

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

**PJM Interconnection, L.L.C.**

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**Docket No. EL21-91-000**

**COMMENTS OF THE PJM POWER PROVIDERS GROUP**

On October 12, 2021, PJM Interconnection, L.L.C. (“PJM”) submitted a response<sup>1</sup> (“PJM Response”) to the August 10, 2021 Order of the Federal Energy Regulatory Commission (the “Commission” or “FERC”) (“Show Cause Order”)<sup>2</sup> on PJM’s April 7, 2021 filing.<sup>3</sup> The Show Cause Order instituted a proceeding under section 206 of the Federal Power Act to determine whether the existing rates in the PJM Open Access Transmission Tariff (“Tariff”) for generating units providing Black Start Service remain just and reasonable. In the Show Cause Order, FERC set 21 days from the August 10 Show Cause Order to file an intervention,<sup>4</sup> and FERC also established a comment date of 30 days from PJM’s Response, noting that interested entities may respond to PJM’s Response, addressing either or both: (1) whether PJM’s existing Tariff remains just and

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<sup>1</sup> *PJM Interconnection, L.L.C.*, Docket No. EL21-91-000 (filed October 12, 2021) (“PJM Oct 12 Response”).

<sup>2</sup> *PJM Interconnection, L.L.C.*, 176 FERC ¶ 61,080 (2021) (“Show Cause Order”).

<sup>3</sup> *PJM Interconnection, L.L.C.*, Docket No. ER21-1635-000 (filed April 7, 2021) (“April 7 PJM Filing”).

<sup>4</sup> Show Cause Order at P 56.

reasonable and not unduly discriminatory or preferential; and (2) if not, what changes to PJM’s Tariff should be implemented as a replacement rate.<sup>5</sup>

On August 13, 2021, the PJM Power Providers Group (“P3”)<sup>6</sup> filed a doc-less Motion to Intervene. P3 respectively submits these comments,<sup>7</sup> in the above-captioned proceeding.

## I. COMMENTS

P3 supported PJM’s original April 7, 2021 filing.<sup>8</sup> As P3 filed in its April 28, 2021, comments and again reiterates herein, P3 supports the existing provisions regarding the Capital Recovery Factor (“CRF”) and respectfully requests that the Commission approve without delay the PJM filing and find the existing rates for generating units are just and reasonable and nondiscriminatory. While the original revisions proposed by PJM were approved by the PJM Markets and Reliability Committee on February 24, 2021, with a 3.5 sector-weighted favorable vote, the revisions ultimately failed by a very slim margin, on March 29, 2021, at the PJM Members Committee with 3.17 favorable vote. P3 members were very active in the stakeholder process and agree with PJM that due to the importance and critical nature of Black Start units, as

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<sup>5</sup> Show Cause Order at P 53.

<sup>6</sup> P3 is a non-profit organization dedicated to advancing federal, state and regional policies that promote properly designed and well-functioning electricity markets in the PJM Interconnection, L.L.C. (“PJM”) region. Combined, P3 members own over 67,000 MWs of generation assets and produce enough power to supply over 50 million homes in the PJM region covering 13 states and the District of Columbia. For more information on P3, visit [www.p3powergroup.com](http://www.p3powergroup.com)

<sup>7</sup>The comments contained herein represent the position of P3 as an organization, but not necessarily the views of any particular member with respect to any issue. For more information on P3, visit [www.p3powergroup.com](http://www.p3powergroup.com)

<sup>8</sup> *PJM Interconnection, L.L.C.*, Comments of the PJM Power Providers Group, Docket No. ER21-1635-000 (filed April 28, 2021) (“P3 April 28 Comments”).

well as the timely necessity for approving PJM’s filing, it was important for PJM to file the April 7, 2021 filing, and for the Commission to promptly approve that filing.

**A. Black Start Units Are Critical for Reliability and the Commission’s Timely Action is Crucial**

Due to the critical nature of Black Start Units, it is appropriate to again reiterate P3’s earlier comments. As PJM appropriately emphasized, Black Start Service is “critically important to reliable operation of the PJM transmission system.”<sup>9</sup> Black Start units are the *only* option to restore operations to the transmission grid in the event of total system failure, and the North American Electric Reliability Corporation (“NERC”) appropriately requires PJM to have the high priority Black Start units.<sup>10</sup> Importantly, Black Start units either have equipment that allows them to start without an outside electricity supply or have a high operating factor that allows them to automatically remain in operation at reduced levels when disconnected from the transmission system.<sup>11</sup> PJM accurately and well states Black Start units’ importance: “Black Start Service, in simple terms, encompasses the well-planned, coordinated, and deliberate actions facility operators must take *after* such a harmful system collapse (of whatever geographic scope) *has actually occurred*, to bring the grid back into operation in a safe, prudent, and incremental manner.”<sup>12</sup>

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<sup>9</sup> PJM April 7 Filing at p. 3.

