

**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

PJM Interconnection, L.L.C. : Docket No. ER14-822-000

**COMMENTS
SUBMITTED ON BEHALF OF
THE PUBLIC UTILITIES COMMISSION OF OHIO**

January 14, 2014

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I. INTRODUCTION

On December 24, 2013, PJM Interconnection, L.L.C. (PJM) submitted revisions to the PJM Open Access Transmission Tariff (Tariff), Amended and Restated Operating Agreement of PJM Interconnection, L.L.C. (Operating Agreement), and the Reliability Assurance Agreement among Load Serving Entities in the PJM Region (RAA) to the Federal Energy Regulatory Commission (Commission), pursuant to Section 205 of the Federal Power Act (FPA)¹ and part 35 of the rules and regulations of the Commission. PJM proposed the modifications to increase the operational flexibility of Demand Resources. PJM developed these modifications by examining the specific experiences of PJM's dispatchers in calling on Demand Resources when approaching a system emergency. On December 24, 2013, FERC issued an official notice of PJM's filing, and established a comment deadline of January 14, 2014.

¹ 16 U.S.C. § 824d.

The Public Utilities Commission of Ohio (Ohio Commission) filed a motion to intervene in this proceeding on January 8, 2014. The State of Ohio is a retail choice state for electric generation service. PJM coordinates the movement of electricity through the District of Columbia and thirteen states, including Ohio. Approximately 21.4 percent of PJM's entire load is attributed to Ohio. Consequently, the outcomes of PJM's RPM auctions are of great importance to the Ohio Commission, as we strive to ensure the competitive retail market emerges and develops to the benefit of Ohio's electric consumers.

II. BACKGROUND

PJM currently uses Demand Resources to ensure the reliability of the transmission system is maintained when it is faced with an expected capacity shortage. Specifically, when one of these emergency events occurs, PJM dispatchers issue an Emergency Mandatory Load Management Reduction request for action by Curtailment Service Providers (CSPs) to use Demand Resources that need one to two hours' notification to provide additional load relief.² PJM explains that CSPs currently have the option of choosing either a one-hour or two-hour prior notification time to achieve full load reduction from the time PJM declares that Emergency Load Response is needed. As a result of this option, approximately 94 percent of MWs nominated for the 2013/2014 Delivery Year of PJM's Demand Resources were registered with a notification time of two hours (Long Lead Time Demand Resources).

² FERC Docket No. ER14-822-000 (Affidavit of Michael E. Bryson at 2) (Dec. 24, 2013) ("2013 Bryson Affidavit").

The current PJM market rules state that Demand Resources that clear in the RPM Auction can fulfill their RPM commitments by registering in PJM's Emergency Load Response Program. Before calling on these resources, PJM must initiate emergency procedures. Because "most Demand Resources in PJM's markets have registered as requiring up to two hours of notification time, and also given that Demand Resources currently are required to remain 'on line' for at least two hours, PJM's ability to call on or terminate the use of Demand Resources when system conditions change rapidly is very limited."³ PJM notes that as a result of these limitations, it must make a decision to call on Demand Resources two hours before an anticipated capacity shortage, and further explains that it does not have the ability to reverse this decision based on changes to system conditions until at least two hours after these resources have reached their load reductions. PJM indicates that this increases the margin of error in the forecast of system conditions and maintains that it experienced two events in the summer of 2013 where the two-hour lead time led to inefficient dispatch decisions.

First, on July 18, 2013, New York Independent System Operator (NYISO) and ISO-New England (ISO-NE) contacted PJM at 12:00 P.M. regarding anticipated emergency conditions. As a result, PJM triggered emergency procedures in anticipation of a reduction in energy imports over the peak period. However, after PJM called for Long Lead Time Demand Resources to ensure reliability, NYISO implemented load management, and as a result, did not need to curtail the energy transfers into PJM. Despite

³ 2013 Bryson Affidavit at 3.

learning about this, PJM was unable to recall its request for Demand Resources until at least 4:40 P.M. as a result of the mandatory two-hour event duration requirement.

Despite the fact that Demand Resources were no longer needed at that point, these resources stayed “on line” because of the two-hour minimum Load Management event duration requirement set forth in PJM’s market rules. PJM canceled the Long Lead Time Emergency Mandatory Load Management shortly after the two-hour minimum event duration concluded. PJM provides that significant costs could have been avoided if PJM had the flexibility to wait to call these resources until a time that was closer to the anticipated emergency condition.

On September 11, 2013, PJM experienced operational issues because of poor generator response during a Synchronized Reserve Event as well as numerous transmission contingencies caused by the combination of unseasonably hot weather and both generation and transmission facilities experiencing planned and unplanned maintenance outages on September 10, resulting in PJM under-forecasting its load. As a result, PJM called for both Long Lead Time Demand Resources, as well as Demand Resources with a notification time of less than one hour. However, the load began to decrease and actual load ended up being much lower than initially forecasted.

