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September 16, 2019

By Electronic Filing and Federal Express ML#226834

Terry J. Romine, Executive Secretary
Maryland Public Service Commission
William Donald Schaefer Tower
6 Saint Paul Street, 16th Floor
Baltimore, MD 21202-6806

Re: ***Baltimore Gas and Electric Company's Proposed Revisions to its Electricity Supplier Coordination Tariff for Suppliers to Transfer Price Responsive Demand Credits to Utility***
ML# 226190

Delmarva Power & Light Company's Proposed Revisions to its Electricity Supplier Coordination Tariff for Suppliers to Transfer Price Responsive Demand Credits to Utility
ML# 226193

Potomac Electric Power Company's Proposed Revisions to its Electricity Supplier Coordination Tariff for Suppliers to Transfer Price Responsive Demand Credits to Utility
ML# 226194

Dear Secretary Romine:

The Retail Energy Supply Association ("RESA"),[1] by counsel, submits this letter in response to the filings by Baltimore Gas and Electric Company ("BGE"), Delmarva Power & Light Company ("Delmarva") and Potomac Electric Power Company ("Pepco") (collectively, the "Utilities") to revise their Electricity Supplier Coordination Tariffs ("Tariffs") to implement a new requirement that suppliers execute a Billing Line Item Transfer ("BLIT") with PJM to transfer Price Responsive Demand credits from suppliers to the Utilities. The filings are scheduled for consideration at the Commission's September 18, 2019 administrative meeting, with the changes to become effective October 1, 2019.

[1] The comments expressed in this filing represent the position of the Retail Energy Supply Association (RESA) as an organization but may not represent the views of any particular member of the Association. Founded in 1990, RESA is a broad and diverse group of twenty retail energy suppliers dedicated to promoting efficient, sustainable and customer-oriented competitive retail energy markets. RESA members operate throughout the United States delivering value-added electricity and natural gas service at retail to residential, commercial and industrial energy customers. More information on RESA can be found at www.resausa.org.

As explained below, the Utilities proposed Tariff revisions would have significant unintended consequences on Maryland's competitive electricity market. RESA requests that the Commission defer these Tariff filings for three weeks to allow RESA and the Utilities to discuss alternative mechanisms that would properly allocate Price Responsive Demand credits for the Utility PRD programs, without foreclosing competitive retail suppliers from offering their own PRD programs in the future. This deferral will not prejudice the Utilities because their proposed Tariff revisions, if accepted, would not require any action until May 1, 2020.[2]

Introduction

PJM established Price Responsive Demand ("PRD") in 2012 to enable PRD resources to participate in PJM's capacity Base Residual Auction. PRD Providers, including Load Serving Entities (such as competitive retail suppliers) and electric distribution companies, aggregate end-use customers who can reduce load in response to price. The group of customers that commits to reduce load constitutes the PRD resource. The PRD Providers then bid the resource into the PJM Capacity Auction as a reduction to the overall capacity requirement, changing the demand curve and lowering the clearing price for capacity resources. In return for this commitment to reduce load, the Load Serving Entities ("LSEs") of the customers participating as part of the PRD resource receive a financial credit as a line item on their PJM bill. Under the terms of PJM's Capacity Market, LSEs receive a daily financial credit for each approved PRD registration. There are also penalties if a PRD resource fails to perform.

The Utilities have proposed modifying the Tariffs to require suppliers to execute a Billing Line Item Transfer ("BLIT") that would cause PJM to transfer the financial credits associated with an end-use customer's participation in a PRD program from the retail supplier to the utility PRD provider. Suppliers would be required to execute BLIT by May 1, 2020.

PRD Overview

Participation in the PJM capacity market as a PRD provider is not limited to electric distribution utilities. Under the PJM rules, there are two categories of PRD providers: (1) LSEs (including competitive retail suppliers);[3] and (2) Curtailment Service Providers ("CSPs") or investor-owned utilities operating as Electric Distribution Companies ("EDCs").[4] While RESA is not aware of any Maryland competitive suppliers that have bid PRD Resources into the PJM Capacity Auction for the 2020/2021 or 2021/2022 delivery years, suppliers may wish to do so for future delivery years. As

[2] The proposed Tariff revisions would take effect in October of 2019, but the suppliers would not be required to execute the BLIT until May 1, 2020.
[3] PJM Manual 18: PJM Capacity Market, 1.2.3 – Participation of PRD Providers, 19, (Rev. 42., eff. July 25, 2019), https://www.pjm.com/-/media/documents/manuals/m18.ashx (emphasis added).
[4] PJM Manual 18, 3A.1 – Overview of Price Responsive Demand in PJM Capacity Market, 43.

discussed below, the Utilities' proposed changes to the Coordination Tariffs would foreclose this possibility.

