

**UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION**

PJM Interconnection, L.L.C. : Docket No. ER15-738-000

**COMMENTS OF THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

I. INTRODUCTION

On December 24, 2014, PJM Interconnection L.L.C. (PJM) filed, pursuant to Section 205 of the Federal Power Act, 16 U.S.C. Section 824d, seeking a one-time waiver of a tariff provision that would, absent the waiver, require PJM to offer to release approximately 2,000 MW of capacity previously committed to the PJM Region. The Pennsylvania Public Utility Commission files Comments to that filing as further explained below.

II. BACKGROUND

PJM seeks a one-time waiver of a tariff provision that normally requires it to release 2,000 MW. This waiver relates solely to the Third Incremental Auction for the 2015/2016 Delivery Year which is held three months before the applicable Delivery Year.

As further background, PJM has secured capacity commitments for the 2015/2016 Delivery Year in excess of the 15.6% Installed Reserve Margin (“IRM”). The final peak load forecast for the 2015/2016 Delivery Year has decreased from the prior forecast and thus has reduced the Reliability Requirement for the PJM Region. PJM has calculated

that it would be required to offer in the Third Incremental Auction to release approximately 2,000 megawatts of previously committed capacity.

A key portion of that capacity consists of Demand Response Resources (DR) which were committed in accordance with PJM's approved Tariff. The 2012 BRA cleared over 14,800 megawatts of Demand Resources. Based on resource replacement activity by DR providers in the two Incremental Auctions held so far for the 2015/2016 Delivery Year (DY), PJM estimates that 11,257 megawatts of DR will remain committed as of the start of the 2015/2016 DY.

PJM is concerned that uncertainty with regard to the recent decision in *Electric Power Supply Ass'n v. FERC*, 753 F.3d 216 (D.C. Cir. 2014) coupled with the pending Complaint of FirstEnergy Service Company at Docket EL14-55-00 raises the risk that PJM may not be able to compensate those committed DR resources during the 2015/2016 DY. PJM is further concerned that adverse determinations by the U.S. Supreme Court in the *EPSA* case and by FERC in the FirstEnergy Complaint proceeding may result in PJM entering the summer of 2015 with a capacity shortfall. Further, PJM estimates that the loss of committed DR resources could cause the Installed Reserve Margin (IRM) to drop from the previously approved 15.6% to 13.2%.¹ PJM is also concerned that the poor performance of capacity resources this past winter coupled with greater expected retirements of coal-fired generation also increases the risk of capacity shortfalls. If PJM were to lose the ability to rely on these committed Demand Resources next summer, the

¹ See Affidavit of Micheal J. Kormos on behalf of PJM.

level of committed Capacity Resources would drop significantly below the IRM of 15.6%.

PJM's waiver request is coupled with a parallel filing at ER15-739-000 wherein approval is sought from FERC to permit PJM to enter into and recover the costs of capacity agreements for approximately 2,000 MW of capacity outside of the Reliability Pricing Model (RPM).

III. COMMENTS

The PAPUC is supportive of PJM's efforts to minimize performance risk generally and in the upcoming 2015/2016 DY specifically. PJM's recent Capacity Performance filing at ER15-623 is evidence of PJM's proactive efforts in this regard. However, PJM's proposal should be modified to allow sale of excess capacity summer DR resources. The sale of these excess resources to existing Extended Summer DR and Limited DR commitments should be permitted as it mitigates DR risk and does not impact winter performance risk as these resources are solely utilized in the summer months. In support, the PAPUC avers that, of the 11,257 MW of DR committed for the 2015/2016 DY, only 290 MW is annual DR. The remainder of the DR resources are either Limited DR or Extended Summer DR. Thus, PJM's sale of DR resources will not impact winter reliability. In fact, PJM currently allows DR to sell back commitments reduced as a result of recent tariff changes which require operational justification for DR response times in excess of 30-minutes.

As to concerns raised about summer deliverability if all DR is lost as a result of determinations by the U.S. Supreme Court in the EPSA case and by FERC in the

FirstEnergy Complaint proceeding, the sellback of DR resources will be of no import. Under that scenario, only non-DR resources could fill this void, or an alternative DR state-based program or other demand side RPM mechanism would need to be developed to maintain reliability. The sellback of DR resources would not lead to reliability concerns under this scenario. Allowing the sale of DR resources will, however, benefit load serving entities, and thus customers, who will not be burdened with the payment of excess summer capacity costs that exceed just and reasonable reliability requirements as established under PJM's tariff and approved by this Commission.

IV. CONCLUSION

For all the foregoing reasons, the Pa PUC respectfully requests its comments be considered in this proceeding.

Respectfully submitted,

/s/ James P. Melia
James P. Melia
Counsel for the Pennsylvania Public
Utility Commission
PO Box 3265
Harrisburg, PA 17105-3265
Tel: 717-787-1859
jmelia@pa.gov

Dated: January 14, 2015

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 14th day of January, 2015.

Respectfully submitted,

/s/ James P. Melia
James P. Melia

Counsel for the Pennsylvania
Public Utility Commission

P.O. Box 3265
Harrisburg, PA 17105-3265
Tel: (717) 787-5000

Dated: January 14, 2015.