EKPC CIFP Large Load Options Proposal

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EAST KENTUCKY POWER COOPERATIVE
A Touchstone Energy Cooperative

Why EKPC is Offering a Proposal & Proposal Approach

The Challenge

EKPC is concerned that undisciplined Large Load additions create price and reliability risks for existing consumers.

Our Approach

EKPC proposes using financial incentives to manage Large Load entry, balancing growth with system reliability while preserving investor confidence.

Even an LSE with a supply portfolio that matches its load obligation is not shielded from the price and reliability risk caused by undisciplined entry of Large Loads.

Why Focus on Load Serving Entities (LSEs) of Large Loads?

Since the Large Load additions are exacerbating the supply/demand imbalance challenge, it is reasonable to focus a proposal on the LSEs serving those loads.

Market Participation Requirement

A condition precedent for LSEs to participate in PJM's energy market as a Market Buyer is to sign the Reliability Assurance Agreement (RAA).

Collective Responsibility

In signing the RAA, all LSEs agree to work together collectively and individually to satisfy the Resource Adequacy needs associated with the load they are obligated to serve under retail programs.

Resource Sharing

LSEs agree to share their resources to meet the total Resource Adequacy requirement for the region.

How EKPC's Proposal Fits into CIFP

The Issue Charge indicates that a Key Work Activity is to "explore temporary or permanent solutions considering reliability implications for demand in excess of the capacity procured."

EKPC's options would complement other options under consideration, such as:

Reality Check

Options seeking to ensure the "reality" of the Large Loads that would be included in the VRR curve affecting the RPM price outcomes for all load in PJM

Demand Response

Options that will provide additional demand response opportunities for the Large Loads that would reduce the amount of generation capacity needed to supply them

Proposal Overview

Re-Establishing the Load Serving Entity (LSE) Obligation

This proposal adopts the definition of **Large Load as being > 50 MW** and has two parts:

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LSE Identification Requirement Require LSEs of Large Loads to be identified before the load is included in the Large Load Adjustment (LLA) to the load forecast that is used for the VRR curve in an RPM auction (BRA/IA).	**Penalty for Insufficient Supply** Impose a **[significant]** penalty if the LSE does not have sufficient supplies (bilaterally contracted or owned) to meet its capacity obligation inclusive of the Large Load, i.e, does not enter the auction with a balanced portfolio, **and** the auction dos not clear sufficient supplies to meet the aggregate obligations of all LSEs within the LDA.

Part 1: LSE Identification Requirements

Require the LSE of Large Load to be identified **before** Large Load is included in the load forecast used in the VRR Curve for RPM (BRA or IA)

Additional Reality Check

This is an additional "reality check" requirement to those proposed by PJM and others seeking to ensure that the load is real. It ensures That an entity has “skin in the game” and obligated to supply the load.

State Validation Role

It would be helpful for states to play a role in validating the Large Load Adjustment before it is included in the load forecast used in the VRR Curve for an auction.

Encourage State Regulatory Framework

Since the rules addressing who is eligible to serve end-use customers and their service adequacy requirements are state jurisdictional, this proposal would work best if the states also put in place a retail regulatory framework to support this requirement.

Part 1: Alternative LSE Identification Consideration

An alternatives to contemplate:

If the Large Load does not have an identified LSE, PJM could treat it as load being served by the "default" provider recognized by the Relevant Retail Regulatory Authority (RERRA).

Why?

If load does not select an alternative supplier, it is served by the default supplier.

Part 2: Penalty for Insufficient Supply

Impose [significant] penalty if the LSE does not have sufficient supplies (bilaterally contracted or owned) to meet its capacity obligation inclusive of the Large Load, i.e., does not enter the auction with a balanced portfolio, **AND** the auction does not clear sufficient supplies to meet the aggregate Obligations of all LSEs within the LDA.

Annual Evaluation

This will be evaluated each Delivery Year as the large load ramps up and until the year when PJM determines that the supply/demand imbalance is relieved.

Penalty Must Be Significant

Penalty must be significant enough to discipline entry in order to prevent unreasonable price pressure and load shed risk on other loads.

Penalty assessed on that portion of the Large Load not able to be supplied from the auction.

Why Annual Review is Necessary

Evaluating this for each Delivery Year is necessary because the "length" in the LDA might be committed to another load in a future year, such as organic load growth of a G&T, or could be a resource that came on-line before the load it is committed to supply connected to the grid.

Penalty in Addition to Paying Auction Prices

The penalty would be paid in addition to paying the auction clearing prices for the Delivery Year.

Part 2: Penalty Implementation Details

1 Protecting Existing Customers

RERRA would be encouraged to ensure that this penalty does not get distributed to the non-Large Load served by the LSE. The intention is to discipline Large Load connection, not penalize existing end-use customers.

2 Fund Distribution

Funds collected through the penalty would be disbursed pro-rata to all compliant LSEs in the LDA or Zone in recognition of the price pressure and load shed risk caused by the Large Load connecting without sufficient supply resources available.