Under PJM's capacity market rules, LSEs receive a daily financial credit for each approved PRD registration that is "effective and applicable to load served… on a given day."[5] The issue prompting the Utilities proposed Tariff revisions is that, for the Utilities PRD offerings, the Utility is the PRD provider. The LSE/supplier is not the PRD provider under the Utilities' programs. As a result, PJM is providing the PRD credits to the LSE/suppliers on their PJM bills, instead of the utility PRD provider.

In addition to the financial credits associated with participation, three types of financial penalties are assessed for failing to ensure the demand reduction as promised: (1) PRD Commitment Compliance Penalties,[6] (2) PRD Maximum Emergency Event Compliance Penalties,[7] and (3) PRD Test Failure Charges.[8] Unlike financial credits, these penalties are assessed to the PRD Provider if they fail to comply with PRD commitments. Because the LSE/supplier and the PRD Providers may not be the same entity, financial credits and penalties represent different line items on PJM Members' billing statements. This further complicates the use of a BLIT, as discussed below.

Comments

RESA supports implementation of a competitively neutral mechanism to properly allocate financial credits and penalties to PRD Providers. However, RESA opposes the BLIT mechanism proposed by the Utilities (as currently structured) because it would foreclose suppliers from offering PRD programs to their customers.

I. The proposed BLIT would transfer any financial credit associated with the current utility PRD program and any future supplier PRD program from the supplier to the utility.

The Utilities' proposed BLIT would have the unintended consequence of preventing suppliers that offer competitive PRD programs for their customers from receiving the PRD credits in future PJM capacity auctions. The Utilities' proposals are intended to transfer the financial credit "associated with [the Utility's] participation in the PJM capacity market as a PRD resource from [the supplier's PJM] bill to [the Utility's] bill."[9] However, the proposals assume that suppliers will not offer any PRD programs. In a future auction, suppliers may want to offer customers the opportunity to participate in a PRD program in which the competitive supplier is the PRD provider. With competitive PRD program options available, some customers may choose to enroll in the

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[5] PJM Manual 18, 9.4.4. – LSE PRD Credit, 195.
[6] PJM Manual 18, 9.4.1 – PRD Commitment Compliance Penalty & Credits, 192–93.
[7] PJM Manual 18, 9.4.2 – PRD Maximum Emergency Event Compliance Penalty & Credits, 193–94.
[8] PJM Manual 18, 9.4.3 – PRD Test Failure Charges & Credits, 194.
[9] *See e.g.*, ML# 226190, Baltimore Gas and Electric Company's Proposed Tariff at 20 (Section 10.5 – PRD Unforced Capacity Financial Credit Billing Line Item Transfer).

competitive supplier PRD program while others may choose to enroll in the Utilities' offerings.

If a supplier offers a program in a future auction, the BLIT would transfer the all financial credits associated with PRD from the supplier to the utility – including all utility PRD credits (as intended) and any of the competitive supplier's PRD credits (the unintended consequence). The LSE/supplier's billing statement contains a single line item based on *all* the load served by the supplier that was subject to a PRD program – regardless of who administered the program.

If suppliers offer PRD programs in future auctions, the BLIT would result in a windfall to the utilities, reversing the windfall scenario the Utilities intended to prevent through their Tariff revision filings. The effect of the BLIT for PRD credits, as proposed by the Utilities, is that suppliers would be foreclosed from developing and offering a PRD program in Maryland, even though the PJM rules allow suppliers to do so.

Conclusion

RESA appreciates the opportunity to comment on the Utilities proposed Tariff filings and appreciates the Utilities' efforts to equitably allocate PRD credits. However, rather than proceed with the proposed BLIT mechanism, the Commission should ensure that any PRD credit allocation mechanism be competitively neutral. For all of the reasons discussed above, RESA respectfully requests a three-week deferral of the tariff filings to allow RESA, the Utilities, Staff and PJM to discuss alternative PRD credit allocation solutions to address the issues presented in the Utility filings and in these comments. Moreover, on September 13, 2019, WGL Energy Services, Inc. ("WGL Energy") filed comments (ML#226823) raising concerns about implementation of the proposed BLIT mechanism. RESA has discussed this matter with WGL Energy and is authorized to represent that WGL Energy supports RESA's 3-week deferral request. The deferral period would give stakeholders an opportunity to discuss resolution of the issues raised by both RESA and WGL Energy.

Sincerely,

Brian R. Greene

c: Matthew Segers, Esq (by email)
Beverly Sikora, Esq. (by email)
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