

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

PJM Interconnection, L.L.C.) **Docket No. EL18-34-000**
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)

**MOTION FOR LEAVE TO ANSWER AND
ANSWER OF THE PJM POWER PROVIDERS GROUP**

Pursuant to Rules 212 and 213 of the Federal Energy Regulatory Commission’s (“FERC” or the “Commission”) Rules of Practice and Procedure, 18 C.F.R. §§385.212 and 385.213 (2018), the PJM Power Providers Group (“P3”)¹ hereby submits this Motion for Leave to Answer and Answer in the above-captioned proceeding.² P3 is filing this very brief Answer in response to one issue regarding the March 14, 2018, Reply Brief of PJM Interconnection, L.L.C. (“PJM”) (“PJM Reply Brief”)³ in this docket.

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 Although the Commission’s procedural rules do not provide for answers to comments as a matter of right, the Commission regularly allows answers where, as here, the answer provides further explanation or otherwise helps ensure a full and complete record. See, e.g., PJM Interconnection, L.L.C., 104 FERC ¶ 61,154, at P 14 (2003), on reh’g, 109 FERC ¶ 61,236 (2004); Williams Energy Mktg. & Trading Co. v. Southern Co. Servs., Inc., 104 FERC ¶ 61,141, at P 10 (2003); Ameren Servs. Co., 100 FERC ¶ 61,135, at P 15 (2002), on reh’g, 103 FERC ¶ 61,178 (2003).

³ *PJM Interconnection, L.L.C.*, Reply Brief of PJM Interconnection, L.L.C. Docket No. EL18-34-000, March 14, 2018 (“PJM Reply Brief”).

I. Motion to Leave and Answer

On February 12, 2018, P3 filed initial Comments and on March 14, 2018, P3 filed a Reply Brief in the above-captioned proceeding. P3 seeks to respond to PJM's March 14, 2018 Reply Brief. P3's Answer is narrowly tailored and will ensure that the Commission has a full and complete record of this issue.

II. Answer

In its Reply Brief, P3 generally supported PJM's Initial Brief but took exception to its proposed asymmetric treatment of Fast-Start Units in the Day-Ahead and Real-Time Energy Markets.⁴ PJM proposed to allow Fast-Start Units to set clearing prices only in the real-time market, even if they were committed day-ahead. P3, the IMM, and others objected to this treatment, principally because it will drive a wedge between day-ahead and real-time prices that could create unreasonable opportunities for profit through virtual bidding. To further support this asymmetric treatment, the PJM Reply Brief gives two further arguments. We believe that neither argument is valid.

PJM's first argument is that "prices reflect the operating decision being made at the time it is made. ... In real-time, [day-ahead commitment] cost is sunk and therefore not incurred again."⁵ The unrebutted testimony of P3 witness Robert Stoddard explained that the commitment costs of fast-start units are not, in fact, sunk day ahead. As Mr. Stoddard explains, because these units can be committed close to real-time, unit operators confirm commitment *in real time* with PJM operators.⁶ These costs, therefore are not sunk costs in real time.

⁴ *PJM Interconnection, L.L.C.*, Reply Brief of PJM Providers Group, Docket No. EL18-34-000, March 14, 2018. ("P3 Reply Brief").

⁵ PJM Reply Brief at p 9.

⁶ P3 Reply Brief, Attachment A, Affidavit of Robert B. Stoddard P 14.

PJM's second argument is more subtly flawed. PJM argues that "a resource committed by PJM in the Day-ahead Energy Market that does not fully collect its costs *in that market* will receive an uplift payment in the Day-ahead Energy Market. ... Inclusion of start-up and no-load costs in the real-time LMP again creates the potential for a resource that has already been made whole to its day-ahead commitment to collect those costs again in real-time if it is dispatched above its day-ahead schedule."⁷ While this is true, it is not an argument against symmetric pricing treatment.

First, PJM's argument is largely moot because the typical Fast-Start Unit has limited, or no, dispatch flexibility. A block-loaded unit physically cannot be dispatched at a higher level in real-time than its day-ahead schedule, and therefore cannot double-recover start-up and no-load costs.

PJM's only substantive concern therefore applies only to the subset of cases where a flexible Fast-Start Unit was (a) only partially committed day-ahead, (b) paid for its full commitment costs through uplift, and (c) dispatched in real-time above its day-ahead commitment. Instead of allowing the inherently flawed, asymmetric pricing that PJM proposes, the Commission should instead require a specific and targeted uplift payment rule to cover this fringe case. Specifically, PJM should be directed to include a rule such that any uplift payments paid to a Fast-Start Resource in the Day-ahead Energy Market pursuant to the Fast-Start Pricing rules would be subject to refund if that resource earned additional margin in the Real-time Energy Market. This simple rule change would eliminate the possibility of double-collection without creating the risk of false arbitrage cited by Mr. Stoddard and the IMM.

⁷ PJM Reply Brief at p. 9, *emphasis added*.

III. CONCLUSION

For the foregoing reasons, P3 respectfully requests that the Commission consider this Answer.

Respectfully submitted,

On behalf of the PJM Power Providers Group

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Dated: April 30, 2018

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 30th day of April, 2018.

On behalf of the PJM Power Providers Group

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