

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

Champion Energy Marketing, L.L.C.)	Docket No. EL15-46-000
)	
Complainant,)	
)	
v.)	
)	
PJM Interconnection, L.L.C.,)	
PJM Settlement, Inc.)	
Respondents.)	

**COMMENTS
OF THE PJM POWER PROVIDERS GROUP**

On February 13, 2015, Champion Energy Marketing , LLC, (“Champion”) filed a Complaint against PJM Interconnection, L.L.C. and PJM Settlement, Inc. (collectively, “PJM”) because of the allocation to Champion of certain Ancillary Service charges, specifically, the Balancing Operating Reserve (“BOR”) charges, relating to the month of January 2014, on the basis that the operation of the PJM Tariff with respect to the charges is unjust, unreasonable, unduly discriminatory and/or preferential (“Champion Complaint”).¹ Champion seeks a one-time, Champion-specific waiver on limited parts of the PJM Tariff provisions of Schedule 1 of the Operating Agreement relating to the January 2014 allocation of BOR charges to Champion and seeks a refund of over \$2.7 million for reliability charges and over \$400,000 for deviation charges for the days Champion was long power, plus interest.

¹ *Champion Energy Marketing, L.L.C.*, Docket No. EL15-46-000, February 13, 2015 (“Champion Complaint”).

On February 19, 2015, the Federal Energy Regulatory Commission (the “Commission” or “FERC”) issued a Notice of Complaint setting March 5, 2015, as the deadline to intervene or protest the filing.² On February 23, 2015, pursuant to Rule 214 of the Rules of Practice and Procedure of the Commission, 18 C.F.R. § 385.214 (2015), the PJM Power Providers Group (“P3”)³ submitted a doc-less motion to intervene.

P3 respectfully submits comments⁴ expressing, as further explained below, its concern over uplift charges and transparency.

I. COMMENTS

In its Complaint and request for waiver and refund, Champion relates its concerns over PJM’s current Tariff and states its losses as a result of the January 2014 events. Among other things, Champion asserts that “certain market participants may have taken advantage of the situation because generators knew that if they followed PJM dispatch instructions they were guaranteed to fully recover their costs of operation”⁵ This is incorrect. In fact, several generators were forced to file waiver requests before the Commission because PJM denied

² On March 5, 2015, the FERC website, www.ferc.gov, stated that due to inclement weather, the Commission was closed and was not accepting submittals – either in hardcopy format or in electronic format through “FERC Online”. The Commission website stated that when the Commission reopened, it would at that time accept submittals both in hardcopy format and in electronic format through “FERC Online”. FERC reopened on March 6, 2015. Therefore, P3 submits these comments on March 6, 2015.

³ P3 is a nonprofit corporation dedicated to promoting policies that will allow the PJM region to fulfill the promise of its competitive wholesale electricity markets. For more information on P3 visit www.p3powergroup.com.

⁴ The comments contained in this filing represent the position of P3 as an organization, but not necessarily the views of any particular member with respect to any issue.

⁵ Champion Complaint at p. 10.

payment of costs incurred by actions that were sanctioned by PJM.⁶ Moreover, P3 has consistently advocated policies that will reduce the incidence of uplift which caused significant financial harm to both generators and retail suppliers during last year's cold winter weather events.

While P3 believes that Champion has not adequately supported its request for relief, the focus of P3's comments is on one point with which P3 whole-heartedly agrees with Champion - that unhedgeable market uplift charges are an undesirable market outcome that should be eliminated from the market whenever possible. As a basic market tenet, marginal costs should be reflected in and recovered from energy market prices, not in out of market uplift payments. Because of extreme circumstances last January, uplift charges spiked to over \$500 million. Fortunately, PJM and the Commission have both made concerted efforts to address this problem which P3 has enthusiastically supported.

The Commission has stood firm for the principle that allowing the marginal unit to set the clearing price for all units is a fundamental tenet of sound market design.⁷ As the Commission stated as recently as last year,

By limiting legitimate, cost-based bids to no more than \$1,000/MWh, the market produces artificially suppressed market prices and inefficient resource selection. *By paying an uplift*, PJM is in effect paying one price for energy dispatched through the market (e.g. \$1,000), and a second higher price (e.g. \$1,200) for the resource dispatched out-of-merit (while treating the latter in the dispatch stack as if it had a bid of \$1,000). This would not be consistent with longstanding Commission precedent.⁸

⁶ See e.g., *Duke Energy Corporation, et al.*, Docket No. EL14-45-000, May 5, 2014; *Calpine Energy Services, L.P.*, Docket No. ER15-376, November 12, 2014; *New Jersey Energy Associates, a Limited Partnership*, Docket No. ER15-952-000, January 30, 2015.

⁷ 146 FERC ¶ 61,078 (2014) at pp. 14-15, P40.

⁸ 146 FERC ¶ 61,078 (2014) at p. 14, P40 (emphasis added).

The Commission has not limited its concerns regarding uplift to the PJM market. In response to suggestions in California that costs above the offer cap be recoverable through uplift, the Commission offered:

[a] significant downside to ‘soft’ caps is *their lack of transparency and the uplift costs they create*. For these reasons, if generation costs were to appear sufficiently likely to exceed the prevailing cap, our preferred approach would be to adjust the level of the energy cap, as has been done in the past. This way, instead of suppressing the market clearing price by regulatory fiat, all competitive bids would be allowed to clear supply and demand and send transparent price signals to encourage demand response, market entry, and forward contracting.”⁹

In order to avoid uplift costs and allow for transparency, P3 continues to urge PJM and the Commission to adopt tariff provision that will reduce the incidence of uplift in PJM and all other markets. P3 is pleased that the Commission is addressing this issue in its Price Formation in Energy and Ancillary Services Markets Operated by Regional Transmission Organizations and Independent System Operators investigation under Docket No. AD14-14. P3 is hopeful that the investigation will lead to meaningful reforms that will prevent the circumstance that gave rise to the Champion Complaint from occurring in the future.

II. CONCLUSION

For the foregoing reasons, P3 respectfully requests that the Commission consider the comments contained herein.

Respectfully submitted,

On behalf of the PJM Power Providers Group

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Dated: March 6, 2015

⁹ *California Indep. Sys. Operator Corp.*, 119 FERC ¶ 61,076, at P 488 (2007) (emphasis added).

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 6th day of March, 2015.

On behalf of the PJM Power Providers Group

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