

capability.⁴ The October 31st Filing would change the calculation of DR nominated MW from the lesser of the summer and winter capability by registration to the lesser of the sum of all registrations summer and winter capability by zone, for each CSP. The effect of this change is to artificially increase the amount of demand resources that are claimed and must be paid for without changing anything about the actual resources. The effect of this change is also to reduce the amount of other capacity purchased for reliability without any actual change to any demand resource.

The proposed modification to calculating the nominated MW by total seasonal capability by zone should be rejected.

I. COMMENTS

A. Zonal Aggregation Erodes the Locational Component of the Capacity Market.

The proposed modification ignores the locational dimension that is an essential part of the PJM capacity market. The proposed modification ignores the locational value of capacity. A resource in a constrained area is more valuable than a resource in an unconstrained area. Allowing aggregation across nodes erodes the locational component of the capacity market and the energy market. The capacity value determines how much demand resources are paid but also measures the availability of demand resources when actually needed in the energy market. Artificially overstating the level of demand resources means displacing other capacity resources. Artificially overstating the level of demand resources by ignoring the locational element also means that the amount of demand resources actually available in a location during a season will be incorrect. This approach is also inconsistent with PJM's assertions that PJM can call on demand resources nodally.

⁴ OA Schedule § 8.9. The Emergency and Pre-Emergency Load Response Program does not use the WPL for measuring capacity compliance for the Annual product.

The October 31st Filing proposes to change how nominated MW are measured for demand response resources. Demand resources are currently measured for annual capability at the individual registration.⁵ Demand resources are currently measured for annual capability based on PLC according to the market rules.⁶ A demand response registration consists of an individual end use customer, or multiple customers as necessary to meet the 100 kW minimum requirement.⁷ Two customers each with more than 100 kW capacity capability cannot be part of one registration. Contrary to the assertion in footnote 10 that locations with limited seasonal capabilities can aggregate to a single registration regardless of size, the Emergency and Pre-Emergency Load Response section of the OATT does not allow aggregation for seasonal limitations.⁸ Demand resources currently use annual capability by registration as nominated MW to fulfill capacity commitments.⁹ Multiple demand response registrations can be used to fulfill a single capacity commitment.

The changes proposed in the October 31st Filing would use annual capability by CSP portfolio within a zone as nominated MW to fulfill the capacity commitments. In the June 9th Order, the Commission determined that “allowing aggregation across Locational Deliverability Areas appears inconsistent with the design of PJM’s Capacity Performance proposal.”¹⁰ Allowing aggregation across a zone is even more inconsistent with the Capacity Performance design because some zones include multiple LDAs. For example,

⁵ RAA Schedule 6.

⁶ OA Schedule § 8.9. The Emergency and Pre-Emergency Load Response Program does not use the WPL for measuring capacity compliance for the Annual product.

⁷ OA Schedule 1 § 8.11.

⁸ OA Schedule 1 § 8.11.

⁹ RAA Schedule 6.

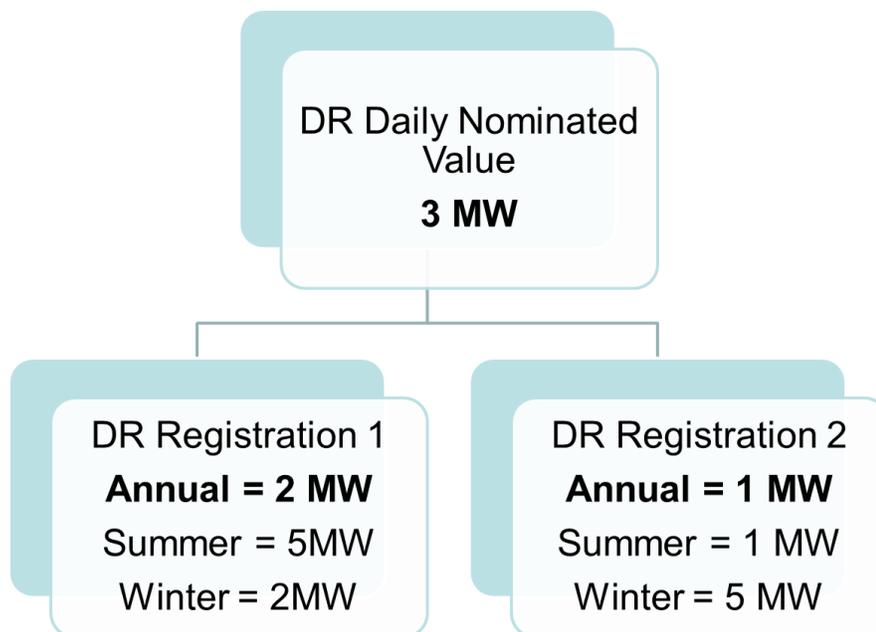
¹⁰ 151 FERC ¶ 61,208 at P 103. (2015).

