



May 21, 2021

**Comments of the American Clean Power Association
on PJM’s Effective Load Carrying Capability Filing**

The American Clean Power Association (“ACP”) appreciates the opportunity to provide these comments regarding PJM’s upcoming filing under Section 205 of the Federal Power Act¹ that PJM plans to submit to the Federal Energy Regulatory Commission (“FERC”) on or before June 1, 2021 (the “June 1 Filing”) related to a revised Effective Load Carrying Capability (“ELCC”) construct. ACP offers these comments to propose a path forward related not only to PJM’s upcoming June 1 Filing, but also for how PJM and its stakeholders should address ELCC and supplier capacity qualification generally.

ACP acknowledges that FERC’s April 30, 2021 Order² rejected PJM’s October 30, 2020 Filing³ primarily on the ground that the proposed “transition mechanism” was unjust, unreasonable, and unduly discriminatory, and also indicated that the balance of PJM’s October 30, 2020 filing “appears to be a just and reasonable approach.”⁴ However, with respect to the June 1 Filing, ACP advises PJM against simply re-filing its ELCC construct described in the October 30, 2020 Filing without the transition mechanism. The October 30, 2020 Filing that FERC rejected carefully balanced a suite of competing interests into a compromise solution that garnered broad stakeholder support. Solely removing the transition mechanism and re-filing the remaining proposal upends this balance, inviting further protests and creating uncertainty at a time when the capacity market is only just beginning to regain its footing.

¹ 16 U.S.C. § 824d (2018).

² *PJM Interconnection, L.L.C.*, 175 FERC ¶ 61,084 (2021) (the “April 30, 2021 Order”)

³ Effective Load Carrying Capability Construct Tariff Filing of PJM, Docket No. ER21-278-000 (Oct. 30, 2020) (the “October 30, 2020 Filing”).

⁴ See April 30, 2021 Order at P 17.



Instead, for the reasons explained below, ACP recommends that PJM should: 1) file an ELCC proposal that applies to energy storage resources *only* in the upcoming June 1 Filing so that the “10-hour rule” no longer applies when measuring energy storage resources’ capacity capability, beginning with the upcoming Base Residual Auction for the 2023/2024 Delivery Year (“2023/2024 BRA”) scheduled for December 2021; 2) establish a clear timetable to work with stakeholders on developing a proposal applying ELCC to *all resource types* in PJM as part of the upcoming “Phase 2” stakeholder process related to broader reforms in PJM’s capacity market; and 3) request that FERC continue to hold the paper hearing in FERC Docket Nos. EL19-100-000 and ER20-584-000 in abeyance.

However, regardless of what ELCC proposal PJM files on June 1, ACP believes it is essential that the proposal improve transparency with respect to how PJM calculates ELCC values, so that all market participants are able more accurately calculate their projected ELCC values in future Delivery Years. This will greatly assist owners of resources subject to ELCC in predicting their capacity market revenues, which will in turn assist with financing projects that are in development. Without additional transparency-related improvements, described in further detail below, ACP does not believe that any ELCC proposal put forth by PJM on June 1 will be just and reasonable.

The Need for a New Approach to ELCC

ACP believes that its recommended approach is appropriate and warranted for several reasons. First, ACP notes that the stakeholder consensus that underpinned the October 30, 2020 Filing was in large part contingent on the presence of the transition mechanism. An upcoming June 1 Filing that simply resubmits the October 30, 2020 Filing without the transition mechanism would be materially different from that on which stakeholders had largely reached consensus. Such a filing could accordingly not be said to have the support of PJM’s stakeholders and will almost certainly be strongly contested at FERC. On the other hand, there is widespread stakeholder support for applying ELCC to energy storage resources and eliminating the 10-hour rule and its application to energy



storage resources as expeditiously as possible, and such a narrow filing is less likely to be strongly contested at FERC.

Second, subsequent developments since the submission of the October 30, 2020 Filing have raised serious concerns among ACP and its members related to the projected ELCC values that PJM has calculated.⁵ Notably, ACP believes that the projected ELCC values that PJM has published, particularly for standalone solar resources, are artificially low and do not accurately reflect renewable energy resources' reasonably expected reliability contributions because PJM is likely overestimating the amount of resources that will come online over the next several years and is not properly accounting for substantial delays in PJM's interconnection queue. Unfortunately, ACP and its member companies are unable to verify this theory because of a lack of transparency surrounding how PJM calculates ELCC values. While ACP understands that the actual ELCC values in a given Delivery Year will be based on the amount of resources that are actually operational in PJM immediately prior to the Delivery Year, the low projected ELCC values put forth by PJM have raised serious issues with respect to financing renewable energy projects because capital providers rely on *forward-looking projections* of resources' capacity accreditations when underwriting projects' capacity revenues.

