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Comments of the Delaware Public Service Commission to Reliability Backstop Mechanism and Connect and Manage Proposals before the PJM Board of Managers

The Delaware Public Service Commission (DEPSC) offers the following comments to the Reliability Backstop Mechanism (RBM) and Connect and Manage (C&M). The DEPSC believes the focus of any proposal should be first and foremost to ensure the reliability and increased cost impacts caused by New Large Loads (NLLs), predominantly new data centers, are effectively mitigated. The only effective and sustainable high-level solution to this, as noted by the Independent Market Monitor, is to have NLLs bring on new sources of generation and storage (G&S), sufficient to serve their high load factor usage. The DEPSC acknowledges the current day challenges associated with fully backing up projected NLLs with new supply, and therefore supports PJM staff's original concept of requiring NLLs who do not contract for new G&S, to be subject to curtailment via pre-emergency actions under C&M. Voluntary curtailment and/or voluntary supply contracting, via a backstop auction or bilateral contracting does not achieve these objectives. Firm, clear and consistent requirements for NLLs to reliability interconnect to the PJM grid need to be articulated – not a kaleidoscope of varied state curtailment priorities impacting wholesale level allocations. For this reason, the DEPSC does not support PJM Staff's Stage 4 proposal.

Connect and Manage

The DEPSC believes that following design elements are critical to achieve the aforementioned objectives.

1. NLL LSEs that do not bring on New G&S or clear in the Reliability Backstop Auction (RBA) should be subject the corresponding Transmission Operator (TO) or Electric Distribution Company (EDC) Pre-Emergency procedure curtailment.
2. Only long-term New G&S resource commitments should enable C&M avoidance.
3. Recognizing the supply constraints that exist in the near term, New Demand Response (DR) resources should be an eligible short-term resource to enable C&M avoidance, pending replacement by long-term G&S development by NLL LSEs consistent with Cycle 1 interconnect processing. PJM should study the long-term impacts to reliability and costs associated with potential high penetrations of DR to serve high load factor NLLs, and determine whether reforms to DR, including consideration of any future portfolio limitations or market design changes are necessary.
4. PJM should ensure that Day-Ahead and Real-Time use of C&M-related curtailments do not unjustly impose substantial energy and reserve costs on existing customers, and implement necessary market reforms to mitigate excessive pricing impacts caused by NLLs unaccompanied by new G&S resources.
5. PJM should ensure that atrophying ELCCs related to New G&S resources procured by LSE's of NLLs do not impose undue future UCAP requirements on existing customers. This is particularly relevant for new storage and solar facilities.

6. Only new resources should enable C&M avoidance. Existing resources should not be eligible resources under this standard.
7. LSEs of NLLs subject to C&M should be required to pay for the use of capacity resources they draw on during all hours of the year, other than a few hours a year during curtailment. This will provide appropriate incentives for these resources to acquire New G&S resources of their own and avoid free access to the reliability benefits that existing customers are paying for.

Reliability Backstop Mechanism

The DEPSC believes that the following design elements are critical to achieve the aforementioned objectives.

- Bilateral contracting by NLLs, or via LSEs of NLLs with G&S developers is the preferred method to facilitate NLL connections to the grid. The DEPSC supports the PJM staff two-path mechanism approach which includes Request for Proposals to support bilateral contracting.
- A RBM may be a complementary tool to facilitate the acquisition of additional G&S resources to support responsible interconnect of NLLs to the PJM grid. The DEPSC encourages PJM to ensure that the timing of such auction is informed by the processing of interconnection requests, such that greater cost and development certainty is attained.
- PJM should seek to minimize the potential for stranded costs associated with the RBA, by optimizing LSE/NLL input to any RBM participation MW levels, as well as considering a high collateralization of LSEs/NLLs participating in the BRA.
- RBA design should be based on the intersection of LSE/NLL and G&S developers input. Mutual buy-in by both stakeholder groups is a critical success factor.

The DEPSC believes that based on current proposals before the PJM Board, the IMM, AMP, Glatz/Silverman and the JCA proposals provide the most appropriate framework for addressing the challenges associated with NLLs. While these general frameworks are supported by the DEPSC, they should be modified consistent with the issues noted above to the extent not already incorporated. The DEPSC is also supportive of a large load registry to facilitate the transparent flow of information between NLLs, TOs, EDCs, LSEs and state regulators. The DEPSC looks forward to working with stakeholders in the development of such a registry.

Harold Gray

Chairman