Jeanne J. Dworetzky
Assistant General Counsel
PECO Energy Company
2301 Market Street, S23-1
Philadelphia, PA 19103

Telephone: 267-533-1125
Fax: 215-568-3389
jeanne.dworetzky@exeloncorp.com

July 10, 2026

VIA ELECTRONIC FILING
The Hon. Matthew L. Homsher
Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street, Second Floor
Harrisburg, PA 17120

RE: Distributed Energy Resources Participation in Wholesale Markets, Chapter 57
Docket No.: L-2023-3044115

Dear Secretary Homsher:

Attached for filing in the above-captioned docket, please find the Reply Comments of PECO Energy Company on the Commission's Notice of Proposed Rulemaking published in the Pennsylvania Bulletin on April 11, 2026.

Please do not hesitate to contact me with any questions.

Sincerely,

Jeanne J. Dworetzky

Jeanne J. Dworetzky
Assistant General Counsel, PECO Energy

Via email
CC: Joseph P. Cardinale, Jr. Law Bureau, jcardinale@pa.gov
Tiffany L. Tran, Law Bureau, tiftran@pa.gov
Karen Thorn, Law Bureau, kathorne@pa.gov
pcregreview@pa.gov

JJD/ld
Encl.

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

DISTRIBUTED ENERGY RESOURCES	**:**	**DOCKET NO. L-2023-3044115**
PARTICIPATION IN WHOLESALE	**:**	
MARKETS, CHAPTER 57	**:**	

REPLY COMMENTS OF PECO ENERGY COMPANY

On April 11, 2026, the Pennsylvania Public Utility Commission ("Commission") published a Notice of Proposed Rulemaking Order in the above-captioned docket[1] seeking comment on the proposed addition of a new Subchapter P in Chapter 57 of the Public Utility regulations. Proposed Subchapter P includes regulations for Distributed Energy Resources ("DER") located on Electric Distribution Company ("EDC") distribution facilities and participating in wholesale markets as part of a DER Aggregation with a DER Aggregator ("DERA") to address certain aspects of the implementation of Federal Energy Regulatory Commission ("FERC") Order No. 2222.[2] On June 10, 2026, PECO Energy Company ("PECO" or "the Company") and fifteen other parties submitted comments on the NOPR. After reviewing the comments submitted by other parties in this proceeding, PECO hereby submits these Reply Comments.[3]

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[1] *Distributed Energy Resources Participation in Wholesale Markets, Chapter 57*, Not. of Proposed Rulemaking Order, PA PUC Docket No. L-2023-3044115 (April. 11, 2026) ("NOPR").

[2] Participation of Distributed Energy Res. Aggregations in Mkts. Operated by Reg'l Transmission Orgs. & Indep. Sys. Operators, Order No. 2222, 172 FERC ¶ 61,247 (2020) ("FERC Order No. 2222"), order on reh'g, Order No. 2222-A, 174 FERC ¶ 61,197, order on reh'g, Order No. 2222-B, 175 FERC ¶ 61,227 (2021).

[3] PECO reiterates and incorporates herein by reference the positions stated in its initial comments in this proceeding.

I. COMMENTS

As it finalizes the rulemaking in this proceeding, the Commission should be guided by the need for affordability and reasoned decision-making and should avoid any temptation to enlarge the scope of this proceeding to topics not supported by the record. PECO's comments below on affordability, electronic data exchange, concurrent participation in PJM markets and net metering programs, alignment with the PJM process, cost and risk shifting, and scope of proceeding are informed by those principles.

A. Affordability and Cost-effective Implementation

FERC Order No. 2222's goal of enhancing competition by enabling DER Aggregation participation in wholesale markets is admirable. However, it is not clear whether, in the near term, DER Aggregation participation will occur at a scale sufficient to materially affect wholesale market prices or produce measurable customer savings. Moreover, it is likely that implementation of DER Aggregation ultimately will require EDCs to make significant investments in systems, processes, cybersecurity, data exchange capabilities, and operational functions needed to maintain safe and reliable electric service. Consistent with established ratemaking principles, EDCs' prudent and necessary compliance costs must be recoverable through appropriate cost-recovery mechanisms. The Commission should, therefore, evaluate proposed regulatory requirements with particular attention to affordability and cost-effectiveness and should decline to adopt requirements that impose substantial new technological, administrative, or operational burdens on EDCs at this early point in the development of this market.

