time, historical and actual curtailment behavior will be evaluated, scored and factored into the load forecast. Failure to curtail load to the specified parameters would result in a reduction in the Peak Shaving Adjustment for future load forecasts.

[2] PJM proposes a curtailment behavior trigger called a Temperature Humidity Index (THI).

- PJM states that, over time, the adjusted load forecast will be reflected in the VRR curve, which is used in the Base Residual Auction (BRA) and Incremental Auctions (IAs). While PJM will incorporate the MW curtailment values submitted by each participating entity in PJM's load forecast, the submitted values cannot later be reduced in the IAs. However, MW curtailment values submitted to PJM for IAs can be in addition to those submitted for the BRA but must represent new peak shaving programs that were not in place the previous year.

- Peak shaving programs that are eligible to participate in this program are limited to those that are governed by a tariff or order adopted by the Relevant Electric Retail Regulatory Authority ("RERRA"). This is reasonable because load curtailment that occurs on the demand side is appropriately governed by a RERRA.

- PJM's proposal ensures that the inclusion of peak shaving programs in PJM's load forecast does not unintentionally usurp state authority or impede states from taking any actions within their authority. Specifically, the entity subject to the RERRA tariff or order will be fully responsible for satisfying the peak shaving adjustment requirements.

- To avoid potential double benefits, PJM proposes that participants in a peak shaving program will be prohibited from participation as Price Responsive Demand (PRD) or Demand Resource (DR) (emergency or economic). PJM reasons that demand response customers cannot participate as both peak-shaving resources and also be available to reduce load as PRD or Demand Resources since their capabilities will already be accounted for through a lowered load forecast. Absent this prohibition, load curtailment customers could receive the benefit of both a reduced load forecast as well as supply-side payments for the same MWs.[3]

III. COMMENTS

The PAPUC supports PJM's efforts to accommodate summer demand response programs. Such programs provide incentives to improve overall RTO system efficiency by providing necessary markets to better balance summer and winter requirements. Since PJM is a summer-peaking RTO, with summer peaking requirements largely driving

[3] PJM Filing, at 4-7.

overall RTO capacity requirements, it is a necessity for PJM to provide a means of empowering customers to more efficiently balance seasonal system requirements.

To this end, the PAPUC supports PJM's creation of the Peak Shaving or Load Forecast Adjustment (LFA) Process. The LFA mechanism should enable customers to reduce load in a manner that can *optimally* reduce annual capacity requirements pursuant to state approved peak-shaving programs. However, in doing so, PJM proposes to limit customer participation in other demand response markets. Specifically, PJM proposes that any End-Use Customer identified in an approved peak-shaving plan shall not also participate in PJM Markets as PRD, DR, Base Capacity Demand Resource, Capacity Performance Demand Resource, or Economic Load Response Participant.

PJM attempts to justify these market restrictions because DR are expected to reduce load when dispatched, since the load forecast and reliability requirement anticipates such customers will consume their normal load. However, if demand response customers participate in peak shaving, the load forecast would be reduced so that there is no longer the expectation of such customers consuming normal load when the relevant trigger is met. As a result, according to PJM, demand response customers cannot participate as peak shaving and also be available to reduce load as PRD or DR *since their capabilities will already be accounted for through a lowered load forecast*, which assumes such demand response customers will reduce load without being dispatched. Absent this prohibition, according to PJM, load curtailment customers could receive the benefit of both a reduced load forecast as well as supply-side payments for the same MWs. PJM also avers that the purpose of the subject filing is to value summer-only demand response resources that are otherwise unable to participate as an annual resource in PJM's market. Peak shaving programs that can participate as DR or PRD are already valued and have no need to also participate in the Peak Shaving Adjustment program.

The PAPUC strongly opposes such restrictions. PJM has not adequately justified the necessity to limit customer participation in other DR markets. Such restriction should be removed, and customers should be permitted to participate in multiple DR programs, subject to appropriate rules to ensure no double compensation is received for the same demand reduction. Load customers should not be required to choose between two programs that provide value and are complementary in nature especially when current technology allows for development of mechanisms to prevent double-recovery.

Some simple examples provide clear illustrations of why such restrictions are unjust and unreasonable.   First, if the LFA resource wishes to participate in energy markets during non-LFA event hours, no double counting could exist.   The resource would continue to be obligated to participate fully during LFA events, driven by its THI triggers and concurring demand reduction commitments.

Second, if a customer commits to reducing load by 2 kW during an event, but has the capability to reduce load *an additional 2 kW*, PJM has not explained why this customer cannot participate for 2 kW under the LFA program, and 2 kW under the economic program in energy markets by reducing load by 4 kW. This could be a valid and conservative approach a customer may wish to opt into if they are uncertain about their abilities to reduce load by the full 4 kW during all LFA events.

In the same manner, a customer or LSE may have only cleared partially in the BRA due to PJM markets limited ability for summer only resources to match with winter only resources, and thus seek to cover its remaining summer-peaking capability through an incremental auction as an LFA resource. Again – the overall goal here is to accommodate the *additional* summer peak-reduction capability of a customer – not the same summer peak reduction capability.

Additionally, some customers may have both summer peak-reduction capability, and annual [all year long] demand reduction capability.[4] Such customers would need to strand their annual peak reduction capability if they wished to participate in the new LFA programs. Such an outcome is clearly sub-optimal. Again, this does not represent use of the *same* demand reduction capability, but the *additive* demand reduction capability of a customer.

PJM's further averments as to the purpose of LFA – to only value summer-only resources – provides no justification for further limiting DR participation in existing PJM DR markets. It makes no sense, in the development of DR markets, to take one step forward, and two steps backward. Rather, any restrictions are only appropriate where clear "gaming" could and would occur. PJM has failed to demonstrate that such gaming would occur. Reasonable measurement and verification rules can and should be developed to ensure that such performance is additive in nature when customers participate in more than one DR market.

[4] This could be in the form of DR or Capacity Performance Demand Resource

The PAPUC recommends that those provisions in PJM's tariff filing which place unnecessary restrictions on demand resource participation in both DR and LFA markets be rejected. However, other provisions implementing the LFA mechanism should be approved. The PAPUC agrees with FERC that "removing barriers to distributed energy resource aggregations in the RTO/ISO markets is important."[5] PJM's filing as it relates to market access for DR resources is inconsistent with the Commission's efforts in this regard.

The PAPUC recommends that, while the majority of PJM's tariff proposal is acceptable, that FERC reject PJM's proposal to restrict dual participation in both state-sponsored LFA and PJM administered DR programs. PJM should revise its filing to allow customers to participate in both types of programs. Adequate protections can be developed to prevent "double-counting" of program benefits.

IV. CONCLUSION

For all the foregoing reasons, the PAPUC respectfully requests the Commission grant its Motion to Accept Late-Filed Comments in this matter and consider its Comments in its deliberations in this proceeding.

[5] *See*; *Electric Storage Participation in Markets Operated by Regional Transmission Organizations and Independent System Operators* 162 FERC ¶ 61,127 (Issued February 15, 2018).

Respectfully submitted,

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Dated: January 3, 2019

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that I am on this date serving a copy of the foregoing document upon each person designated on the official service list compiled by the Federal Energy Regulatory Commission in accordance with the requirements of Rule 2010 of the Commission's Rules of Practice and Procedure.

Dated at Harrisburg, PA this 3rd day of January 2019.

Respectfully submitted,

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Dated: January 3, 2019