

IRP Entities – Comments on PJM Staff Reliability Backstop Procurement Proposal: Row 9 “Procurement Target”

Integrated Resource Planning (IRP) Entities = Buckeye Power, Dominion Energy, Duke Energy Ohio, Duke Energy Kentucky, EKPC, ODEC

Summary

IRP Entities are part of the Joint EDC/Data Center Coalition’s Reliability Backstop Procurement (RBP) Package, and prefer the coalition’s proposed approach, over PJM staff’s approach, for establishing an RBP procurement target. To the extent that the PJM Board were to advance the package proposed by PJM staff, IRP Entities urge the PJM Board to make specific adjustments to what would be an acceptable demonstration of resources associated with entities subject to long-term resource planning requirements. These details are in Row 9 of the RBP matrix.

Background

The IRP Entities are Self-Supply Entities who must undertake long-term resource planning under requirements established by their Relevant Electric Retail Regulatory Authority (RERRA). The long-term planning seeks to ensure that IRP Entities have sufficient capacity supply resources to satisfy existing load plus additional load growth anticipated out ten or more years into the future. Such processes often are referred to as Integrated Resource Planning (IRP). These processes typically evaluate anticipated generation retirements, demand side management programs, changes in existing load as well as anticipated load growth. Some entities subject to IRP requirements are state-regulated. Ultimately, decisions to build or acquire additional supply resources are subject to separate RERRA approval and possibly Certificate of Public Convenience and Necessity (CPCN) approval. The IRPs themselves may not be subject to an approval, but rather must address all evaluation criteria established by the RERRA for an acceptable IRP plan.

PJM’s Row 9 (Procurement Target)

PJM staff proposed to lower the RBP procurement target by “new supply showings.” According to PJM staff’s current proposal, “net new capacity being brought to the system via signed contracts for new supply BYONC, approved IRP new supply, or large load sites committed to demand side participation” will be the only acceptable “new supply” showing to decrement the procurement target. PJM staff provide additional detail about the “approved IRP new supply”. They indicate that approved IRP supply is “identified Self-Supply Generation that is in a State approved IRP and has associated generation in the PJM interconnection queue or a demonstrated finalized PPA compliant with PJM BYONC rules.”

Comments

IRP Entities first wish to express appreciation for PJM staff recognizing that Self-Supply entities subject to IRP processes strive to ensure that they have sufficient capacity resources to satisfy their retail load serving obligations and may be developing, or otherwise contracting for, new generation resources to meet new Large Load serving requirements. IRP Entities support decrementing the procurement target by any generation in the PJM interconnection queue, or a demonstrated finalized PPA compliant with PJM BYONC rules, associated with the Self-Supply

Entity subject to a RERRA IRP. PJM has recognized that to do otherwise might result in PJM centrally procuring RBP resources to satisfy the same new Large Load serving requirements of such entities. This both results in duplicative costs being borne by such entities and the PJM market bearing the risk of a financial obligation that otherwise would have been handled outside of PJM's markets.

However, PJM staff's proposal does not go far enough to address IRP Entities' duplicative payment concerns by failing to account for length in such entities' existing portfolio of resources. Moreover, PJM staff's proposal seems to be based on an inaccurate understanding of the various IRP processes.

Existing Supply Portfolio of Self-Supply Entities Subject to a RERRA IRP Process

IRP Entities acknowledge that there is a capacity shortfall projected for future Delivery Years; however, Self-Supply Entities subject to RERRA IRP processes satisfying their load obligation -- the obligation to serve both existing and anticipated new Large Loads — with their portfolio of resources is not causing the capacity shortfall in the PJM region. Thus, IRP Entities urge consideration of decrementing any Procurement Target by that portion of forecasted new Large Load that may be satisfied by the existing portfolio of capacity resources (generation and demand response) of Self-Supply Entities Subject to RERRA IRPs. Appropriate boundaries could be placed on what "existing" resources of such entities may be factored in decrementing the procurement target. A potential boundary could be something similar to a concept included in the "Joint EDCs" CIFP Stage 4 – Connect and Manage package. A comparable approach in the context of RBP would be "the Procurement Target may be decremented to the extent a Self-Supply IRP Entity's portfolio of capacity resources has remaining capacity after accounting for its non-Large Load obligations."

"State approved IRP"

Additionally, PJM staff's proposal requires that any Self-Supply Generation that will be relied upon to decrement the procurement target be in a "State approved IRP." Requiring the that the IRP be state approved overlooks that some RERRA's are not state authorities. It also incorrectly assumes that the plans that result from IRP process are "approved." Most IRP processes do not result in the IRP itself being approved, but rather having developed a recommended plan after satisfying the RERRA evaluation criteria, the plan may be accepted. Such plans typically are the foundation for a second step where the RERRA approves specific projects for construction, acquisition, or in the case of a PPA – a long-term financial obligation. Thus, IRP Entities propose that the concept of "approved IRP" be deleted and focus on the status of the entity being a "Self-Supply Entity Subject to a RERRA IRP process."