B. Electronic Data Exchange – Proposed Section 57.265(a)

A review of the wide range of initial comments on data exchange submitted in this proceeding amply demonstrates the need for a collaborative process to work through the complex and potentially costly issues associated with data exchange. Commenters propose differing solutions related to Electronic Data Interchange ("EDI"), Green Button Connect, customer consent, cybersecurity, third-party registration, and data availability, among others. PECO takes no position at this early stage on specific proposals such as which platform or technology should be used for data sharing; however, the conflicting nature of the comments on the topic makes it clear that a collaborative process will be critical to reaching a workable framework.

Given these differing approaches, the Commission should direct a neutral stakeholder process, whether through the Electronic Data Exchange Working Group ("EDEWG") or another dedicated technical working group, to evaluate these issues and develop a data sharing framework. PECO further suggests that the Commission provide such working group with guidance on the timing and parameters of its tasks. In particular, the Commission must establish a process that provides sufficient time for (i) the Commission to decide any issues on which the working group is unable to reach consensus and (ii) implementation before the FERC-approved effective dates. Additionally, given the importance of affordability considerations, the Commission must ask the working group to carefully consider the cost of any proposed data framework. Finally, the Commission should ask the working group to focus on administrative feasibility to ensure that any resulting standard is interoperable, secure, and practical for implementation.

To be clear, PECO supports data exchange with DER Aggregators when the (i) Component DER has consented, and (ii) adequate cybersecurity, data privacy, and cost recovery protections are in place. As discussed in PECO's initial comments, protection of the data being shared is a critical part of the protection of customer privacy and of the integrity of EDC systems and should be prioritized.[4]

C. DER Concurrent Participation in PJM Wholesale Markets and Net Metering Programs – Proposed Section 57.263(a)(1)[5]

Some commenters argue that the rule against double counting resources should apply at the device level rather than the premises level. For example, the Natural Resources Defense Council ("NRDC") suggests that the Commission narrow the rule against double counting resources so that preclusion of a net metered resource from participating in the PJM energy and capacity markets applies only to the injection of energy from net metering facilities without precluding other behind the meter resources at the same premises from participating, when and if double-counting concerns are addressed.[6] The Coalition Advocating DER Regulation Efficiency ("CADRE") suggests enabling device-level metering and requiring EDCs to modernize systems to support such approaches, including accepting, validating, and processing device-level data.[7] The Commission should reject these proposals as they are not practicable.

Pennsylvania net metering programs are administered at the premises level, such that all DER activity behind the revenue meter affects the netting calculation and corresponding retail compensation.[8] Narrowing this exclusion, including limiting it to the net-metered resource itself or enabling device-level participation by other DERs at the same premise, would not resolve the

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[4] PECO Comments at 14-15.

[5] For the reasons set forth in its initial comments, PECO reiterates its request that the Commission prohibit concurrent participation by a Component DER participating in the wholesale energy, capacity and/or ancillary services markets and PECO's net metering program to prevent double compensation for the same services.

[6] *See* Comments of NRDC at 5.

[7] Comments of CADRE at 14.

[8] *See* 52 Pa. Code § 75.14.

underlying issue that compensation is determined at the premises level and therefore cannot be cleanly separated without fundamental changes to the metering and compensation framework. Therefore, the Commission should retain the prohibition on capacity and energy market participation by net-metered premises unless and until an administratively workable approach is developed that eliminates duplicative compensation and does not require unreasonable EDC investments in device-level metering systems for the benefit of DERAs.

D. The Commission Should Reject Timelines that do not Align with PJM Timelines

The Commission should align its requirements with the FERC-approved PJM DER Aggregation registration process and avoid adopting rules that conflict with that framework. As EAP explained in its initial comments, PJM's process is not a single fixed review period, but rather a coordinated sequence that includes a 15-day location review and a 45-day reliability review, with timing dependent on required DERA actions within PJM systems. The Commission should reject proposals to impose shorter or alternative review timelines, including proposals that would require EDC review to be completed in less time than contemplated under the PJM process or that would establish separate review timelines based on customer class or location.

The EDC review process is necessarily embedded within and dependent upon PJM's registration sequence. Thus, accelerating one portion of the process would not accelerate overall market participation. Instead, compressed timelines would require EDCs to maintain additional staffing and system capabilities to manage potential surges in applications, resulting in increased costs that would ultimately be borne by customers.

