

Mr. Ake Almgren
Vice Chair, PJM Board of Managers
PJM Interconnection, LLC
2750 Monroe Boulevard,
Valley Forge Corporate Center
Audubon, Pennsylvania 19403

March 29, 2018

Re: April 11, 2018 Liaison Committee Meeting Final Agenda

Dear Mr. Almgren:

The members of the Liaison Committee (“LC”) and I greatly appreciate the Board of Managers’ (“Board”) March 15, 2018 correspondence offering support for the agenda topics provided. We agree as you noted that all three topics are significant and important topics for discussion. Upon consideration of the Board’s much welcomed feedback, the April 11, 2018 LC meeting agenda follows:

1. Opening Remarks (10 minutes)

2. Valuing Resilience Attributes (35 minutes)

Implemented correctly, PJM’s markets maximize efficient capital investment in resources that provide the attributes necessary to achieve operational and reliability goals and minimize the overall cost to consumers. While this core economic objective remains constant, PJM’s operational and reliability goals may change with time. In late 2016, NERC published a whitepaper titled, “Essential Reliability Services: Whitepaper on Sufficiency Guidelines” which laid the groundwork for PJM’s resilience framework. The 2017 whitepaper titled “PJM’s Evolving Resource Mix and System Reliability Report” introduced the concept of resilience and argued that market constructs must be flexible enough to respond when the system’s needs change.¹ While previous Liaison Committee meetings have addressed the general concept of resilience, stakeholders believe that the time is right to discuss whether and how various generator characteristics, including but not limited to the essential reliability services identified in the NERC whitepaper as well as flexible operating and environmental attributes, are being appropriately valued in PJM’s markets. Certain Members view that markets in and of themselves do not address the need for holistic planning, which requires factoring in both transmission and generation and operating/supply limitations. The importance of this discussion became increasingly clear when PJM implemented conservative operations during the 2018 bomb cyclone as discussed in the recently released January 2018 Cold Weather Report. Stakeholders may refer to aspects of this report during the discussion.

¹ Available at http://www.nerc.com/comm/Other/essntlrbltysrvctskfrcDL/ERSWG_Sufficiency_Guideline_Report.pdf.

3. Stakeholder Process (35 minutes)

In light of recent stakeholder issues, we believe the time is right to re-emphasize the importance of consensus building within the PJM stakeholder process. PJM, PJM Staff, the PJM Market Monitor, and PJM Members all have important roles and responsibilities in and to the PJM stakeholder process. At its best, the PJM stakeholder process can allow for meaningful consideration of the important market, operations, and reliability issues before our region. The PJM market rules were initially formed via consensus of the PJM stakeholders who not only represented the best interests of their individual organizations, but also collaborated and achieved consensus on issues where everyone had to give, in order to get. PJM Members would like to discuss, in a strategic fashion, approaches to support that paradigm going forward. The members of the LC do not wish to engage the PJM Board on a discussion pertaining to governance, voting, or sector composition.

4. FERC Order 841 (Electric storage participation in RTO markets) (35 minutes)

The members of the Liaison Committee believe it is timely and necessary to take up with the PJM Board the matter of integrating Distributed Energy Resource (DER) in the PJM markets. This topic has been generally discussed with the Board at previous LC meetings from the perspective of addressing the future state from a more theoretical perspective. At this time, the members of the LC believe a strategic discussion addressing the practical needs and implications of integrating DERs, which is happening right now, is timely. It is particularly important to have this discussion with the Board of the strategic approach to integrating DERs as PJM has convened a Subcommittee on DER and FERC has scheduled an upcoming technical conference.

The Commission is specifically looking to better understand the “potential effects of distributed energy resources on the bulk power system” in order to “help the Commission determine what action to take on the distributed energy resource (DER) aggregation reforms.” PJM will be engaging with the Commission and market participants to explore issues related to the potential effects on the bulk power system. Examples include operational and reliability implications or DER aggregation, requisite level of coordination between the Electric Distribution Company and PJM, state/federal jurisdictional and cost allocation issues, as well as an assessment of current market rules, policies and practices allowing Energy Storage and DER participation and compensation in the wholesale market.

A strategic discussion between the Board and sectors on the high-level principles and perspectives on these important issues is important to inform and understand PJM’s participation in this Technical Conference and the messages PJM will articulate in this new FERC docket.

3. Closing Remarks (5 minutes)

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The LC members and I greatly appreciate the Board’s consideration of these important issues and look forward an engaging discussion during our April 11, 2018 meeting at the PJM Conference & Training Center in Audubon PA.

Very truly yours,



Chuck Dugan
East Kentucky Power Cooperative, Inc.
Liaison Committee Chair

CC: Mr. Howard Schneider, PJM Interconnection, LLC
Mr. Andy Ott, PJM Interconnection, LLC
Mr. Dave Anders, PJM Interconnection, LLC