



STATE OF DELAWARE

THE PUBLIC SERVICE COMMISSION

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June 12, 2014

VIA ELECTRONIC DELIVERY

Adrien Ford
Director, Market Evolution, and Facilitator, Capacity Senior Task Force
David Anders
Manager, Stakeholder Affairs

Dear Ms. Ford and Mr. Anders:

We are writing on behalf of a coalition of representatives of public power entities, consumer advocates, industrial customers, state commissions and one transmission owner to express our serious concern about the current Capacity Senior Task Force (CSTF) stakeholder process addressing the RPM Triennial Review. Specifically, we are concerned about the present course of the CSTF process with regard to proposed changes to the VRR curve shape. We request that time be set aside at the CSTF meeting on June 13th to discuss these concerns.

Briefly, these are our concerns:

1. We are, at present, not convinced that there is a problem with the VRR curve shape yet the Consensus Based Issue Resolution ("CBIR") process is moving ahead without accomplishing important procedural steps. There was never discussion of the scope of a Problem Statement and there is no consensus about whether there is even a problem or what the problem might be. PJM is foreclosing education and problem investigation discussions even though stakeholders have raised serious concerns.
2. While Problem Statements are often approved around issues that some stakeholders do not in fact consider a problem, stakeholders generally do not oppose taking up an issue if there are concerns warranting more detailed discussion. We request to have the opportunity to ensure that we have necessary education to determine whether there is a problem, and to understand the problem. This discussion has not occurred to date. In addition, the full range of possible solutions (not just changes to the VRR curve shape) must be considered within the issue scope to address any identified problem.

3. We believe that the group needs to identify and prioritize objectives, and then determine how to evaluate candidate VRR curves against the identified objectives. At present, it appears the stakeholder process will largely skip the Problem Investigation step of the CBIR process (per Manual 34 p. 31): education, joint fact finding, identify existing and missing information, develop a plan for attaining missing information, and seek agreement on approach and inputs for any analysis.

The fact that the Triennial Review is a tariff requirement does not preclude or pre-empt a comprehensive identification and consideration of this issue. PJM can simply file new CONE and E&AS Offset values with no changes to the VRR curve shape in this round, while continuing a stakeholder process that may result in changes to the VRR curve shape at a later time. We are concerned that the VRR curve shape issue requires significant education and discussion and there is just not enough time for that to properly occur.

At present we have no information or analytical approach for evaluating the potential impact of different VRR curve shapes on the cost to consumers or on market power incentives – the Brattle Report did not address these key considerations. And we are unconvinced by the report’s analysis of reliability impacts. The simulation model and its assumptions have not been fully vetted and validated, and we are concerned that the model may substantially exaggerate volatility and reliability risk. At a minimum, approaches for evaluating reliability, price (cost) and market power impacts must be identified so that the discussion of solutions can be fully informed.

In closing, we understand the burdens on PJM staff to complete tasks in a number of areas in a very short time. In the case of the Triennial Review, we have no problem with the current schedule for CONE and the E&AS Offset but believe it is not feasible for the VRR curve shape issue. We ask that you plan to address the VRR Curve shape issue on a schedule that will allow development of the necessary information and analysis as described above. We are available to discuss these concerns by conference call if that is convenient for you; and again, we ask that discussion of these concerns be included on the agenda for June 13.

Sincerely,

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