Consequently, PJM did not need as many MWs of Demand Resources as it called, but again was unable to release the unnecessary resources due to the notification and event duration minimum. PJM had to make significant payments during this period to compensate the dispatched Demand Resources up to their offer prices. Similar to the incident on July 18, 2013, many of these costs could have been avoided had PJM’s mar-

ket rules not required a two-hour notification time and a two-hour minimum duration. PJM's proposal recommends modifications to the Demand Resources requirements to prevent events like this from happening in the future.

III. PJM PROPOSAL

PJM's proposal adds a new category of Demand Resources, Pre-Emergency Load Response, which can be called on to reduce load prior to PJM reaching impending or actual emergency conditions. By having the authority to require load reductions at two different stages, emergency and pre-emergency, PJM explains that its proposal gives operators the flexibility to address changing conditions on PJM's system and will improve reliability. PJM's filing also includes a requirement that all CSPs that submit Demand Resource offers into a RPM auction be considered Pre-Emergency Load Response unless the Demand Resource meets its obligations through generation.

In addition, PJM suggests modifying the notification time procedures to require Demand Resources to achieve full load reductions within 30 minutes, rather than the current two-hour requirement. PJM opines that the shorter lead time will increase operational flexibility, resulting in a more reliable system. PJM's proposal does include an exception process that would allow CSPs to reduce load in 60 or 120 minutes if they can demonstrate that they have a physical limitation that would prevent them from reducing load in 30 minutes. In light of the differing time requirements, PJM requests that the Commission establish caps on the Offer Price for Pre-Emergency and Emergency Load Response based on notification times. The proposal provides that Demand Resources

responding within the 30-minute notification time will have the highest cap, with Demand Resources that meet the proposed exception to respond in 60 or 120 minutes subject to lower caps. PJM states that this modification incentivizes Demand Resources to submit the shortest lead time possible.

Further, PJM proposes to modify the minimum Load Management event duration time from two hours to one hour. PJM notes that this change will provide PJM dispatchers with additional flexibility to reverse course if system conditions change and Demand Resources are no longer needed to address the emergency.

PJM's proposal includes modifications to the compliance measurement and verification process by allowing PJM to measure Demand Resource compliance during a clock hour, even if the resource is dispatched for only a portion of the hour. In addition, PJM makes three proposals to ensure the CSPs can accurately provide the more granular data: (a) metering must meet all Tariff and PJM Manual requirements; (b) the one-minute load data shall be submitted to PJM for all locations on the registration; and (c) the one-minute load data must measure energy consumed over the minute. Further, the proposal includes modifications to PJM's sub-zonal dispatch rules that will allow dispatchers to react to system conditions in real time.

IV. COMMENTS

The Ohio Commission urges the Commission to approve PJM's proposed tariff revisions. We are confident that a Pre-Emergency Load Response classification will allow PJM to more efficiently respond to changing system conditions without being tied

to the current one-hour and two-hour lead time requirements. The Ohio Commission maintains that increased obligations on Demand Resources, including the reduction of load management event duration, coupled with the implementation of the Ohio Commission's recommendations to price Demand Resources relative to their obligations⁴, provides PJM with a significant increase in operational flexibility to respond to not only the summer events highlighted herein, but also incidents like the recent cold weather events that occurred on January 6 and 7, 2014.

A. PJM's pre-emergency load response proposal will allow PJM to respond to potential emergencies in a more efficient and cost-effective manner.

The Ohio Commission strongly supports PJM's efforts to enhance reliability by improving upon operational efficiency. As PJM points out, the Summer 2013 hot weather incidents highlight problems associated with PJM's current Tariff requirements that allow for 94 percent of all Demand Resources to remain on line for a minimum of two hours and require up to two hours of lead-time. The Ohio Commission agrees with PJM that these provisions hinder PJM's flexibility to address changing system conditions. The Ohio Commission asserts that such changes are essential to avoid unnecessary costs associated with dispatching Demand Response that does not improve reliability.

In light of the fact that 94 percent of all MWs of Demand Resources are registered as Long Lead Time Resources requiring two hours notice, the Ohio Commission believes

⁴ See FERC Docket No. ER14-504-000 (Comments of The Public Utilities Commission of Ohio at 8-9 (Dec. 20, 2013)).

that action should be taken in order to improve PJM's deployment and dispatching of Demand Resources. Revising the tariffs to incorporate a Pre-Emergency Load Response allows PJM to reduce the duration of an emergency event by requiring the vast majority of Demand Resources that clear in the auctions to register as Pre-Emergency Load Response unless a clearly defined exception is met. By adopting PJM's Tariff proposal, the Commission can enhance PJM's reliability by improving operational flexibility.

B. By requiring demand resources to operate more like generation capacity resources, PJM's proposal improves system reliability.

Through PJM's creation of a Pre-Emergency Load Response, the Ohio Commission notes that the use of Demand Resources obligations will be more appropriately aligned with generation capacity in a manner that is not only more efficient but also more cost-effective. By implementing a shorter, 30-minute default notification time, PJM can avoid unnecessary costs associated with the current two-hour lead time requirement. Specifically, as PJM currently must call for Emergency Mandatory Load Reductions two hours in advance, it is inevitable that PJM will call for more reduction than is actually necessary out of an abundance of caution. As PJM notes in this filing, from just the two highlighted incidents alone, PJM paid over \$40 million in make-whole payments to compensate the dispatched Demand Resources that were later determined to be unnecessary to maintain reliability.

