

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

PJM Interconnection, L.L.C.

)

Docket No. ER14-822-002

**PROTEST
OF THE PJM POWER PROVIDERS GROUP**

On May 9, 2014, the Federal Energy Regulatory Commission (“Commission” or “FERC”) issued an Order in the above referenced proceeding.¹ On June 2, 2014, PJM Interconnection, L.L.C. (“PJM”) in compliance with FERC’s Order submitted modifications to the language originally proposed on December 24, 2013 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 increase flexibility of Demand Resources (“PJM Compliance Filing”).²

On June 2, 2014, the Commission issued a Combined Notice of Filings #1 setting June 23, 2014, as the deadline for filing an intervention or protest regarding PJM’s Compliance Filing. Pursuant to Rule 211 of the Rules of Practice and Procedure of the Commission, 18 C.F.R.

¹ *PJM Interconnection, L.L.C.*, 147 FERC ¶ 61,103 (2014) (“May 9 Order”).

² *PJM Interconnection, L.L.C.*, Docket No. ER14-822-002 (filed June 2, 2014) (“PJM Compliance Filing”).

§385.211 (2014), the PJM Power Providers Group (“P3”)³ hereby provides these comments and protest in the above-captioned proceeding.⁴

I. PROTEST

As discussed in greater detail below, PJM fails to justify the need for an exemption from the Pre-Emergency Load Response Program for demand response resources supported by behind-the-meter generation with environmental restrictions that impose limited run times and, as a result, this exemption should not be allowed. Also, PJM’s definition of small commercial customers is too expansive and should be focused. P3 recommends that the Commission reject PJM’s Compliance Filing regarding the behind-the meter exemption and also require PJM to modify the definition of small commercial customers to a smaller more appropriate size.

A. **Demand Response Resources Supported by Behind-the-Meter Generation With Limited Run Times Due to Environmental Restrictions Should Not be Included as an Exemption from the Pre-Emergency Load Response Program.**

As part of the May 9 Order, FERC required PJM to “(i) justify the need for, and scope of, its proposed exemption, including any necessary revisions to its Tariff to ensure that the exemption is properly tailored to the environmental restrictions imposed on these units, or (ii) remove the exemption for behind-the-meter demand response resources from the tariff.”⁵ P3 has the same concerns as the Commission does: that this exemption is overbroad and “may improperly allow these resources to take advantage of PJM’s market without satisfying the

³The 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. For more information on P3, visit www.p3powergroup.com.

⁴ P3 filed a motion to intervene on January 14, 2014 in this proceeding. *PJM Interconnection, L.L.C., Motion to Intervene, Comments and Limited Protest of the PJM Power Providers Group*, Docket No. ER14-822-000 (filed January 14, 2014).

⁵May 9 Order ¶ 41.

obligations required of other capacity demand response resources.”⁶ FERC notes that under the Environmental Protection Agency’s rules, stationary internal combustion engines, for example, may run during pre-emergency periods for up to 50 hours per year.⁷

PJM in its Compliance Filing has failed to justify the need for the exemption to apply to behind-the-meter generation.⁸ For example, PJM’s assertion that it “does not know when an individual resource has reached its allowable limit for non-emergency operations under an environmental restriction” is without merit.⁹ PJM currently relies on Curtailment Service Providers (“CSPs”) to obtain pertinent information regarding demand response resources that comprise their portfolios. PJM has not supported why the current mechanisms to assure adequate response from CSP portfolios is not sufficient in this instance when it is deemed to be sufficient for other aspects of DR customer availability. PJM has not supported why it is offering this special preference for behind-the-meter generation. Demand response resources supported by behind-the-meter generation should be put on the same playing field as all other demand response resources. Demand response resources that have environmental limitations can join together to participate in PJM’s market consistent with the availability requirements of PJM’s tariff, while also ensuring the resources do not violate the environmental limitations.

Additionally, PJM has not supported its argument that without this exemption, demand response resources with environmental restrictions will exit the market.¹⁰ It is likely that the complete opposite will occur if this exemption is permitted. Demand response resources

⁶ *Id.*

⁷ May 9 Order ¶ 41, n. 13.

⁸ PJM Compliance Filing, pp 4-8.

⁹ PJM Compliance Filing p 6.

