



the other core flaw because it failed to align PRD performance obligations with the Capacity Performance (CP) requirements applicable to all other capacity resources. Instead, the October 31 Proposal perpetuated that flaw. PRD resources should be required to respond fully during PAIs to be consistent with the performance obligation of all other Capacity Performance Resources. If this issue is not corrected, PRD resources will be permitted to economically withhold, other Capacity Performance resources will be unduly discriminated against and the market design will be inefficient. For that reason, the October 31 Filing should not be approved, and PJM should be directed to file PRD rules that provide comparable CP requirements for all CP resources.

## **I. COMMENTS**

PRD is a capacity market demand side product that allows participants to avoid paying for capacity if participants reduce load to meet defined MW values, based on LMP thresholds. PRD is compensated by avoiding capacity payments. PJM procures less capacity 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 CP capacity market design, the PRD rules needed to be updated to ensure consistency with the requirements of the CP construct. PJM's filing attempted and failed to ensure such consistency. Specifically, the proposed PJM changes do not require PRD resources to reduce load during Performance Assessment Intervals (PAI). PAI are a core feature of the CP market design, and CP obligations during PAI should be the same for all CP resources.

### **A. PRD Should Conform to Capacity Performance Requirements.**

PJM states (at 1) that the proposed "revisions in this filing will better align the existing Price Responsive Demand ("PRD") rules with the Capacity Performance construct." The objective is correct but the October 31 Filing failed to achieve it.

The most fundamental requirement of all CP resources is that they perform during PAI when load is high and all capacity resources are needed. PJM's proposal would improperly exempt PRD resources from this performance requirement by requiring reductions only when the real-time LMP is greater than the specified LMP threshold in the PRD plan. This exemption does not apply to other CP resources and is inconsistent with the core principles of the CP design.

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, effectively engaging in economic withholding. PJM states (at 6), "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 Real-time LMP recorded when PJM declares an Emergency Action that triggers a Performance Assessment Interval."

All other CP resources have the obligation to perform during a PAI, regardless of the real-time LMP, subject to instructions from PJM. CP resources must respond during PAIs without provision for excuses and without reference to a specific LMP level. PRD should be held to the same standard during a PAI event.

The October 31 Filing aggravates the disparate treatment of PRD and other CP resources 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.<sup>5</sup> This would allow PRD resources to collect bonus payments for meeting their basic obligation. This is inconsistent with the basic CP construct as it applies to all other CP resources. The rules do not excuse a generator or any resource from its obligation to provide output during a PAI and then pay the same generator or any resource a bonus for providing output during the PAI. For the same reason, PRD should not be excused from and then paid a

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<sup>5</sup> October 31 Filing, Attachment B, Proposed Revised OATT § 10A (c).

bonus for responding during a PAI. The PRD performance requirements proposed in the October 31 Filing are illogical, unjust and unreasonable, and should not be approved.

PJM should be directed to 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 responds by more than their committed MW during a PAI.

The long term appropriate end state for demand resources in the PJM markets should be comparable to the demand side of any market.<sup>6</sup> Customers should use energy as they wish and that usage will determine the amount of capacity and energy for which each customer pays. PJM's proposal is a step away from this end state rather than a step towards it.

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<sup>6</sup> 2018 *State of the Market Report for PJM*, Vol. 2, Section 6: Demand Response at 305.

## 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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## 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 21<sup>st</sup> day of November, 2019.



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