While ACP hopes that PJM begins to provide additional transparency to all stakeholders related to how PJM is calculating projected ELCC values, and ACP hopes to work with PJM and all stakeholders to refine its ELCC projections once additional information becomes available, ACP believes that if PJM were to codify its currently proposed ELCC method in its governing documents via the upcoming June 1 Filing, it could result in discriminatory treatment towards renewable energy resources as their ELCC values would be artificially low and inaccurate. This would in turn hinder the ability of owners of renewable energy projects to attract financing on commercially

⁵ See *How Effective Load Carrying Capability ("ELCC") Accreditation Works*, PJM (Apr. 20, 2021), available at: <https://www.pjm.com/-/media/committees-groups/committees/pc/2021/20210420-special/20210420-item-03b-how-effective-load-carrying-capability-works.ashx>.



reasonable terms and/or artificially raise the costs associated with financing renewable energy projects.

Further, ACP believes that applying ELCC to renewable energy resources and to energy storage resources, but not to *all resources*, may be discriminatory because the current ELCC construct incorrectly presumes that all conventional generation asset types are infinitely available to carry load. Recent sustained power outages resulting from gas pipeline constraints in Texas in February 2021, along with this month’s cybersecurity attack on the Colonial Gas Pipeline, clearly demonstrate that this presumption is, at the bare minimum, open to scrutiny. Further, PJM has indicated that as part of its upcoming “Phase 2” stakeholder process to examine additional reforms to the capacity market beyond the MOPR, that stakeholders should consider expanding ELCC to all resource types.⁶

Given the foregoing concerns related to applying ELCC to renewable energy resources, as well as the upcoming “Phase 2” stakeholder process, ACP believes that the most prudent course of action is for PJM’s June 1 Filing to apply ELCC to energy storage resources *only*. As discussed, there is widespread support among PJM’s stakeholders for eliminating the current 10-hour rule. Indeed, FERC acknowledged in its April 30, 2021 Order that it had previously “noted concerns that PJM applied a 10-hour minimum run-time requirement to Capacity Storage Resources” and “that the 10-hour minimum run-time requirement does not reflect the physical and operational characteristics of Capacity Storage Resources.”⁷ A PJM proposal to apply ELCC to energy storage resources only in the upcoming June 1 Filing, to be implemented by the 2023/2024 BRA, will eliminate this unjust and unreasonable practice.

At the same time, ACP believes that it is advisable for PJM and stakeholders to continue working together on how ELCC may apply to all resources, and to improve how

⁶ See *Capacity Market Workshop – Session 5: Scope and Timing Beyond MOPR*, PJM, 2 (May 13, 2021), available at: <https://www.pjm.com/-/media/committees-groups/committees/mic/2021/20210513-workshop/20210513-phase-2-scope-and-timing.ashx>.

⁷ See April 30, 2021 Order at P 2 (citations omitted).



ELCC will eventually apply to renewable energy resources. While ACP understands that PJM may be inclined to file a proposal on June 1 that applies its currently contemplated ELCC construct to renewable energy resources as well, the aforementioned concerns related to how PJM's current ELCC construct would apply to renewable energy resources warrant further in-depth discussion among PJM and all stakeholders before any proposal is submitted to FERC.

Nonetheless, regardless of what ELCC proposal that PJM submits on June 1 – energy storage-only or including other renewables as well – it is imperative that PJM improve transparency associated with ELCC so that all stakeholders may be able to have a better understanding of what various resource types' future projected ELCC values will be. As noted above, such transparency is critical to ensuring that any ELCC proposal submitted by PJM is just and reasonable. To that end, ACP strongly recommends that even if PJM does not adopt ACP's proposed approach to the June 1 Filing, PJM should make the following information available to all market participants, at a minimum, to improve transparency associated with PJM's ELCC construct:

- Annual forecasted deployment in megawatts for every resource type;
- Hourly output shapes for every year in the model for every resource type;
- Forced, planned, and maintenance outages for Unlimited Resources;
- Simulated dispatch of Demand Response resources;
- Improved Load Model information, including:
 - Hourly load shapes for each year;
 - Hourly weather data used in forecast model;
 - Hourly load scenarios; and
- Aggregated data available in one central location.



ACP thanks PJM for considering these comments and welcomes feedback and further discussion from both PJM and all other PJM stakeholders.

Sincerely,

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