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

**PJM Interconnection, L.L.C. ) Docket No. ER19-664-000**

## COMMENTS AND LIMITED PROTEST OF THE PJM POWER PROVIDERS GROUP

Pursuant to Rules 211 and 212 of the Rules of Practice and Procedure of the Federal Energy Regulatory Commission ("FERC" or the "Commission"), 18 C.F.R. § 385.211 (2016), and 18 C.F.R. § 385.212 (2016), the PJM Power Providers Group ("P3")[1] respectfully submits these comments and limited protest regarding the December 21, 2018, filing by PJM Interconnection, L.L.C. ("PJM"), pursuant to Section 205 of the Federal Power Act ("FPA")[2] and Part 35 of the Federal Energy Regulatory Commission's ("FERC" or the "Commission") regulations[3] seeking specified revisions to its Open Access Transmission Tariff ("Tariff"), Attachment K - Appendix, section 3.2, Attachment DD, section 10A, and the Amended and Restated Operating Agreement of PJM Interconnection, L.L.C. ("Operating Agreement"), Schedule 1, section 3.2, in order to define the fuel cost recovery mechanisms for generators who incur fuel-related costs from following PJM dispatch instructions.

[1] P3 is a non-profit organization dedicated to advancing federal, state and regional policies that promote properly signed 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. For more information on P3, visit www.p3powergroup.com. 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.

[2] 16 U.S.C. § 824d (2017).

[3] 18 C.F.R. Part 35 (2018).

The Commission issued a Combined Notice of Filing #2 on December 21, 2018, setting January 11, 2019, as the deadline for interventions or protests. On January 9, 2018, P3 filed a doc-less Motion to Intervene in the proceeding.

P3 generally supports PJM's proposal and the methodology by which a generator would be allowed to recover its costs. However, P3 believes that the FERC-centric process for determining the appropriate level of cost recovery will be time-consuming and inefficient and thus the Commission should reject this aspect of the filing.

## I. Comments

To date, P3 has enthusiastically supported PJM's efforts to improve gas-electric coordination as the amount of gas-fired generation in PJM grows. PJM's previous efforts to address gas-electric coordination have largely been operational changes in order to improve the understanding of PJM operators regarding the dynamics of the natural gas delivery to allow greater visibility into potential reliability challenges.[4] The benefits of these efforts were evident in the Polar Vortexes of 2014 and 2015,[5] as well as the cold weather events of 2017/18.[6]

In addition to operational improvements, the Commission has endorsed several Tariff revisions in PJM that recognize the need to better incorporate nuances of the natural gas delivery system into the PJM market. For example, on November 17, 2016, the Commission issued

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[4] See, FERC Order 831, 157 FERC ¶ 61,115, dated November 17, 2016; https://www.pjm.com/markets-and-operations/ops-analysis/gas-electric-coordination.aspx.

[5] See, https://www.pjm.com/~/media/library/reports-notices/weather-related/20140509-analysis-of-operational-events-and-market-impacts-during-the-jan-2014-cold-weather-events.ashx at 33-35 and https://www.pjm.com/-/media/library/reports-notices/weather-related/20150513-2015-winter-report.ashx?la=en at 36-7.

[6] https://www.pjm.com/-/media/library/reports-notices/weather-related/20180226-january-2018-cold-weather-event-report.ashx at 21.

Order 831, knowing that natural gas costs may, on limited occasions, cause generators' costs to exceed offer caps that were in place in Reginal Transmission Organizations ("RTOs") throughout the country.[7] The Commission has also taken steps to improve the timing of gas and electric nominations to better harmonize the two industries.[8]

PJM's instant filing addresses a known gap in market design wherein the RTO is permitted to direct specific behavior, but the recipient of the instruction (in this case, a generator instructed to switch its fuel source) may not be compensated for following such direction. As a result, addressing this gap is a logical next step in the improvement of gas-electric coordination in PJM. While some may debate the merits of PJM ordering a fuel switch for reliability,[9] it is axiomatic that when a generator that has taken all reasonable actions to operate on one fuel source is subsequently directed to switch to another fuel or fuel source based on PJM's reliability concerns, that generator should not suffer financial harm as a result of PJM's decision. In these cases, PJM is making an operational, reliability-based decision that could force a generator that has done everything necessary to be available to run, including scheduling input fuel, to incur financial damage by changing the fuel or fuel source it plans to use to operate. PJM is issuing an Operating Instruction, as defined by NERC, which the generator is obligated to follow, and PJM is doing so based on reliability concerns, not economics. As a result, the generator should not be harmed by PJM's decision.

