

**PENNSYLVANIA  
PUBLIC UTILITY COMMISSION  
Harrisburg, PA 17120**

Public Meeting held June 15, 2023

Commissioners Present:

Gladys Brown Dutrieuille, Chairman  
Stephen M. DeFrank, Vice Chairman  
Ralph V. Yanora  
Kathryn L. Zerfuss  
John F. Coleman, Jr.

Petition of Duquesne Light Company  
for Approval to Modify its  
Supplier Master Agreement

P-2023-3039875

**ORDER**

**BY THE COMMISSION:**

On April 11, 2023, Duquesne Light Company (Duquesne Light or the Company), Utility Code 110150, filed a Petition for Approval (Petition) to Modify its Default Service Plan (DSP) IX Supplier Master Agreement (SMA) to implement a Capacity Proxy Price (CPP) for any future default supply procurements in the Company's DSP IX that include an unpriced capacity period, without the need to file a separate CPP petition for each such procurement. Duquesne Light is requesting approval pursuant to Section 5.41 of the Pennsylvania Public Utility Commission's (Commission) Rules of Administrative Practice and Procedure, 52 Pa. Code § 5.41.

Duquesne Light served the Petition on the Commission's Bureau of Investigation and Enforcement, the Office of Consumer Advocate, the Office of Small Business Advocate, CAUSE-PA, Calpine Retail Holdings, LLC, Nextera Energy Power Marketing, ChargePoint, StateWise Energy PA LLC & SFE Energy, MAREC Action, and the National Resources Defense Council. No answers or comments were filed, and no hearings were held. For the reasons expressed in this Order, the Commission will grant the Petition consistent with this Order.

Duquesne Light states that on five prior occasions,<sup>1</sup> the Commission approved the Company's requests to use a CPP in the Company's default service procurements to account for delays in PJM Interconnection, Inc.'s (PJM) Base Residual Auctions (BRA) for capacity. Duquesne Light also states that by this Petition, the Company proposes to revise its SMA to enable Duquesne Light to use a CPP for any future default supply procurement in its DSP IX that includes an unpriced capacity period for those contracts extending into the 2025/2026 PJM delivery year, without the need to file a separate petition for each such procurement. Petition §I, pp.1-2.

In Duquesne Light's fifth CPP petition, the Company stated that it had addressed delays in PJM BRAs by filing separate CPP petitions for each affected default service procurement. Duquesne Light also stated that considering the apparent increasing frequency of BRA delays, such a procurement-by-procurement approach is no longer administratively expedient. Duquesne Light further stated that it considered mechanisms that allow the Company to implement a CPP, under certain conditions and according to pre-established rules, without the need for a separate petition for each affected procurement. Duquesne Light's instant Petition constitutes the Company's proposal to address the scenarios under

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<sup>1</sup> At Docket Nos. P-2020-3023149, P-2021-3027796, P-2022-3030423, P-2022-3034176, and P-2023-3037630.

which a CPP would be used, consistent with the methods that were approved by the Commission in five prior CPP petitions. Duquesne Light also states that the proposed CPP mechanism is consistent with that of the FirstEnergy Companies.<sup>2</sup> Petition §I, p. 2.

Duquesne Light states that the Company's current DSP IX extends through May 31, 2025, and procures default supply for residential and small commercial and industrial customers through a combination of laddered twelve- and twenty-four-month fixed price full requirement (FPFR) supply contracts. Duquesne Light also states that the Company conducts requests for proposals (RFPs) for these FPFR supply contracts in September and March of each year, for contracts commencing the following December 1 and June 1, respectively. Duquesne Light further states that typically, the price of capacity for the full duration of the FPFR contract is known at the time of each RFP. Petition §II, ¶5.

Duquesne Light states that on December 23, 2022, PJM filed proposed tariff revisions to the PJM Open Access Transmission Tariff with the Federal Energy Regulatory Commission (FERC) to revise its process for establishing certain BRA parameters. Duquesne Light stated that PJM alleged that the revisions were required to address an "aberrant auction outcome" that would otherwise result under PJM's current procedures in the pending 2024-2025 BRA. On February 21, 2023, FERC approved PJM's tariff revisions, and indicated it would "convene a forum to examine the PJM capacity market and how best to ensure that it achieves its objective of ensuring resource adequacy at just and reasonable rates." Duquesne Light states that on February 28, 2023, PJM published BRA results, thereby establishing an actual capacity price for the 2024/2025 delivery year. Petition §II, ¶¶31-33.

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<sup>2</sup> *Joint Petition for Partial Settlement of Metropolitan Edison Company et al.* filed April 20, 2022, at Docket No. P-2021-3030012 *et al.* (approved by Order entered August 4, 2022).

