UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

PJM Interconnection, L.L.C.	**)**	**Docket No. ER17-367-000**

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COMMENTS AND LIMITED PROTEST OF THE NRG COMPANIES

Pursuant to Rules 211 and 212 of the Rules of Practice and Procedure of the Federal Energy Regulatory Commission (the "Commission"),[1] the NRG Companies respectfully submit these comments and limited protest to the PJM Interconnection, L.L.C. ("PJM") November 17, 2016 filing in the above referenced docket ("Filing"). The NRG Companies include NRG Power Marketing LLC, GenOn Energy Management, LLC, and Midwest Generation, LLC, which, collectively, own or control approximately 15,000 MWs of generation in PJM and NRG Curtailment Solutions, Inc., which is a curtailment service provider in PJM that provides over 1,000 MW of demand response.

While the NRG Companies support PJM's efforts to better align products and improve the ability of market participants to aggregate their capacity to participate as a capacity performance resource, the NRG Companies are concerned with the Filing's proposal to give away Capacity Interconnection Rights ("CIRs") to certain seasonal resources. The Commission should approve the Filing, but should allow PJM to hand-out CIRs to intermittent and environmentally limited resources for only the 2020/2021 Delivery Year and require PJM to establish a comprehensive review process of the CIRs that is integrated into its interconnection process for future capacity auctions.

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[1] 18 C.F.R. §§ 385.211, 385.212.

I. BACKGROUND

In a June 9, 2015 Order, the Commission approved PJM's proposal to implement a capacity performance ("CP") product which replaced PJM's existing capacity product with one designed to enhance system reliability.[2] As part of the transition to the CP product, PJM proposed that it utilize a capacity product with a lower performance expectation, known as the Base Capacity product, which could be used over a five-year transition period. PJM argued that the "transitional approach [was] appropriate, given that not all capacity resources will be able to perform as a Capacity Performance Resource in the near term."[3] The Commission accepted the proposal and agreed with PJM that "implementing the transition over five years will allow resources to make gradual improvements and reduce the burdens such improvements may impose."[4]

In light of the upcoming elimination of the Base Capacity product in the May 2017 Base Residual Auction for the 2020/2021 Delivery Year, PJM has made the present Filing to enhance the ability of capacity storage resources, intermittent resources, demand response, energy efficiency and environmentally limited resources (collectively, "Seasonal Capacity Performance Resources") to participate in the Base Residual Auction and qualify as a resource providing the CP product. The CP Order permitted Seasonal Capacity Performance Resources to aggregate, provided that the resources are located in the same Locational Delivery Area ("LDA") and have a bilateral contract reflected in PJM's system.[5] In the present filing, PJM proposes to modify its aggregation rules. Specifically, PJM proposes to (i) allow aggregation across LDAs; (ii) allow

[2] *PJM Interconnection, L.L.C.,* 151 FERC ¶61,208 (June 2015) ("CP Order").

[3] CP Order at 213.

[4] CP Order at 253.

[5] CP Order at 101.

for aggregation through the PJM capacity auction mechanisms[6]; (iii) evaluate winter deliverability and CIRs for intermittent resources and environmentally limited resources; and (iv) change certain demand response measurement and verification procedures.

II. COMMENTS

A. The NRG Companies Support PJM's Proposal to Modify Aggregation Rules.

The NRG Companies, through its various business interests, experienced first-hand the difficulties in aggregating through bilateral contracts. While the option to aggregate through bilateral contracts provides a permissible pathway for aggregation and participation in the auction for Seasonal Capacity Performance Resources, the difficulties of finding parties to pair up with and successfully negotiate mutually-agreeable commercial reasonable contract terms are significant. The new proposed rules will eliminate certain informational and commercial challenges to Seasonal Capacity Performance Resources participating in the auctions as a CP resource.

The NRG Companies support PJM's proposal to aggregate across LDAs and to allow aggregation through RPM auctions. The NRG Companies recognize that there has been limited participation in the CP auctions by Seasonal Capacity Performance Resources and the existing rules limit the opportunities for such resources to participate. The proposed changes to aggregate across LDAs and to create a synthetic annual resource by matching summer and winter CP capacity through an auction mechanism will remove barriers that may have previously prevented some resources from participating as CP resources. Under the proposal, demand response resources primarily available in the summer will have a greater opportunity to pair with wind

[6] PJM's rules will maintain the opportunity for Seasonal Capacity Performance Resources to aggregate and participate on a bilateral basis.

resources primarily available in the winter, even if these resources are located in different regions of PJM.