By modifying the current rules to incorporate a Pre-Emergency Load Response program with a default 30-minute notification time, PJM is given additional flexibility to

address its needs as conditions change. This operational flexibility will, by giving PJM a clearer picture of its system conditions, allows dispatchers to make more efficient decisions. Not only will these modifications allow for PJM to avoid dispatching unnecessary Demand Resources, but also it allow PJM to utilize more cost-effective generation as it is no longer bound to Demand Resources until the required minimum event time has expired. Accordingly, the Ohio Commission also agrees with PJM's proposal to reduce the event duration from two hours to one hour, as this allows for Demand Resources to be released sooner and more cost effectively once the event has passed.

Further, the Ohio Commission notes that the proposed price ceilings appropriately recognize that Demand Resources with the highest obligations provide more value to PJM's system reliability. We agree with PJM's rationale that the varying price points will encourage Demand Resources "to strive to meet such lead times."⁵ Similarly, we believe that PJM should apply this rationale by pricing all capacity resources in a manner relative to their value and obligations.⁶

The Ohio Commission also supports PJM's proposal to define sub-zones during Load Management Events, as it allows for Demand Resources to be called in a more surgical manner as opposed to dispatching across an entire zone. Not only that, but the Ohio Commission finds that PJM's proposed penalty charge will ensure that Demand

⁵ *PJM Interconnection, L.L.C.*, Docket No. ER14-822-000 (Tariff Filing at 28) (Dec. 24, 2013).

⁶ *See* FERC Docket No. ER14-504-000 (Comments of The Public Utilities Commission of Ohio at 8-9) (Dec. 20, 2013).

Resources are adequately responding to PJM's needs and lead to improved reliability by incentivizing resources to respond.

Finally, the Ohio Commission stresses the importance that all capacity resources, including generation capacity and Demand Resources, should be able to deliver their product or service as promised. While PJM's original proposal called for implementing a must-offer requirement similar to that of Generation Capacity Resources⁷, we opine that the compromised solution reflected in PJM's Pre-Emergency Load Response proposal provides PJM with the necessary flexibility to call upon Demand Resources. Further, the Pre-Emergency Demand Response classification ensures that Demand Resources continue to maintain an appropriate and productive role in RPM while increasing their obligations to allow for PJM to respond to changing system conditions. However, the Ohio Commission notes that the premise of a must-offer requirement on Demand Resources should not be foreclosed entirely, and may be appropriate in the future.

V. CONCLUSION

For the foregoing reasons, the Ohio Commission respectfully requests that the Commission approve PJM's proposal to increase the operational flexibility of Demand Resources. The Ohio Commission supports PJM's proposal and is confident that the above-noted modifications to its Tariff will allow for more efficient and cost-effective decision making by PJM's dispatchers. The Ohio Commission advocates that the pro-

⁷ *PJM Interconnection, L.L.C.*, Docket No. ER14-822-000 (Tariff Filing at 12) (Dec. 24, 2013).

posed Tariff revision leads to a just and reasonable result consistent with Section 205 of the Federal Power Act, 16 U.S.C. § 824d. Accordingly, the Ohio Commission respectfully requests the Commission to issue an order accepting PJM's proposal.

Respectfully submitted,

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On behalf of
The Public Utilities Commission of Ohio

VI. CERTIFICATE OF SERVICE

I hereby certify that the foregoing have been served in accordance with 18 C.F.R. Sec. 385.2010 upon each person designated on the official service list compiled by the Secretary in this proceeding.

/s/ Thomas W. McNamee

Thomas W. McNamee

Dated at Columbus, Ohio this January 14, 2014.

Submission ID 454946

Submission Description Comments submitted on behalf of the Public Utilities Commission of Ohio under ER14-822-000.

Submission Date 1/14/2014 11:42:34 AM

Filed Date 1/14/2014 11:42:34 AM

Current Status Pending

Dockets	Docket	Description
	ER14-822-000	PJM Interconnection, L.L.C. submits tariff filing per 35.13(a)(2) (iii): Revisions to the PJM OATT, OA & RAA re DR as Capacity Resource submitted on 12/23/2013 5:50:13 PM, Filing Type code: 10

Files	Security Level	Filename
	Public	Comments 011414.pdf

Filing Party/Contacts	Filing Party	Signer (Representative)	Other Contacts (Principal)
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This foregoing document was electronically filed with the Public Utilities

Commission of Ohio Docketing Information System on

1/14/2014 12:01:03 PM

in

Case No(s). 93-7000-EL-FAD

Summary: Comments submitted to the Federal Energy Regulatory Commission on January 14, 2014, by Assistant Attorney General Thomas McNamee on behalf of the Public Utilities Commission of Ohio, to be included in FERC Docket No. ER14-822-000, In re PJM Interconnection, LLC. electronically filed by Kimberly L Keeton on behalf of Public Utilities Commission of Ohio