PSEG is split into PSEG and PSEG-NORTH and ATSI is split into ATSI and ATSI-CLEVELAND.

Allowing CSPs to aggregate to the portfolio level within a zone further weakens the locational aspect of registered demand resources and artificially inflates the level of demand response. For example, a CSP has two registrations in a zonal portfolio, with one registration capable of reducing 5 MW in summer and 2 MW in winter, and the second registration capable of reducing 1 MW in summer and 5 MW in winter. Without aggregating at the portfolio level, the first registration would have an annual capability of 2 MW and the second registration would have an annual capability of 1 MW resulting in a 3 MW total reduction capability.

Figure 1 illustrates the current rules for this example.

Figure 1 Current rules for DR registrations and Nominated MW

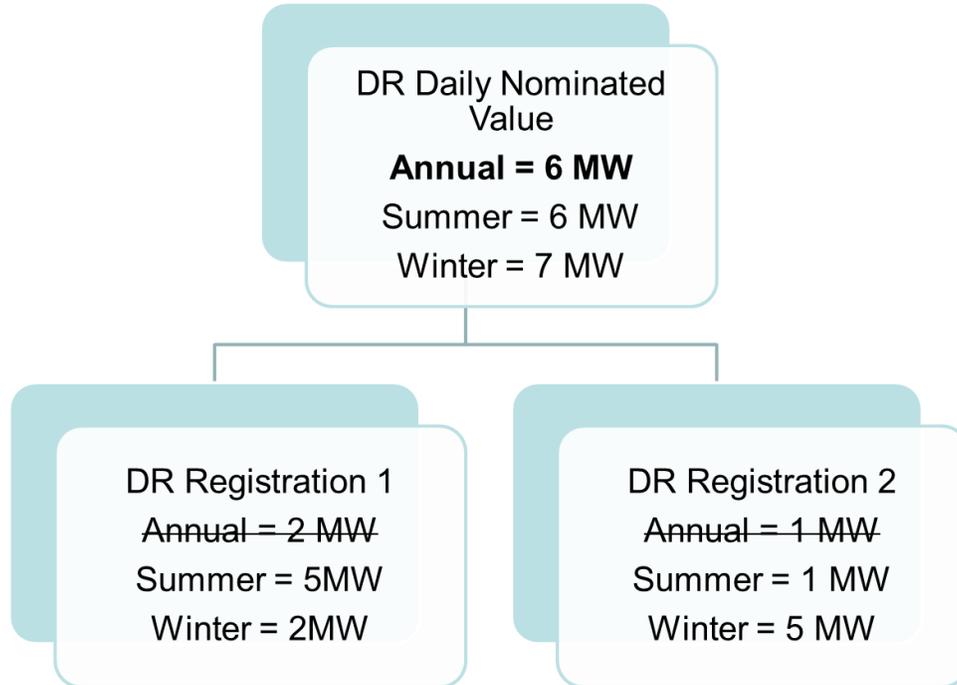


If resources are aggregated at the portfolio level, individual registration capability is ignored and capability is artificially inflated. The result, in this example, is an increase in the portfolio capability from 3 MW to 6 MW annual capability within the zone. Without any change to either registration, the CSP was able to double their annual reduction capability

and therefore double their revenue. The locational availability of demand resources, at a nodal level, will vary.

Figure 2 illustrates the PJM proposed rules for this example.

