

Comments on PJM Transition Proposal

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Introduction of New Signal

PJM intends to introduce the new ‘conditionally neutral’ signal on January 9, 2017.

ESA concerns:

- This signal change constitutes a material modification to the regulation product.
- PJM has represented to FERC that an “energy-neutral dynamic regulation signal” is part of their compliance with Order 755.
- More generally, signal changes could be used to place arbitrary obligations on regulation resources.
- Signal changes inevitably modify the commercial relationship between RegA and RegD; unilateral changes provide no review if those changes are unduly discriminatory.

ESA position is that the regulation signals must be described in more detail in the Tariff.



New Signal/Old Benefits Factor

PJM intends to retain the current benefits factor and RegD caps after the 'conditionally neutral' signal is in place.

ESA concerns:

- RegD caps were put in place in response to operating concerns that the old RegD signal occasionally moves in the wrong direction.
- PJM's new signal corrects this issue, leaving no justification for RegD caps.
- The benefits factor measures the relative value of RegA and RegD. By PJM's own design, the conditionally neutral signal increases the value of RegD. It is inappropriate to order RegD to follow a more valuable signal without corresponding changes to the benefits factor.

ESA position is that the benefits factor must match the signals, and the procedures to derive the benefits factor belong in the Tariff.



Compromise Proposal

As a potential compromise to avoid immediate litigation, the ESA proposes:

- Implement the new signal as planned.
- At the same time, raise the cap on RegD to 51% of total regulation requirement.
 - Why 51%? Because it's half way between the pre-RMI value of 62% and the post-RMI value of 40%.
- PJM commits to including definitions of the regulation signals and benefits factor/MRTS derivation in the tariff.