On March 27, 2023, the PJM Board indicated that it would propose a delay in the BRA for the 2025/2026 delivery year, pending the FERC initiated forum to examine PJM capacity markets. On April 4, 2023, at a special session of the PJM members committee, PJM indicated that it contemplated proposing a June 2024 date for the BRA for the 2025/2026 delivery year. Duquesne Light states that its September default procurement will include service contracts extending into the 2025/2026 delivery period. Petition §II, ¶¶35-36.

Duquesne Light states that its proposal addresses future procurements of default supply contracts extending into an unpriced capacity period. Duquesne Light is proposing to calculate the CPP as a straight average of the actual capacity prices from the last two capacity market auctions conducted by PJM. Duquesne Light states that once PJM concludes the BRA for the unpriced capacity period and releases the results, any differences between the CPP and the actual capacity price would be reconciled, in the same method as previously approved by the Commission. Petition §II, ¶¶37-38.

Duquesne Light states that this reconciliation method is consistent with the method used by the FirstEnergy Companies. Duquesne Light states that the CPP, when applied to a given default supply procurement, would function identically to the previously approved CPPs the Company used in its DSP IX. Duquesne Light is proposing to add Appendix I to its SMA and limited changes to the bidding rules. Duquesne Light proposes to pay winning wholesale suppliers of the Company's FPCR contracts that extend into the unpriced capacity period the auction closing price, subject to subsequent true-up for the portion of the contracts that extend into the unpriced capacity period. Duquesne Light states that once the PJM capacity price is set, the supplier will be debited or credited, as applicable, for any differences between the CPP and the PJM capacity price. Duquesne also states that it would then refund or recoup this amount through its next section 1307(e) reconciliation of default

supply rates, which would be reflected in the Company’s subsequent default supply rates, and that the impact of the CPP on customers will be neutral. Petition §III, ¶40.

Duquesne Light avers that an unpriced capacity period injects an element of uncertainty into its default service auctions, which could impair auction liquidity and drive up default supply prices. Duquesne Light states that implementing a CPP is the appropriate method to mitigate these risks and advance its “least cost over time” and “prudent mix” obligations with respect to the remaining DSP IX term. Duquesne Light also states that as discussed in its previous CPP implementations, the CPP is impact-neutral and is consistent with its recent approaches, other Pennsylvania EDCs, and neighboring states. Duquesne Light also states that it implemented its March 2021, September 2021, March 2022, and September 2022 CPPs without incident. Duquesne Light states that the past solicitations demonstrated that the CPP is generally understood by wholesale suppliers, and that it supports a competitive procurement. Petition §III, ¶¶39, 41.

Duquesne Light estimates a moderate to high likelihood that it will use a CPP in a future DSP IX default supply procurement. Duquesne Light states that the PJM Board has indicated its intent to delay the 2025/2026 BRA, potentially until June 2024, because of an impending stakeholder process to examine PJM capacity markets. Duquesne Light states that it is likely that the BRA for the 2025/2026 delivery year will not have concluded by its September 2023 default supply procurement, and subsequent procurements may also be affected. Duquesne Light states that Commission approval of this CPP mechanism, instead of the Company having to file separate CPP petitions, will result in a reduced administrative burden on the Commission and the Company and that establishing this CPP mechanism will provide additional predictability to prospective wholesale suppliers. Petition §III, ¶¶42-44.

We agree with Duquesne Light and approve its proposal to implement a CPP for any future default supply procurements with contracts that extend into an unpriced capacity

period for its DSP IX's default service auctions. Duquesne Light's CPP proposal is substantially identical to its five prior CPP petitions previously approved by the Commission. We find this modification will maintain the diversity of Duquesne Light's default service contracts while mitigating any detrimental effect of unpriced capacity periods and will eliminate the need for a procurement-by-procurement filing of similar CPP petitions. Accordingly, we grant Duquesne Light's Petition and approve its request to modify its Supplier Master Agreement as proposed; **THEREFORE,**

**IT IS ORDERED:**

1. That Duquesne Light Company's Petition for approval to modify its Supplier Master Agreement is hereby approved, consistent with this Order.
2. That Duquesne Light Company is directed to file a compliance tariff supplement as necessary, on at least one-days' notice, to update the terms of the Default Service Plan in the company's tariff.
3. That a copy of this Order be served on Duquesne Light Company and all Parties of Record.

4. That the proceeding at Docket No. P-2023-3039875 be closed upon the filing of the compliance tariff.

**BY THE COMMISSION,**

A handwritten signature in black ink, appearing to read "Rosemary Chiavetta". The signature is written in a cursive style with a large initial "R".

Rosemary Chiavetta

Secretary

ORDER ADOPTED: June 15, 2023

ORDER ENTERED: June 15, 2023