Critically, the proposed rule fosters competition in the capacity market and will allow additional resources to participate in the capacity auctions as CP resources without sacrificing reliability. Under the proposed rule, in the situation where PJM creates the synthetic annual CP project through the auction's optimization, seasonal resources that clear the market will receive a capacity commitment for a specific time period and will be subject to CP penalties if they do not perform within that time period. Under these circumstances, the integrity of the underlying annual capacity commitment will be maintained. If, for any reason, these resources are unable to provide the heightened reliability and responsiveness that CP requires, they will be subject to significant penalties. PJM proposes a reasonable market design mechanism that allows Seasonal Capacity Performance Resources to participate but holds them to the same standards of other non-Seasonal Capacity Performance Resources participating in the market.

B. The NRG Companies Support PJM's Proposal to Modify Measurement and Verification Rules for Demand Response Events During the Winter Season.

The NRG Companies support PJM's proposal to change its methodology for demand response measurement and verification during the non-summer period from the customer baseline approach to a winter peak load approach, with non-summer Firm-Service Level ("FSL") or Guaranteed Load Drop ("GLD") measurement and verification. The NRG Companies support PJM's proposal because it recognizes the natural variation in customers' seasonal demand, and thus will result in a more accurate measurement of performance during the winter season. Further, PJM's proposal facilitates the nomination and measurement of customer registration of winter capability, resulting in more robust curtailment planning.

Unlike the customer baseline methodology, which represents what load would have been if a customer did not reduce load when dispatched by PJM, under the proposal set forth in the

Filing, curtailment service providers will calculate and provide each customer's winter peak load during the registration process, based on the five PJM coincident peak days. This will allow for more accurate planning that is based on published data released ahead of registration. In addition, the curtailment service provider will determine both a summer and winter FSL amount or a summer and winter GLD amount on their registration to determine the associated seasonal nominated capacity amount for the registration.[7] The NRG Companies support these changes because they will facilitate planning for customer nominations and registrations while ensuring that customers with winter load are given credit for reductions that are achieved during periods of lower winter load.

III. LIMITED PROTEST

A. The NRG Companies Protest PJM's Proposal to Give Away CIRs to Some Seasonal Resources.

While the NRG Companies support PJM's proposals to modify the aggregation rules by allowing aggregation across LDAs and creating an annual CP resource made up Seasonal Capacity Performance Resources through the auction, we oppose the proposal to hand-out CIRs to intermittent and environmentally-limited resources. This is a step too far and the Commission should allow the new rule to only be retained for one-year (the 2020/2021 Delivery Year). We understand PJM's rationale behind the proposal in that the PJM region is primarily summer-peaking and the newly proposed aggregation rules will only serve a purpose so long as there are winter resources for the summer-peaking resources to pair up with. Further, we recognize wind resources are typically granted CIRs equal to thirteen percent of their nameplate capability based on typical summer performance while such resources may, in fact, experience peak production in the winter.

[7] A customer under FSL reduces its load to a pre-determined level, or in the case of GLD, reduces by a specified amount.

The just and reasonable response is to do what PJM suggests as a future project – to establish a comprehensive and integrated process to evaluate these intermittent and environmentally limited resources within its interconnection process. To simply allocate winter CIRs to intermittent and environmentally limited resources on a yearly basis with no end in sight is not just and reasonable, but discriminatory and provides preferential treatment to a specific class of resources. Developing and existing units seeking new or incremental CIRs are required to make a monetary deposit to cover the costs associated with any study and undergo an often-lengthy study process to see if those CIRs are feasible. What PJM proposes here is that these two classes of resources could request winter CIRs on an annual basis and forgo this process entirely.

While PJM notes that it will seek to prevent infringement on the rights of resources already in-service when evaluating requests for additional CIRs, this, nonetheless, does nothing to remedy the disparate treatment of different resources (i.e., that existing generators with CIRs paid for those rights and have no ability of receiving incremental CIRs for any time period without going through an established process requiring payments and time) and does nothing to remedy the potential impact to future resources that may have utilized the additional CIRs now being handed out. As proposed, the CIR handout is not just and reasonable and should be rejected. Recognizing that PJM likely does not have enough time to establish the more comprehensive review process of these CIRs that is integrated into its interconnection process by the May 2017 Base Residual Auction, the Commission could allow PJM to adopt the CIR hand-out for one year, but require a tariff filing to update the interconnection process for years that follow.

IV. CONCLUSION

For the aforementioned reasons, the NRG Companies respectfully request that the Commission accept the Filing, but reject the CIR hand-out for every year beyond the May 2017 BRA.

December 8, 2016

Respectfully submitted,

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Certificate Of Service

I hereby certify that I have served a copy of the foregoing document upon each person designated on the official service list compiled by the Secretary in this proceeding.

Dated at Princeton, New Jersey this 8th day of December, 2016.

/s/ *Maria DeLuca*