UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

PJM Interconnection, L.L.C.	)	Docket No. ER19-142-000

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 responding to the filing submitted by PJM on October 18, 2018 ("October 18th Filing").

The October 18th Filing proposes to amend the definition of the Winter Peak Load (WPL) metric to exclude up to two low customer load days when calculating the WPL, which uses the average load usage during the five winter peak days. The WPL is used in place of the Peak Load Contribution (PLC) as the measure of the capacity that customers have paid for and therefore as the baseline below which demand response customers must reduce in order to qualify for payment during the winter months. The WPL is not the appropriate baseline to use for demand response customers because the PLC is used to allocate capacity charges to end use customers. An end use customer pays for capacity charges equal to their PLC for the entire delivery year. Use of the WPL understates the payments to demand response resources. In this filing, PJM is proposing to arbitrarily modify the WPL. The proposed modification to the WPL should be rejected and PJM

---

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").

should be directed to explain why PLC should not be used as the baseline for demand response customers instead of WPL.

I. COMMENTS

Before the implementation of an annual demand response product and the Capacity Performance redesign, PJM used the Peak Load Contribution (PLC) as the only metric to measure compliance and demand response capability. Demand response resources were originally only required to respond during summer months with the Limited product, but the obligation was expanded with the Extended Summer product and the Annual product.[3]

Customers pay for capacity on an annual basis. Customers are required to pay for capacity based on customers' summer peak load. Customers' payments for capacity are determined by each customer's PLC as a share of total peak load. The peak load in PJM is defined as the summer peak load.[4] The WPL is not used to allocate capacity charges to end use customers.

Not surprisingly, PJM found the PLC is not a good estimator for winter peak load events with the implementation of an annual requirement for demand side resources. But PJM failed to recognize the basic design feature of the PJM capacity market that assigns capacity costs to customers based entirely on summer peak loads. Winter peak load is irrelevant to the amount of capacity that customers must pay for every year and is therefore irrelevant to the amount of capacity that a customer can agree to reduce as part of demand side resources. Nonetheless, the WPL was introduced to estimate the expected peak load usage in winter months.[5] PJM asserts the annual amount of MW a customer can participate in the demand response program is the lesser of the summer (PLC based) and winter (WPL

---

[3] *See PJM Interconnection, L.L.C.*, 134 FERC ¶ 61,066 (2011).

[4] A customer's PLC is the average usage during the top five coincident peak hours of PJM, which occur during the summer months. OATT Attachment M-2.

[5] *See PJM Interconnection, L.L.C.*, 162 FERC ¶ 61,159 (2018).

based) capability MW.[6] But the WPL is not used to calculate compliance for demand response resources in the PJM market rules.[7] Capacity is an annual product based on individual customer usage during the PJM system summer peak. Load must pay for capacity for the entire delivery year.

With the implementation of the WPL, a demand resource customer that consumes less power during winter months loses some of the ability to participate in the annual capacity construct and effectively avoid capacity charges. For example, if a customer has a PLC of 5 MW in the summer but a WPL of 2 MW in the winter, the annual capability would be 2 MW, as it is the lesser of the two values. The customer must pay for 5 MW for the delivery year, but is only able to sell a maximum of 2 MW as demand response. This reduces a customer's choice to avoid capacity charges by 3 MW, from 5 MW to 2 MW. The WPL limits the potential for customers to avoid paying for capacity charges by incorrectly redefining the load value for a customer. The PLC should be used as the annual baseline for measuring capacity obligations of demand response resources. In the example, the customer should have the ability to avoid paying for a maximum level of 5 MW.

The October 18th Filing proposes to exclude what PJM refers to as "atypical" peak load days but which are really just low load days. PJM proposes to define atypical days as days with load below 35 percent of the average use for hours ending 7:00 EPT through 21:00 EPT over all five winter peak days.[8] PJM proposes to allow a customer to exclude up to two low load days from the five winter peak days used to calculate the WPL. PJM does not propose to eliminate high load days. Allowing customers to exclude only low load days will arbitrarily increase the calculated WPL. Increasing the WPL will not impact end use

---

6 RAA Schedule 6.

7 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.

8 *See* "Proposed Amendment to Winter Peak Load," Docket No. ER19-142-000 (October 18, 2018) at 4.

customers operations or cost, but will increase payments to demand response customers and to Curtailment Service Providers (CSPs). CSPs register end use customers to satisfy demand response committed MW cleared in the capacity market by taking the lesser of the reduction capability from the PLC or WPL.[9] A customer's WPL does not affect the total annual capacity charges to the customer.

Rather than arbitrarily redefining WPL, PJM should reflect the actual design of the capacity market and recognize that customers pay for PLC and should be credited when guaranteeing to use less than PLC.

Winter Peak Load (WPL) should not be used for demand response resources. The October 18th Filing compounds the problem with a proposed arbitrary exclusion of certain low load days. The problem is WPL because WPL is not a valid measure of how much capacity customers have paid for and therefore have a right to use. The addition of an arbitrary method to define WPL is not the answer. The changes proposed in the October 18th Filing should be rejected and PJM should be directed to explain why PLC should not be used as the baseline for demand response customers instead of WPL.

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,

Jeffrey W. Mayes

General Counsel
Monitoring Analytics, LLC

Joseph E. Bowring
Independent Market Monitor for PJM
President
Monitoring Analytics, LLC

[9] RAA Schedule 6.

2621 Van Buren Avenue, Suite 160
Eagleville, Pennsylvania 19403
(610) 271-8051
joseph.bowring@monitoringanalytics.com

2621 Van Buren Avenue, Suite 160
Eagleville, Pennsylvania 19403
(610) 271-8053
jeffrey.mayes@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 8, 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 November 8th day of 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