E. Cost and Risk Shifting

The Philadelphia Energy Authority ("PEA") proposes that, when an EDC overrides DER dispatch after day-ahead bids have been submitted, the EDC should be required to pay any RTO fine owed by an affected DER Aggregator, with the EDC's ability to obtain cost recovery dependent on the cause of the EDC's override.[9] The Commission should reject this proposal. DER Aggregators, like all RTO market participants, must build contingencies into their plans so they can meet obligations even if some resources are unavailable. This may be easier for DER Aggregators than for Independent Power Producers (IPPs) because DER Aggregators' portfolios will typically consist of many small resources rather than a single generating unit. If a DER Aggregator incurs a PJM nonperformance charge, that charge reflects the DER Aggregator's failure to plan for contingencies, not an EDC's legitimate exercise of distribution-system reliability authority.

PEA's proposal would shift risk from DER Aggregators to EDCs and their customers. PECO believes it would be more appropriate to assign this performance risk to the entities with the performance obligation – the DER Aggregators. A risk shift to the contrary may create inefficient incentives. DER Aggregators could be more aggressive in bidding resources into PJM if they expect to transfer penalties for nonperformance to EDC customers whenever distribution system needs prevent resources from being dispatched. The final rule should preserve EDC override authority for safety and reliability without imposing such costs on customers who neither control DERA bids nor receive direct revenues from those bids.

In addition, the Office of Consumer Advocate ("OCA") recommends that DER Aggregator service charges billed to participating customer-operators (*i.e.*, EDC customers that operate behind

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[9] PEA Comments at 8-9.

the meter DERs) be treated by EDCs as non-basic service charges, arguing that such treatment will ensure that participation in an aggregation program will not lead to an involuntary service termination.[10] This recommendation may be appropriate for charges that are voluntarily incurred by customer-operators with Component DERs that elect to participate in DER Aggregations. However, charges to a customer-operator with a Component DER that fails to comply with EDC dispatch override instructions are intended to ensure Component DER compliance with operational directives issued to preserve distribution system safety and reliability. As such, they are not elective, and PECO recommends that the Commission consider such penalties as basic service charges necessary for the physical transportation and delivery of electricity as defined in the Commission's regulations.[11]

Treating override non-compliance charges as non-basic service charges would weaken EDCs' ability to ensure Component DER adherence with reliability directives, as an EDC may have limited recourse to collect such charges from customer-operators, potentially leading to such charges becoming bad debt. Accordingly, should the Commission accept the OCA recommendation to classify DERA service charges as non-basic, it should clarify that charges associated with non-compliance with EDC override instructions are basic service charges because ensuring safe and reliable delivery of public utility services is not optional.

F. The Commission Should Not Expand the Scope of This Proceeding

Several commenters argue that the Commission should address additional issues that are beyond the scope of this proceeding, which is focused on procedures for DER "participating as DER Aggregation Resources on… EDC distribution facilities, consistent with FERC Order 2222-

[10] OCA Comments at 3.

[11] 52 Pa. Code § 54.2.

B."[12] Some of those additional issues, such as the use of negative Peak Load Contribution ("PLC") and Network Service Peak Load ("NSPL") values[13], would introduce complex rate design and PJM settlement issues without the necessary record or stakeholder engagement to enable reasoned decision-making. Other broad topics such as those related to Long Term Infrastructure Improvement Plans ("LTIIP"), hosting capacity, and Virtual Power Plant ("VPP") compensation involve broader policy, cost allocation, and system planning considerations that would require assumptions about DERA adoption and system impacts that are currently speculative. PECO takes no position on the merits of these topics but recommends that the Commission decline to expand this proceeding to encompass these topics, as they are outside the scope of this proceeding and not supported by a fully developed record, which is necessary to enable reasoned decision-making.[14]

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[12] NOPR at 1.

[13] See, e.g., Comments of Voltus, Inc., at 8-9.

[14] On the other hand, there is extensive evidence in the record of the need for development of a DER Aggregator licensing framework and Code of Conduct. As EAP discusses in its Reply Comments, appropriate customer protections will be critical to the successful development of the DER Aggregation market. *See* EAP Reply Comments at 5-9. Accordingly, the Commission should proceed to develop those customer safeguards in the final rulemaking.

II. CONCLUSION

PECO appreciates the opportunity to offer these Reply Comments and looks forward to working with the Commission and stakeholders as this proceeding moves forward.

Respectfully submitted,

Anthony E. Gay (Pa. No. 74624)
Jeanne J. Dworetzky (Pa. No. 62389)
PECO Energy Company
2301 Market Street
Philadelphia, PA 19103
Phone: 267.533.1999
anthony.gay@exeloncorp.com
jeanne.dworetzky@exeloncorp.com

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