

by shifting the demand curve, or Variable Resource Requirement (VRR) curve, to adjust for the MW level of cleared PRD resources. PRD resources do not receive energy payments when reducing load but benefit by avoiding payments for energy. With the implementation of the Capacity Performance (CP) capacity market design, the PRD rules need to be updated to ensure consistency with the requirements of the CP construct. PJM's filing attempts to update PRD to ensure consistency with other CP resources, but fails in key areas.

II. COMMENTS

A. PRD Should Conform to Capacity Performance Requirements.

PJM states (at 1) that the proposed "changes are appropriate because the existing PRD rules do not conform with Capacity Performance requirements." The problem is correctly identified, but the proposed solution does not solve the problem.

The most fundamental requirement of all CP resources is that they perform during Performance Assessment Intervals (PAI) when load is high and all capacity resources are needed. But PJM's proposal would exempt PRD resources from this performance requirement for reasons that are not stated. PJM's proposal would permit PRD resources to specify a trigger price below which no response would be required. As a result, PRD resources could pick high LMP thresholds which would exempt them from responding. "PRD Providers would be assessed a Non-Performance Charge if there is a performance shortfall and the relevant PRD Curve specifies a price at or below the highest Real-time LMP recorded when PJM declares an Emergency Action that triggers a Performance Assessment Interval." (PJM at 7) PRD resources would provide PJM the MW reduction provided at multiple LMP thresholds. For example, a PRD resource with 10 MW of capacity may reduce to 8 MW when LMP is at \$500 per MWh and reduce to 6 MW when LMP is at \$650 per MWh.

All other CP resources have the obligation to perform during a PAI, regardless of the real-time LMP. CP resources are required to respond during PAIs with "no excuses." PJM

should not exempt PRD during a PAI event. PJM should not create a built in “excuse” for PRD resources.

PJM would make matters worse by permitting PRD resources to receive CP bonus payments during PAIs, when load reductions are greater than the committed PRD MW value at the threshold price.³ This would allow PRD resources to collect bonus payments for reducing load to the maximum committed MW value during a PAI that has an LMP below a PRD customer’s LMP threshold. The combination of not requiring performance to the committed MW level and providing bonus payments for meeting the committed MW level, would fundamentally distort the CP construct. This is equivalent to not requiring a generator to provide output during a PAI and then paying the generator a bonus payment for providing output during the PAI. The proposed PRD performance requirements are irrational and inconsistent with the performance requirements of other CP resources.

PJM should propose rules that require PRD resources to respond to the maximum committed MW level during a PAI regardless of LMP and only award bonus payments if a PRD resource is able to respond by more than their committed MW during a PAI.

B. The Proposal Incorrectly Values Capacity and Performance.

The Capacity Market is an annual market. A Capacity Performance resource has an annual commitment. Load is allocated capacity obligations based on the annual peak load within PJM. The amount of MW allocated to load does not vary based on winter demand. When PRD MW are committed, PJM reduces a zone’s load requirement, on an annual basis, by shifting the Variable Resource Requirement (VRR) curve to the left. This VRR shift covers capacity obligations and payments for the entire delivery year. Each customer in PJM is allocated a peak load contribution (PLC) based on total usage during the summer peak load hour. PJM is proposing an arbitrary limit to the Nominal PRD MW value. Under

³ PJM Proposed OATT Redline at 47.

this approach, the proposed rule would assign the PRD MW value as the lower of the peak load contribution minus the Firm Service Level (FSL) times the loss factor (LF) or the Winter Peak Load (WPL) multiplied by the Zonal Winter Weather Adjustment Factor (ZWWAF) minus winter Firm Service Level (wFSL) times the loss factor for each zone.⁴

$$PRD \text{ Value} = \text{Min}\{(PLC - FSL * LF), (WPL * ZWWAF - wFSL)\} * \text{zonal loss factor}$$

The Winter Peak Load used in this metric is not used for calculating capacity obligations or allocating the cost of capacity to customers. Use of the WPL would artificially limit the amount of MW that can participate as PRD if the WPL is less than the PLC.

If the Market Monitor's recommendations on the definition of performance are accepted, the PRD value should be defined as the difference between the peak load contribution (PLC) and the firm service level (FSL) times the loss factor. This definition would enable PRD resources to receive correctly defined capacity cost reductions but only if the Market Monitor's recommendations on the definition of performance are included.

The proposed testing requirements for the 2022/2023 Delivery Year and subsequent delivery years require a test to occur for PRD if PJM does not declare a PAI for the resource. The proposed testing requirement limits testing to periods between 10:00 AM EPT to 10:00 PM EPT during June through October or the following May of the relevant delivery year.⁵ Use of this summer/fall period is inconsistent with PJM's proposed use of a winter performance metric.

C. Omitted Tariff Language.

The proposal does not adequately define PRD "Actual Performance" in the proposed changes. Section 10A(c) of the OATT defines Actual Performance as "for each PRD Provider, the actual load reduction provided by the PRD Provider during a Performance Assessment Interval, *determined in accordance with the PJM Manuals*" (emphasis

⁴ *Id* at 6.

⁵ *Id* at 80.

added).⁶ “Actual performance” should be fully defined in the tariff, similar to other CP resources in the same section of the OATT. The proposal also relegates the determination of peak load contribution for PRD resources to the PJM manuals: “Actual PRD reductions in response to price shall be added back in determining peak load contributions *as set forth in the PJM Manuals*” (emphasis added).⁷ The tariff should clearly define “Actual Performance” for PRD resources and how to determine peak load contribution for PRD resources.

In addition, PJM should not add back PRD load to the PJM load forecast. If load is reduced the load reduction should be incorporated in the PJM load forecast as soon as practicable. That is the way in which the demand side of actual markets works. There is no reason to continue with the convoluted rules regarding estimated loads and adding load back.

⁶ PJM Proposed OATT Redline at 45.

⁷ PJM Proposed RAA Schedule 6.1 Redline at 73.

III. 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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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 28th day of February, 2019.



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