UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

PJM Interconnection, L.L.C.	)	Docket No. ER19-1012-001

COMMENTS OF THE INDEPENDENT MARKET MONITOR FOR PJM

Pursuant to Rule 211 of the Commission's Rules and Regulations,[1] Monitoring Analytics, LLC, acting in its capacity as the Independent Market Monitor ("Market Monitor") for PJM Interconnection, L.L.C. ("PJM"),[2] submits these comments on the response submitted by PJM Interconnection, L.L.C. ("PJM") on April 29, 2019, to the deficiency letter issued in this proceeding on March 29, 2019.

I. COMMENTS

A. PRD Implementation

The Market Monitor agrees with and supports PJM's response to subpart a to question 1. The Market Monitor does not agree with PJM's response to subpart b to question 1.

PJM states in the initial filing that in order to avoid arbitrage opportunities, the Nominal PRD value will be the lesser of "(a) peak load contribution minus (summer Firm Service Level times loss factor) or (b) (Winter Peak Load multiplied by Zonal Winter

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1 18 CFR § 385.211 (2018).

2 Capitalized terms used herein and not otherwise defined have the meaning used in the PJM Open Access Transmission Tariff ("OATT"), the PJM Operating Agreement ("OA") or the PJM Reliability Assurance Agreement ("RAA").

Weather Adjustment Factor minus winter firm service level) times a loss factor."[3] PJM's response to the deficiency notice "clarifies that the arbitrage opportunities refers to the undue preferential treatment..."[4] Contrary to PJM's assertion, there is no arbitrage opportunity, but rather a difference in treatment for PRD and DR resources. Both PRD and DR should calculate the Nominal MW value (offered PRD MW) to be the difference between the Peak Load Contribution (PLC) minus the summer Firm Service Level times a loss factor. This would eliminate the possible preferential treatment between the two resource types.

Regardless of the treatment of DR, excluding the Winter Peak Load (WPL) from calculating the Nominal PRD MW value is logical. PRD is an annual capacity product that can sell up to 100 percent of its capacity obligation. The capacity obligation for a customer is allocated by PJM based on the customer's load during PJM's single peak hour. PJM is a summer peaking RTO. Power consumption during the winter peak hour does not affect the allocation of capacity and capacity costs to a customer. PJM would arbitrarily limit the total PRD MW offered by a customer by using the WPL if the customer consumes less during the winter peak than summer peak. But the Nominal PRD value should be based on how customers actually pay for capacity. Customers actually pay for capacity based on the summer peak and not on the winter peak. The Nominal PRD value should be based on the PLC (defined as the customer's summer coincident peak load) because customers pay for capacity based solely on the PLC. To do otherwise would prevent customers from having the option to avoid paying for capacity.

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[3] See "Proposed Amendments to Price Response Demand Rules," Docket No. ER19-1012-000 (February 7, 2019) at 6.

[4] See "Responses to Deficiency Letter re: Price Response Demand Update," Docket No. ER19-1012-000 (April 29, 2019), at 3.

B. Defined terms for PRD

The Market Monitor agrees with the defined terms from PJM's response to subpart a, b, c and d for question 2. The Market Monitor has additional clarifying language for subpart c. The PJM proposal would allow a summer Firm Service Level (FSL) and winter FSL. The FSL would be one value if the WPL metric is not used for calculating the Nominal MW of PRD. One FSL for the delivery year will still require reductions during the entire delivery year. Having one FSL is consistent with an annual capacity market.

C. Triggers for PRD

The Market Monitor agrees with and supports PJM's response to subparts a, b, c and d for question 3. The Market Monitor agrees with and supports PJM's response to subparts a, b and g for question 4.

The Market Monitor has additional comments on question 4 regarding the changing of the trigger for PRD performance verification to a Performance Assessment Interval (PAI). The proposed changes to Section 10A of Attachment DD of the OATT, explain a PAI and the real-time LMP must be above the PRD curve: "…[A] Price Responsive Demand registration shall not be considered in the calculation of a Performance Shortfall for a Performance Assessment Interval when the PRD Curve associated with such registration in the PJM Real-time Energy Market has a price point above the highest real-time LMP recorded during the Performance Assessment Interval." This is inconsistent with the Capacity Performance (CP) market. A fundamental requirement in the CP market is that all capacity resources must respond during a PAI, regardless of LMP, or face penalties. The PRD resources should not be granted a special exemption from this core CP requirement.

The hypothetical PRD provider example, described in subpart e, illustrates the flaw of requiring performance only based on LMP thresholds. Table 1 expands the hypothetical example in subpart e of question 4, to include other types of CP resources with a 200 MW commitment. A generator or demand response resource must respond at their full nominated MW value during a PAI, regardless of LMP. Responding during a PAI is a core

requirement of CP and it is essential that PRD also comply with this requirement along with all other CP resources. It would be inconsistent to grant an exemption for a specific class of CP resource. The result would be to create PRD as an inferior product.

Table 1 Hypothetical example including demand, PRD reductions, generator resource and demand response resource requirements during PAI at different LMP.

Real-Time LMP ($/MWh)	Maximum Demand (MW)	PRD Reduction from PLC	Generator CP Resource Output	Demand Response CP Resource Reduction
Less than 1,000	800	0	200	200
1,000-1,500	700	100	200	200
Greater than 1,500	600	200	200	200

D. Penalties and Credit Changes

The Market Monitor agrees and supports PJM's response to subparts a and b for question 5. The Market Monitor agrees and supports PJM's response to subpart a for question 6. The Market Monitor has additional comments on question 5 regarding the bonus performance payment during a PAI.

The bonus performance payment during a PAI is granted to a generation resource that is producing more power, or a demand resource consuming less power, than its Nominated MW. The proposed PJM rules would grant PRD bonus performance payments for reducing below the level required based on LMP, rather than below the Nominated MW. PRD resources should not be eligible for bonus performance payments during a PAI for reductions to the registered nominated MW level or for smaller reductions. CP bonus performance payments should only be granted to PRD when reductions occur beyond the nominated MW value to align requirements for all CP resources.

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.

Respectfully submitted,

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Dated: May 20, 2018

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 May, 2019.

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