

**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

PJM Interconnection L.L.C.

)

Docket Nos. ER21-278-000

**COMMENTS BY THE U.S. ENERGY STORAGE ASSOCIATION IN SUPPORT OF
PJM’S EFFECTIVE LOAD CARRYING CAPABILITY CONSTRUCT**

Pursuant to Rule 211¹ of the Rules of Practice and Procedure of the Federal Energy Regulatory Commission (“FERC” or “Commission”), the U.S. Energy Storage Association (“ESA”) hereby submits these Comments in support of the Effective Load Carrying Capability (“ELCC”) construct that was filed by PJM Interconnection L.L.C. (“PJM”) on March 1, 2021, in the above-captioned matter. ESA and protestors both support the over-arching ELCC framework as a mechanism to help maintain system reliability in the PJM region when there is significant penetration of intermittent and duration-limited resources. Where ESA disagrees with the protestors is in their ultimate request that FERC delay the process to implement the ELCC proposal pending further evaluation.

Nearly three years ago, PJM determined that Energy Storage Resources (“ESRs”) should be incorporated into PJM’s capacity market, per the requirement of Order 841. FERC, PJM, and PJM’s stakeholders all agreed that the mechanism to determine how storage would be accredited for the capacity market needed to be modified, and they collectively worked diligently to design the ELCC framework. While protestors seek delay to continue to tweak the ELCC and re-file it with FERC for further comment and evaluation, ESA sees urgency to imminently correcting long-standing and ongoing deficiencies for non-traditional technologies—particularly as a series

¹ 18 C.F.R. §§ 385.211 (2020).

of capacity auctions are scheduled to take place under old rules that PJM and its stakeholders have agreed merit reform. Moreover, any modification of the ELCC framework that the protestors argue *could* be considered are not issues that should cause continuous delay of the process. Much as with many market reforms, these interlinked issues can be dealt with on an ongoing basis.

Contrary to the arguments presented by the protestors, PJM's proposal adequately addressed the Commission's concerns that were outlined in its deficiency letter.² As such, the Commission has sufficient information to approve the ELCC framework and to imminently allow full participation of energy storage resources in PJM's capacity market without further delay.

I. COMMUNICATIONS

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II. COMMENTS

A. **In its proposed ELCC framework, PJM appropriately removes the deficiencies inherent in its 10-hour duration rule for energy storage resources, allowing them to effectively participate in PJM's capacity market.**

As acknowledged by PJM in its filing and as supported by the protestors, the ELCC framework has been developed as a result of an extensive process with PJM and its stakeholders

² Response to the Commission Deficiency Letter, Docket No. ER21-278-001 (filed March 1, 2021).

and is designed to ensure that non-traditional resources, such as energy storage resources (“ESR”), are able to participate fully in meeting the region’s capacity needs. Parties are uniformly in agreement that the ELCC framework alleviates the issues germane to the 10-duration rule, which was originally proposed by PJM in compliance with FERC’s Order No. 841.³ Under the 10-hour duration rule, ESRs seeking to earn revenues in PJM’s capacity market would be accredited at the maximum output they can sustain for 10 continuous hours. In its objection to the 10-hour duration rule,⁴ ESA and others noted that such a standard does not accurately reflect the contribution of ESRs to system reliability, thereby deviating from just and reasonable rates in PJM’s capacity market and discriminating against the use of energy storage resources in it. This was a clear violation of FERC’s Order No. 841 mandates and failed to recognize the reliability benefits that energy storage resources would offer the grid operator, especially with the increasing number of variable energy resources, such as solar and wind, being included on the grid.

As proposed, and in agreement with all parties to this proceeding, the ELCC framework mitigates the operational limitations and establishes a proscribed mechanism for energy storage resources to participate effectively in PJM’s capacity market. From that perspective alone, the ELCC framework addresses the general concerns that FERC enunciated in its December 22, 2020 Information Request. Specifically, in response to FERC’s deficiency letter on March 1, 2021, PJM, among other things, detailed the methodology that will be used to allocate the ELCC portfolio and explained the processes on how ELCC floors would be implemented on a

³ *Electric Storage Participation in Markets Operated by Regional Transmission Organizations and Independent System Operators*, 162 FERC ¶ 61,127 (2018) (“Order No. 841”), order on reh’g, 167 FERC ¶ 61,154 (2019) (“Order No. 841-A”).

⁴ See Comments ESA Comments, Docket Nos. ER20-584, EL-19-100 (not consolidated) dated March 7, 2020.

transitional basis under various circumstances.⁵ ESA concurs with PJM that its March 1, 2021 filing provides sufficient detail to FERC's concerns and certainly explains how the ELCC framework will operate. Accordingly, ESA respectfully requests that FERC approve the ELCC framework proposed by PJM.

B. FERC mandated, nearly three years ago, that PJM allow ESRs to participate on a fair basis in its capacity market. Further delay is unwarranted.

As explained above, the protestors seek further delay to incorporate ESRs and other non-traditional resources into PJM's capacity market because there might be issues that were not fully addressed in the ELCC proposal. Market modifications are, by nature, a work in progress. PJM correctly notes that some aspects of the ELCC must be updated in the manuals and related stakeholder processes. PJM acknowledges that its proposal associated with ELCC floors is a transition mechanism precisely because significant changes to long-term resource economics have far-reaching consequences. The protestors certainly understand that if mechanisms could not be modified after implementation, issues such as the Capacity Performance construct could not have been approved by the Commission until every problem – actual or potential – was addressed.

In contrast, the delay to allowing non-traditional resources like energy storage to participate fully in PJM's capacity market is a high price to pay to allow stakeholders the opportunity to argue over continued refinements to the transition mechanism and a variety of potential problems that could develop after the market commences, some of which are already being deliberated upon by PJM stakeholders. In this case, a three-year delay to develop a mechanism that *every* party in this proceeding believes addresses the constraints of the 10-hour

⁵ See March 1, 2021 Response of PJM to FERC Staff's December 22, 2020 Information Request.

duration standard should be approved imminently. If the Commission cannot take this step, continued lack of resolution presents a very real deficiency to just and reasonable rates and non-discriminatory capacity market participation for energy storage resources—precisely the reason why the Commission ordered a paper proceeding in Docket No. ER19-100 to resolve this issue one and a half years ago.

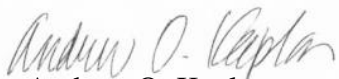
III. CONCLUSION

For the reasons outlined above, PJM’s proposed ELCC framework addresses the concerns raised by the Commission in its deficiency notice and is designed to appropriately allow energy storage resources and other non-traditional resources to participate fully in PJM’s capacity market. Accordingly, ESA respectfully requests that the Commission grant long-delayed resolution to this deficiency in PJM’s capacity market rules and approve the ELCC framework proposed here.

Respectfully submitted,

THE U.S. ENERGY STORAGE ASSOCIATION

By its attorney,



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CERTIFICATE OF SERVICE

Pursuant to Rule 2010 of the Commission's Rules of Practice and Procedure, I, Anne O'Hanlon, certify that on this day that I emailed or mailed, postage prepaid, a copy of the foregoing document to all parties on the official service list posted by FERC

Dated at Boston, MA this 6th day of April, 2021.



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