

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

PJM INTERCONNECTION, L.L.C.)
)

Docket No. ER16-372-000

COMMENTS OF THE PJM POWER PROVIDERS GROUP

The PJM Power Providers Group (“P3”)¹ hereby submits these comments in support of the November 20, 2015, compliance filing (“PJM Filing”) by PJM Interconnection, L.L.C. (“PJM”).² PJM submitted revisions to the PJM Open Access Transmission Tariff (“Tariff”) and the Amended and Restated Operating Agreement of PJM Interconnection L.L.C. (“Operating Agreement”) to comply with the Commission’s directive in its June 9, 2015 Order³ to allow Market Sellers to submit day-ahead offers that vary by hour and to allow Market Sellers to update their offers in real time on an hourly basis under certain circumstances. PJM requests that the Commission issue an order by February 3, 2016.

On November 23, 2015, the Commission issued a Combined Notice of Filings #1 setting December 11, 2015 as the intervention and comment deadline. On December 7, 2015, P3 filed a

¹ 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 84,000 MWs of generation assets, produce enough power to supply over 20 million homes and employ over 40,000 people in the PJM region covering 13 states and the District of Columbia. 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. For more information on P3, visit www.p3powergroup.com.

² *PJM Interconnection, L.L.C.*, Docket No. ER16-372-000, November 20, 2015 (“PJM Compliance Filing”).

³ *PJM Interconnection, L.L.C.*, 151 ¶ 61,206 (2015) (“FERC Order”).

doc-less Motion to Intervene in the above-captioned proceeding. P3 supports PJM's Compliance Filing as filed and asks the Commission to accept PJM's Filing without revision.

I. COMMENTS

P3 supports PJM's Filing and the importance of supply offer flexibility in day-ahead and real-time markets. Such flexibility will support proper price formation while sending price signals reflective of market conditions and allowing for efficient real-time dispatch.

Market efficiency is improved when generators are permitted to adjust their offers to be reflective of the real time price of fuel which can vary on an hourly basis. For example, if generators had this flexibility in the winter of 2014, when gas pipelines in PJM were severely constrained, generators would have been able to adjust their offer prices in both the day ahead and real time market to reflect actual market conditions. The current inability to adjust offer prices compromises the ability of energy or fuel limited suppliers to cover their day-ahead markets schedules or cover their real-time commitment schedules based on underlying fundamentals leading to inefficient pricing and dispatch. Moreover, in many cases, providing generators with bid flexibility will lead to lower prices for consumers as generators will be able to reflect any decreases in fuel costs between day-ahead commitments and the real time market.

There are also potential reliability problems associated with units committed in real-time in response to contingencies occurring for which stale day-ahead prices are non-reflective of actual costs to obtain "last-minute" fuel during stressed system conditions. Current stale day-ahead pricing could result in confiscatory rates in which generators are paid far less than actual costs. The economics of this situation could jeopardize the ability of generators to procure fuel in real-time and, as a result, threaten reliability. PJM's proposal to allow updating of generator offers in real-time mitigates some of this risk.

The Commission recognizes the importance of generators having the ability to submit day-ahead offers that vary by hour and to update offers in real-time. As the Commission stated in the underlying June 9 Order,

our review of the record established through the Commission’s recent technical conferences on price formation in organized energy and ancillary services markets demonstrates the importance of supply offer flexibility in day-ahead and real-time energy markets. In light of the potential for significant changes in costs between the time for submitting offers in the day-ahead market and real-time operation, ensuring market participants greater flexibility to structure and modify their offers in such markets will allow resources in PJM to better reflect their actual costs in their offers. Such flexibility will also support proper price formation and efficient real-time dispatch. Moreover, as commenters and panelists from the price-formation proceeding have noted, the ability to submit day-ahead offers that vary by hour and to update offers in real-time is especially critical in markets with demands for more flexible and responsive generation resources.⁴

PJM’s proposed changes are consistent with tariff provisions that already exist in other RTOs and ISOs. PJM acknowledges this consistency and states in its filing that “PJM is aware of the flexibility provided to generators in other Regional Transmission Organizations and Independent System Operators’ (“RTO”) markets which the Commission wished to apply to the PJM markets. On the other hand, PJM’s market design and market power mitigation mechanisms are notably different from those utilized in the markets of adjacent RTOs and require specific proposals, outlined [in the filing], which are tailored to fit PJM’s market paradigm.”⁵ Additionally, the Commission in its June 9 Order recognized the similarities between PJM and ISO-NE, and that ISO-NE made corrections stating “the Commission found that capacity generators in ISO-NE with generally the same obligations as those in PJM should be able to update their supply offers in real time to reflect changes to their operating costs after

⁴ FERC Order at P 71.

⁵ PJM Compliance Filing at p. 2.

the reoffer period. ISO-NE later addressed the cost-recovery issue in Docket No. ER13-1877-000.”⁶ NYISO, MISO and CAISO also have rules allowing suppliers to adjust their incremental energy offer prices from hour to hour through the day.⁷ The PJM Filing now brings these same rules to PJM.

Lastly, PJM’s Filing is consistent with the Commission’s June 9 Order and effectively implements the Commission’s desired policy. The Commission found in the underlying Order that “we have examined PJM’s OATT and Operating Agreement procedures and have concluded that aspects of PJM’s current tariffs may be unjust, unreasonable, unduly discriminatory or preferential because they do not appear to allow market participants to submit day-ahead offers that vary by hour and do not appear to allow market participants to update their offers in real time, including during emergency situations. Accordingly, we institute a proceeding . . . to examine these provisions.”⁸ PJM’s proposed revisions in the November 20, 2015 Compliance Filing addresses these shortcomings.

⁶ FERC Order at P 70.

⁷ Price Formation in ISOs and RTOs, *Principles and Improvements*, Susan L. Pope, October 2014, available at https://www.epsa.org/forms/uploadFiles/2CC210000016F.filename.EPSA_Price_Formation_Oct_29_2014_FINAL.pdf, at p. 48.

⁸ FERC Order at P 69.

II. CONCLUSION

For the foregoing reasons, P3 respectfully requests that the Commission consider its comments, and accept the PJM's November 20, 2015 Compliance Filing with an order issued by the Commission by February 3, 2016

Respectfully submitted,

On behalf of the PJM Power Providers Group

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Dated: December 11, 2015

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 December, 2015.

On behalf of the PJM Power Providers Group

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