¹⁰ PJM Compliance Filing p. 7.

supported by behind-the-meter generation will be incented to enter the market so as to avoid the potential of being deployed outside of emergency conditions. Not surprisingly, this market dynamic will encourage more environmentally challenged resources to participate in the market as emergency resources and ultimately lead to less flexibility for PJM while undermining the very improvements that PJM set out to implement. As P3 previously noted, this exemption will create a perverse incentive for demand response resources to meet this loophole rather than provide the operational flexibility that other demand response resources are required to offer under PJM's new guidelines. By registering as Emergency Load Response, the demand response resource that is in the form of behind-the-meter generation can effectively limit the risk of getting called while still receiving compensation similar to other capacity resources. The significant economic benefit will incent proliferation of high emitting behind-the-meter generation to enter the market.

P3 asks the Commission to reject this portion of PJM's Compliance Filing, and remove the exemption for behind-the-meter demand response resources from the Pre-Emergency Load Response Program.

Alternatively, if the exemption is granted, the Commission should require PJM to follow its current rules. Pursuant to the Tariff:

Any **end-use customer** intending to run distributed generating units in support of local load for the purpose of participating in this program **must represent in writing to PJM** that it holds all applicable environmental and use permits for running those generators. Continuing participation in this program will be deemed as a continuing representation by the owner that each time its distributed generating unit is run in accordance with this program, it is being run in compliance with all applicable permits, including any emissions, run-time limit or other constraint on plant operations that may be imposed by such permits.¹¹

¹¹ PJM Open Access Transmission Tariff, Attachment K – Appendix, PJM Emergency Load Response Program, Registration, (5), Effective Date 1/1/14 Docket No. ER14-277-000, p. 1971, (emphasis added), *available at* <http://www.pjm.com/documents.aspx> ; *See also*, Amended and Restated Operating Agreement of PJM

Although the above states PJM current rules, P3 understands that PJM is relying on assertions from CSPs, not commitments from end-use customers, to inform PJM as to the existence of applicable permits. PJM should not be relying on the CSPs to provide assurances that the end-use customers are meeting the appropriate environmental restrictions and permitting requirements. This is an important matter, given the high level of emissions from these resources and, at a minimum, current tariff rules should be followed.

B. PJM’s Definition of Small Commercial Customers is Too Large and Should be Reduced.

FERC required PJM to include small commercial customers similarly situated to residential customers in PJM’s mass-market exemption to the 30-minute default notification time.¹² PJM in its compliance filing defines a small customer as, among other things, having “an annual peak demand no greater than 100 kW.”¹³

P3 believes that “no greater than 100 kW” is too large and rather a smaller more appropriate size of up to 20kW, as used by FERC, is the proper size. FERC in an evaluation report on demand response resources defined small commercial customers as up to 20 kW.¹⁴ P3 believes that this FERC definition provides the appropriate breakpoint for this instance. Commercial customers greater than 20 kW have the ability to activate load reduction plans within the first 30 minutes after activation initiated by PJM, and therefore should not be provided an exemption to the 30-minute default notification time. Examples of customers greater than 20

Interconnection, L.L.C., PJM Emergency Load Response Program, Registration, (5), , Effective Date 1/1/14 Docket No. ER14-277-000, p. 414, available at <http://www.pjm.com/documents.aspx>.

¹² May 9 Order ¶ 85.

¹³ PJM Compliance Filing, p.10.

¹⁴ *A National Assessment of Demand Response Potential*, Staff Report Federal Energy Regulatory Commission, June 2009, <http://www.ferc.gov/legal/staff-reports/06-09-demand-response.pdf> at pp 21, 52 and 203.

kW and less than 100 kW are not small entities and are not similarly situated to residential customers, rather they are schools, larger, fleets of company-owned gas stations with central energy managers, and others that have the ability to comply with the 30-minute default notification time. The main reason offered by some utility demand response managers for the larger customer size exemption from the 30 minute notification rule is the time it might take to “robo-call” mass market demand response customers to shut down non-essential loads. While this technology issue may be a concern for some older programs, it should not be used as an excuse to expand the population of exempt customers to include medium-sized businesses up to 100 kW demand. P3 asks FERC to reduce small commercial customers to be included in the mass-market exemption to the 30-minute default notification time as having an annual peak demand of no greater than 20 kW.

II. CONCLUSION

For the foregoing reasons, P3 respectfully requests that the Commission consider its comments, and reject PJM’s Compliance Filing regarding the behind-the meter exemption and require PJM to modify the definition of small commercial customers to a smaller more appropriate size.

Respectfully submitted,

On behalf of the PJM Power Providers Group

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June 23, 2014

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 23rd day of June, 2014.

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