<sup>10</sup> PJM April 7 Filing at pp. 3-4.

<sup>11</sup> PJM April 7 Filing at p. 3.

<sup>12</sup> PJM April 7 Filing at p.4.

**B. PJM’s Decision to Retain Existing CRF Percentages in the Tariff is Just and Reasonable and Nondiscriminatory**

P3 agrees with PJM’s decision to retain the existing the Capital Recovery Factor (“CRF”) percentages in the Tariff. PJM states in its October 12, 2021 Response that PJM’s decision is based upon “(1) the critical importance of Black start Service to system reliability; (ii) the decision by PJM’s Members in the stakeholder process concerning Black Start reforms to approve the Problem Statement to limit the application of the updated CRF values to new investment in Black Start Units; and (iii) the information that Black Start Unit owners had at the time they evaluated the risks of, and compensation for, making the Existing Black Start Investments and voluntarily committed their units to Black Start Service.”<sup>13</sup> P3 also agrees with PJM that Black Start Service is not only uniquely important, but also presents Black Start Unit owners with unique risks.<sup>14</sup> Importantly, as P3 previously commented, by keeping the current CRF values in place for exiting units, units are recognized that have already made the necessary capital investments, have commitments that provide Black Start service over multi-year periods, and have made the required capital investments in reliance on the stated current CRF percentages.<sup>15</sup> This sound decision by PJM to only apply any changes to CRF prospectively is not only fair, but also is necessary as PJM points out that changes made to previously made commitments could cause currently committed Black Start unit owners to terminate their current commitments, and “would be a poor policy choice for service as important as Black Start Service.”<sup>16</sup>

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<sup>13</sup> PJM Oct 12 Response at p. 3.

<sup>14</sup> PJM Oct 12 Response at p. 3.

<sup>15</sup> PJM April 7 Filing at p. 18.

<sup>16</sup> PJM April 7 Filing at p. 18.

The proposed prospective changes to the CRF rate will be made pursuant to PJM Manual 15 and the components of the formula will include certain standard carrying cost components including capital structure with a 50-50 assumed debt-to-equity ratio, cost of capital, income tax rates and depreciation rates.<sup>17</sup> The proposed formulaic changes to the CRF rate, are just and reasonable. By applying these revisions prospectively only, PJM continues to do what it must – “honor its existing commitments to existing Black Start Unit owners,” as well as “retain[ing] the necessary amounts of Black Start Service without risking the loss of existing Black Start suppliers.”<sup>18</sup> Certainly, PJM’s decision to apply the CRF revisions only prospectively is supported by the longstanding *Mobile-Sierra* doctrine.<sup>19</sup> P3 agrees that there are legitimate and factual differences between existing and new Black Start unit owners, and retaining the CRF percentages for existing Black Start unit owners is just, reasonable, not unduly discriminatory and necessary.<sup>20</sup>

## II. CONCLUSION

For the foregoing reasons, P3 agrees with PJM’s April 7, 2021, filing, as well as PJM’s comments in its October 12, 2021, response. P3 urges the Commission to accept the PJM filing

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<sup>17</sup> PJM April 7 Filing at p. 19.

<sup>18</sup> PJM April 7 Filing at p. 20.

<sup>19</sup> *United Gas Pipe Line Co. v. Mobile Gas Service Corp.*, 350 U.S. 332 (1956); *Federal Power Comm'n v. Sierra Pacific Power Co.*, 350 U.S. 348 (1956).

<sup>20</sup> PJM April 7 Filing at p. 21.

and response and find that PJM's existing Tariff as described herein remains just and reasonable and not unduly discriminatory or preferential.

Respectfully submitted,

On behalf of the PJM Power Providers Group

By: *Glen Thomas*

Glen Thomas

Diane Slifer

GT Power Group

101 Lindenwood Drive, Suite 225

Malvern, PA 19355

[gthomas@gtpowergroup.com](mailto:gthomas@gtpowergroup.com)

610-768-8080

Dated: November 11, 2021

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon each person designated on the Official Service List compiled by the Secretary in this proceeding.

Dated at Washington, D.C., this 11th day of November, 2021.

On behalf of the PJM Power Providers Group

By: *Diane Slifer*

Diane Slifer  
GT Power Group  
101 Lindenwood Drive, Suite 225  
Malvern, PA 19355  
gthomas@gtpowergroup.com  
610-768-8080