

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

PJM INTERCONNECTION, L.L.C.

)

Docket No. ER24-2995-000

**COMMENTS
OF THE PJM POWER PROVIDERS GROUP**

Pursuant to the September 6, 2024, Combined Notice of Filings #1 issued by the Federal Energy Regulatory Commission (the “Commission” or “FERC”) in the above-captioned proceeding, The PJM Power Providers Group¹ (“P3”) submits these comments in response to the September 6, 2024, filing by PJM Interconnection, L.L.C. (“PJM”). The PJM filing proposes revisions to the PJM Open Access Transmission Tariff (“Tariff”) and Reliability Assurance Agreement (“RAA”) to prospectively sunset Energy Efficiency Resource (“EE”) participation in PJM’s wholesale capacity market, known as the Reliability Pricing Model (“RPM”), beginning with the Base Residual Auction (“BRA”) for the 2026/2027 Delivery Year (“PJM Filing”).²

¹ P3 is a non-profit organization dedicated to advancing federal, state and regional policies that promote properly designed and well-functioning electricity markets in the PJM Interconnection, L.L.C. (“PJM”) region. Combined, P3 members own over 83,000 MWs of generation assets and produce enough power to supply over 63 million homes in the PJM region covering 13 states and the District of Columbia. For more information on P3, visit www.p3powergroup.com.

² *PJM Interconnection, L.L.C.*, Docket No. ER24-2995-000 (September 6, 2024) (“PJM Filing”).

On September 9, 2024, P3 filed a doc-less Motion to Intervene. P3 respectfully submits these comments in support,³ in the above captioned proceeding.

I. COMMENTS

P3 supports the PJM Filing and urges the Commission to approve it. Energy efficiency is a valuable feature of the power supply equation; however, as the PJM filing recognizes, its value is most appropriately reflected as the demand side reduction that it is. P3 has previously stated that energy efficiency should not be compensated as a capacity resource, and PJM's proposed revisions are a pragmatic solution to correct a longstanding market design flaw. As PJM noted, the "proposal seeks to appropriately recognize energy efficiency on the demand side and ultimately benefit consumers by avoiding capacity charges for energy efficiency."⁴

As PJM explains, PJM's peak load forecast used to set the demand curve already includes the projected net impacts of energy efficiency.⁵ PJM explains that this was not the case when the Commission last reviewed participation of energy efficiency in PJM's capacity market. At that time, in 2009, the *exclusion* of energy efficiency from the peak load forecast (demand side load) was the basis for the Commission's finding.⁶ However, since that time, PJM notes that its ability to accurately reflect energy efficiency adoption in the peak load forecast has improved significantly.⁷ As PJM highlights the energy efficiency participation rules have not been

³ The comments contained herein represent the position of P3 as an organization, but not necessarily the views of any particular member with respect to any issue.

⁴ PJM Filing at p. 4.

⁵ PJM Filing at p. 2.

⁶ PJM Filing at p. 21.

⁷ *See id.*

reviewed in 15 years since they were adopted.⁸ P3 supports the PJM proposed revisions that properly capture energy efficiency as a reduction of load.

In further support of properly capturing energy efficiency as a reduction of load, the PJM Independent Market Monitor (“IMM”) has a long history of stating the position to remove Energy Efficiency Resources from the capacity market. The IMM has stated that “EE should not continue to be paid the capacity market clearing price because PJM’s load forecasts now account for EE.”⁹ Specifically the IMM has recommended that “Energy Efficiency Resources (EE) not be included in the capacity market because PJM’s load forecasts have accounted for EE since the 2016 load forecast for the 2019/2020 delivery year, and the tariff rationale for inclusion no longer exists.”¹⁰ PJM’s proposed revisions pragmatically implement the IMM’s longstanding recommendation. Furthermore, the Commission’s acceptance of PJM’s proposed revisions would render moot two pending complaints filed at the Commission regarding energy efficiency, one filed by the IMM and the other by various consumer advocates.¹¹

Without the proposed revisions, PJM’s current rules, which allow energy efficiency resources as capacity, provide payments to those who offer and clear energy efficiency, but the energy efficiency itself does not contribute to reliability in the form of capacity since it is appropriately included in the load forecast. P3 agrees with the IMM that capacity payments to energy efficiency resources amount to little more than a subsidy to these providers that is paid

⁸ *See id.*

⁹ PJM Filing at p. 3, fn 3, *citing Independent Market Monitor for PJM v. Indicated Energy Efficiency Sellers*, Complaint of the Independent Market Monitor for PJM, Docket No. EL24-113-000, at 4 (May 31, 2024).

¹⁰ PJM Filing at p. 4, fn. 7, *citing 2023 State of the Market Report for PJM*, Monitoring Analytics, LLC, section 1, page 38 (Mar. 14, 2024), https://www.monitoringanalytics.com/reports/PJM_State_of_the_Market/2023/2023-som-pjmsec1.pdf

¹¹ *See* PJM Filing at p. 10. *See also Independent Market Monitor for PJM v. PJM Interconnection, L.L.C.*, Complaint of the Independent Market Monitor for PJM, Docket No. EL24-126-000 (July 11, 2024); *Joint Consumer Advocates v. PJM Interconnection, L.L.C.*, Complaint of the Joint Consumer Advocates, Docket No. EL24-118-000 (June 20, 2024).

for by consumers that should be eliminated. Therefore, P3 applauds PJM for its revisions as a practical solution to remedying this situation. Furthermore, after nearly a year of consideration and deliberation, the PJM revisions were endorsed by a sector-weighted majority of PJM stakeholders at the August 21, 2024, Markets and Reliability Committee and the Members Committee.¹²

II. CONCLUSION

Energy efficiency in the capacity market has been a square peg in a round hole since its inception in 2009. Energy efficiency is positive and should be encouraged; however, its participation in the capacity market has led to skewed prices, administrative work arounds and complaints from various angles. The PJM filing provides a solution to a long-standing flaw and will end the contortions that have been necessary to make a fictitious home for energy efficiency in a place where it does not belong. As such, P3 agrees with the proposed revisions set forth in the PJM Filing and urges the Commission to accept the PJM proposed revisions prior to the commencement of the 26/27 BRA.

Respectfully submitted,

On behalf of The PJM Power Providers Group

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Dated: September 27, 2024

¹² PJM Filig at p. 2.

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 Washington, D.C., this 27th day of September, 2024.

On behalf of The PJM Power Providers Group

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