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PUBLIC SERVICE COMMISSION

August 16, 2010

In the Matter of the Reliability Pricing Model	*	Administrative Docket
and the 2013/2014 Delivery Year Base	*	PC22
Residual Auction Results	*	
	* * * * *	

NOTICE OF PUBLIC CONFERENCE

To: All Electric Companies, PJM Interconnection, L.L.C., Maryland Office of People’s Counsel, and Interested Parties

The Public Service Commission (“Commission”) will hold a two-day public conference on October 14 and 15, 2010 to obtain information and comments on certain issues related to PJM Interconnection, L.L.C.’s Reliability Pricing Model (“RPM”) in general, and the results of the 2010 Base Residual Auction (“BRA”) for the 2013-2014 delivery year in particular.

On May 14, 2010, PJM released the results of the Base Residual Auction for the 2013-2014 delivery year. The resource clearing price for nonconstrained Locational Deliverability Areas (LDAs) was \$27.73/MW-day, and the resource clearing price for the MAAC LDA (which includes Baltimore Gas and Electric Company) was \$226.15/MW-day. The resource clearing price for the Pepco LDA was \$247.14/MW-day. But because these zones cleared just under the Net Cost of New Entry (“Net CONE”), these prices will not, under the theory underlying RPM, incent new generation in Maryland or the relevant zones. Between June 1, 2013 and May 31, 2014, Maryland consumers can expect to pay roughly \$1 billion dollars more in capacity payments than consumers paying the system clearing price with no locational adders. This is the seventh Base Residual Auction that has failed to attract significant new generation in Maryland, and all indications are that no new generation is on the horizon in Maryland or the relevant zones as a direct result of RPM.

RPM has not only failed to attract new generation, RPM has also not attracted a sustained increase in demand response participation. The just-completed auction results show the amount of demand resources offered in the BGE zone declined by 268.1 MW from the previous year, and the amount of demand resources cleared decreased by 210.4 MW. This outcome was highly unexpected, given the aggressive efforts in Maryland to encourage demand resources and recent changes to RPM that were promoted as being favorable to such resources.

It is time to gain a better understanding of the market forces driving RPM results. Accordingly, the Commission will hold a public conference, in which it will seek input from electric companies and all interested stakeholders into whether RPM is fulfilling its intended purpose, whether and how RPM should be abandoned or changed, and how the Commission's regulations and policies might affect participation in the capacity market. The Commission also seeks information on how PJM develops its planning models and any limitations on such models or scenario planning.

Attached to this *Notice* is a list of questions that the Commission asks participants to address.

The Commission invites PJM, electric companies in Maryland, the Office of People's Counsel, and other interested persons to respond to the questions attached to this *Notice*. Persons that wish to participate at the conference should file a written Notice of Intent to Participate by August 27, 2010. In addition, any written comments in response to the questions shall be filed by October 1, 2010. An original and 17 paper copies of the Notice of Intent to Participate and any written comments, as well as an electronic version of the filings, shall be filed with the Commission's Executive Secretary, Terry J. Romine, William Donald Schaefer Tower, 6 Saint Paul Street, Baltimore, Maryland 21202-6906. Five of the paper copies shall be three-hole punched. The Commission encourages parties to use the Commission's "e-Filing" System for the electronic filing. Details of the "eFiling" System are found on the Commission's web site, www.psc.state.md.us.¹

The conference shall begin at 10:00 a.m. on both October 14 and 15, 2010. The conference shall be held in the Joint Committee Hearing Room, Department of Legislative Services Building, 90 State Circle, Annapolis, Maryland 21401-1991. A Photo ID will be required for entry into the building.

The Commission advises the participants that it may limit the time available for a party's prepared remarks during the conference to provide time for the maximum number of participants to make presentations and for the Commission to ask follow-up questions.

By Direction of the Commission,

Terry J. Romine
Executive Secretary

¹ Confidential documents or information should not be filed via the "e-file" system as all documents submitted through the system are automatically posted on the Commission's web site.

Attachment to
Notice of Public Conference – PC22

List of Questions for Response by Parties

The following is a list of questions that all participants in the public conference are invited to address in their filed comments:

1. What value or benefit will customers in the MAAC zones receive in exchange for the higher capacity prices they will pay in 2013-14? Is it true that because the MAAC and DPL South zones cleared below Net CONE, RPM is not incenting new developments in those zones? If the Commissioners were asked by the public to explain the purpose of the capacity market and the benefit customers receive from capacity payments, what should they say?
2. Identify and explain, with specificity, the mechanisms in the tariff, operating agreement, and manuals, that explain the resource clearing price for the MAAC and Pepco LDAs in the BRA for the 2013/2014 Delivery Year being higher than the RTO clearing price.
3. Why was the capacity clearing price for the 2013-14 planning year so much higher in MAAC than the clearing price for the 2012-13 planning year? What changed? What new price signals or economic incentives does the higher 2013-14 clearing price send?
4. What changes have been considered to RPM or within the PJM stakeholder process that could potentially facilitate more levelized capacity prices throughout the RTO?
5. What changes could be made to RPM that would stimulate increased generation and demand response investment in Maryland? Should RPM be kept as is, amended or abandoned?
6. Should the Commission monitor or regulate the participation of regulated electric companies with regard to their capacity offers of Demand Response and Energy Efficiency? If so, how? If not, why not?
7. What mechanism exists in PJM's market rules and procedures that allows PJM to inform and share data with state commissions of the specific measures that could be undertaken by the state commissions to reduce energy and capacity costs for customers, and how do such procedures operate?
8. What duty does PJM have, or should it have, to facilitate levelized capacity prices across the RTO?
9. What can or should the Commission do to address these issues at PJM, FERC or elsewhere?