Figure 2 PJM proposed rules for DR registrations and Nominated MW



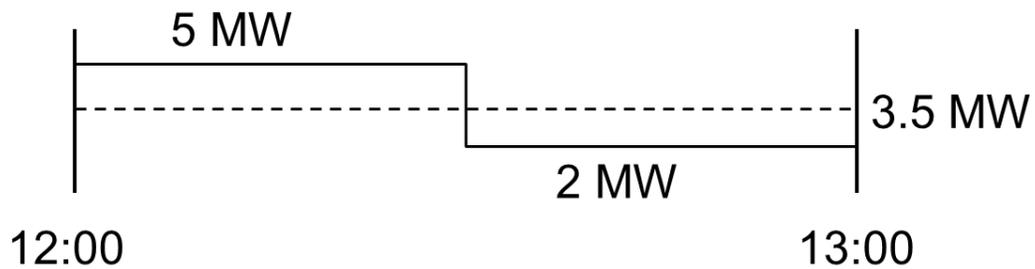
The proposed modification would pay more for the same amount of demand resources by arbitrarily redefining the quantity of demand resources. The proposed modifications would increase the amount of demand resources and therefore mean that fewer non demand resources would be purchased for reliability.

B. Substantive Amendments Proposed by PJM

The proposed “clarifications and non-substantive revisions” are substantive. PJM proposes to modify the rules regarding measuring compliance during a Performance Assessment Interval (PAI) by “flat-profiling” the hourly metered load reduction over the set of dispatch intervals in the hour. PJM correctly notes (at 17) that “with the implementation of five-minute settlements, calculating load reduction compliance solely on an hourly basis is no longer appropriate.” Estimating load reduction usage by flat-profiling is identical to calculating load reduction compliance solely on an hourly basis and is

therefore also not appropriate for the same reason. Estimating load reduction usage by flat-profiling will not measure what occurred during a PAI, unless load remained exactly the same for the entire hour. For example, a customer that normally consumes 5 MW is dispatched for six PAI at the end of the hour, from 12:30 to 13:00, and must reduce to 2 MW during this period. The customer may reduce to 2 MW at 12:30 until 13:00, but a flat profile will over estimate load usage during the PAI, penalizing the customer for performing correctly. Figure 3 shows that a customer consuming 5 MW from 12:00 to 12:30, and 2 MW from 12:30 to 13:00, would measure an hourly interval reading of 3.5 MW. Using a flat-profile of an hourly interval meter will penalize the customer for performing during the required PAIs.

Figure 3 Using a flat-profile to estimate load usage



Instead of grandfathering old interval meters, PJM should require 5 minute interval meters to accurately measure load for calculating compliance during a PAI. A 5 minute interval meter is required to correctly measure load reductions for compliance during PAIs. PJM proposes to ignore the conversion to five minute settlements ordered by FERC and adopted for all other markets by PJM. The proposal in the October 31st Filing should be rejected.

II. CONCLUSION

The Market Monitor respectfully requests that the Commission afford due consideration to these comments as it resolves the issues raised in this proceeding.

Joseph E. Bowring
Independent Market Monitor for PJM
President
Monitoring Analytics, LLC
2621 Van Buren Avenue, Suite 160
Eagleville, Pennsylvania 19403
(610) 271-8051
joseph.bowring@monitoringanalytics.com

Skyler Marzewski
Analyst
Monitoring Analytics, LLC
2621 Van Buren Avenue, Suite 160
Eagleville, Pennsylvania 19403
(610) 271-8050
skyler.marzewski@monitoringanalytics.com

Dated: November 20, 2018

Respectfully submitted,



Jeffrey W. Mayes

General Counsel
Monitoring Analytics, LLC
2621 Van Buren Avenue, Suite 160
Eagleville, Pennsylvania 19403
(610) 271-8053
jeffrey.mayes@monitoringanalytics.com

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon each person designated on the official service list compiled by the Secretary in this proceeding.

Dated at Eagleville, Pennsylvania,
this 20th day of November, 2018.



Jeffrey W. Mayes

General Counsel

Monitoring Analytics, LLC

2621 Van Buren Avenue, Suite 160

Eagleville, Pennsylvania 19403

(610) 271-8053

jeffrey.mayes@monitoringanalytics.com