October 3, 2014

COMMENTS OF OHIO ENVIRONMENTAL COUNCIL
ON PJM INTERCONNECTION, L.L.C.’S CAPACITY PERFORMANCE PROPOSAL

On behalf of the Ohio Environmental Council, its network of over 100 member environmental and conservation organizations and thousands of individual members throughout Ohio, I submit the following comments on PJM’s Capacity Performance proposal.

On August 20, 2014, PJM Interconnection L.L.C. (“PJM”) released a PJM Staff Proposal that would reorganize its capacity market through the introduction of a Capacity Performance product. The stated objective of the Capacity Performance proposal is to provide fuel security through a dependable fuel source; enhanced operational performance during peak periods; high availability of generation resources; flexible unit operational parameters; and operational diversity. PJM’s proposal is motivated in large part by the events occurring during the January 2014 polar vortex conditions. Most specifically, on January 7, 2014, approximately 22% of PJM capacity was unavailable, with natural gas generators performing the worst with up to 30% of gas-fired generation in forced outage conditions during this period.

OEC supports an approach tailored to the problem of reducing winter forced outages in the near term. This is desperately needed if PJM staff analysis holds true that a comparable rate of generator outages in the winter of 2015/2016, coupled with extremely cold temperatures, will prevent PJM from meeting peak load requirements.

However, while PJM needs to take steps to strengthen winter resource adequacy, PJM’s proposed solution is overly broad, unnecessary and ultimately costly to consumers. What is more, PJM’s proposal limits, to the point of discrimination, renewable energy resources, energy efficiency, and demand response resources. Specifically, OEC has grave concerns with PJM’s plan to cap Base Capacity along with Limited and Extended Summer Demand Response collectively at an estimated 10-15%, and PJM’s relegating of energy efficiency resources to its lower-value Base product.

With PJM’s ultimate goal of grid reliability, it is counterproductive to force renewable energy sources and demand response to fight over a 15% share of non-Capacity Performance energy capacity:
• Such a cap reduces the incentive to foster the fuel diversity provided by renewable energy that is much needed to ensure sufficiency of capacity.

• Business and residential customer-sided voluntary demand response resources responded well during this past winter – mainly due to the lack of fuel supply and performance challenges that faced some generation operators during the winter.

• Energy efficiency resources have routinely demonstrated great value in PJM's capacity market as the lowest cost, most immune from variables in weather, and consistently reliable resource.

Furthermore, each of these resources will play a significant role in the country’s battle against climate change through achievement of USEPA’s Clean Power Plan. Any disincentive provided by PJM, here, could put an unnecessary roadblock for the success of a given state’s compliance with the nationwide effort to curb this global challenge.

Renewable energy and demand response resources must be included in PJM's plans to defend the system against another polar vortex. These resources have and could continue to play a significant role in ensuring reliability of the grid will be maintained through the current industry fuel transition and beyond.

PJM needs to revisit its proposal and make recommendations that increase reliability in way that is much less disruptive to consumers, reduces pollution, and is forward-looking with regard to evolution of the energy marketplace. Clean energy policies, advanced technology, and customer desire toward sustainability are driving significant investment in the region for lower-cost and clean renewable energy resources and energy efficiency. PJM's efforts to ensure reliability must take into account this new norm.

Thank you for the opportunity to comment on this proposal, and OEC looks forward to continued discussion on this important issue.

Respectfully Submitted,

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cc:

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