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[7] See, https://www.ferc.gov/whats-new/comm-meet/2016/111716/E-2.pdf.

[8] See, https://www.ferc.gov/media/news-releases/2015/2015-2/04-16-15-M-1.asp#.XDOHf1xKjg8.

[9] PJM Manual 13, Section 3.9 offers that gas infrastructure contingency events could include operational flow order, cyber or physical threats, significant force majeure events or significant pipeline outages. See, https://www.pjm.com/~/media/documents/manuals/m13.ashx at page 69.

Absent changes to the PJM Tariff, generators will be harmed under the conditions described above. Namely, there are no mechanisms by which PJM can allow a generator to recover its costs in these circumstances. PJM stakeholders identified this gap shortly after PJM approved Manual changes that allowed its operators to make such gas contingency decisions.[10] PJM stakeholders debated these changes for about a year and the PJM proposal was approved by the Markets and Reliability Committee and the Members Committee on December 6, 2018.

P3 is generally comfortable with the gas contingency switching costs outlined in the PJM filing as appropriate costs to be included in the cost recovery request. Similarly, if a generator would not have incurred penalties from the pipeline or local gas distribution company but for following PJM's direction, then any penalties incurred by the generator should be recovered as well. Moreover, P3 agrees that a generator has a duty to mitigate its costs so as to minimize the eventual uplift charges associated with PJM's decision. P3's hope and expectation is that PJM will rarely, if ever, exercise its discretion to order a generator to switch its fuel or fuel source. However, in the event that such a directive is issued in the name of reliability, the generator should be held harmless.

## II. Limited Protest

PJM proposes a process by which a generator seeking to recover these costs associated with following PJM dispatch instructions would file for recovery at the Commission and the Commission would conduct some yet-to-be-determined process to evaluate the appropriateness of the recovery of these costs. The process at FERC is not clear, nor is there a strong

[10] The actual operating procedures for gas contingency operations were put into place by PJM prior to taking the issue to stakeholders for PJM manual changes and occurred in December 2017. Since this time, generators have been at risk of being unable to recover incurred costs from potential execution of the emergency procedures under gas contingency operations by PJM.

justification for the determination of these costs at FERC first, rather than at PJM. P3 respectfully suggests that there is a better way.

PJM is frequently called upon to evaluate cost-based recovery mechanisms and should be required to make such determinations regarding these costs prior to Commission involvement. Whether it is the recovery of black start costs, Reliability Must-Run ("RMR") contracts or energy market offers over $1000/MWh, PJM frequently is asked to accept or reject cost-based proposals from market sellers. As an example, in calculating the cost-based recovery for black start units, the PJM Tariff states, "The Office of the Interconnection shall determine whether to accept the values submitted by the Black Start Unit owner subject to the requirements of the Tariff and the PJM Manuals by no later than May 27. If the Office of the Interconnection does not accept the values submitted by the Black Start Unit owner in such case, the Black Start Unit owner may file its proposed values with the Commission for approval."[11]

A similar process is appropriate for generators seeking to recover gas contingency costs. PJM is well-positioned and capable of making the determination based on data provided to it by the market seller. If the market seller is aggrieved by that determination, then and only then should the dispute be adjudicated at FERC. Such a process would reduce the administrative burden on all parties and likely lead to a quicker resolution of such matters, provided PJM and the market seller can agree upon the appropriate level of recovery. The Commission should afford the generator and PJM that opportunity.

[11] See, https://pjm.com/-/media/committees-groups/committees/mic/20170412/20170412-item-04f-oatt-schedule-6a-id-2455-new-black-start-unit.ashx at 5.

## III. Conclusion

For the foregoing reasons, P3 respectfully requests that the Commission consider its comments, and accept most elements of PJM's filing, while revising the process for cost recovery as detailed above.

Respectfully submitted,

On behalf of the PJM Power Providers Group

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