

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

New Jersey Energy Associates,)
a Limited Partnership)

Docket No. ER15-952-000

**COMMENTS
OF THE PJM POWER PROVIDERS GROUP**

On January 30, 2015, New Jersey Energy Associates, a Limited Partnership (“NJEA”) filed a request for a one-time, limited waiver of certain provisions of the Amended and Restated Operating Agreement (“Operating Agreement”)¹ and the Open Access Transmission Tariff (“Tariff”) of PJM Interconnection, L.L.C. (“PJM”) in order to allow NJEA to be made whole for costs that were incurred by NJEA as a result of PJM’s scheduling instructions during the January, 2014, Polar Vortex.² On February 2, 2015, the Federal Energy Regulatory Commission (the “Commission” or “FERC”) issued a Combined Notice of Filings setting February 20, 2015, as the deadline to intervene or protest the filing.³ On February 6, 2015, pursuant to Rule 214 of

¹ NJEA specifically requests a limited waiver of Schedule 1, Section 1.10.2(d) of the Operating Agreement and similar provisions in the Tariff.

² Analysis of Operational Events and Market Impacts During the January 2014 Cold weather Events, PJM Interconnection, L.L.C. <http://www.pjm.com/~media/documents/reports/20140509-analysis-of-operational-events-and-marketimpacts-during-the-jan-2014-cold-weather-events.ashx>

³ *New Jersey Energy Associates, a Limited Partnership*, Docket No. ER15-975-000, January 30, 2015. (“NJEA Waiver Request”)

the Rules of Practice and Procedure of the Commission, 18 C.F.R. § 385.214 (2014), the PJM Power Providers Group (“P3”)⁴ submitted a doc-less motion to intervene.

P3 respectfully submits comments⁵ noting, as further explained below, as a matter of principle, market participants should not suffer negative economic consequences as a result of following instructions on behalf of a Regional Transmission Operator (“RTO”).

I. COMMENTS

In its request for a limited waiver, NJEA recounts a straight-forward, compelling account detailing its actions in compliance of a PJM scheduling directive that required NJEA to secure fuel in anticipation of operating one of its units during the Polar Vortex.⁶ Despite its apparent best efforts to mitigate the costs associated with procuring the gas it needed for its South River combined cycle gas-fired power plant located in Sayreville, New Jersey (South River CC”) that was never dispatched, NJEA claims to have suffered a loss of \$1,334,280 of unrecovered costs incurred by NJEA’s agent, NextEra Energy Power Marketing, LLC (“NEPM”).⁷

In essence, NJEA recounts the out-of-market scheduling instructions by one of PJM’s operators during the January, 2014 Polar Vortex. On Thursday, January 23, 2014, PJM requested that the South River CC unit be made available for operation on Monday, January 27,

⁴ 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

⁵ 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.

⁶ For purposes of this filing, P3 will not repeat the entire factual scenario, but rather highlight the most salient facts. P3 assumes the facts presented by NJEA to be true and bases its comments on that assumption. P3 makes no representations as to the accuracy of the facts presented by NJEA.

⁷ NJEA Waiver Request at p1.

2014, notwithstanding that the unit had been previously scheduled for a planned outage on that day. This timeframe was several days in advance of clearing the Day-Ahead Energy Market so that NEPA would be able to secure fuel on Friday, January 24, 2014. On Friday, January 24, 2014, NEPM procured gas to support the Monday schedule for the South River CC. On Friday afternoon (January 24, 2014), a PJM dispatcher contacted NEPM by phone to confirm that the South River CC was scheduled for dispatch on Monday, January 27, 2014, but extending the schedule so that the unit would remain online through Wednesday, January 29, 2014. On different occasions during this schedule period, PJM committed to NJEA to compensate the South River CC for its fuel costs for the scheduling of the unit. However, just before midnight on Sunday, January 26, 2014, a PJM dispatcher contacted NEPM to advise that PJM was changing the schedule for the South River CC. At 08:30 ET on Monday morning, January 27, 2014, PJM contacted NEPM and canceled the schedule for the South River CC unit.⁸ The schedule change and subsequent cancellation resulted in NEPM being left with natural gas commitments that had to be cashed out at a significant loss. Despite PJM's initial assurances of cost-recovery, PJM concluded that NEPM's request for cost recovery was allegedly not allowed under PJM's Tariff and Operating Agreement, and was allegedly outside the parameters of the waivers PJM had obtained in FERC Docket No. ER14-1144-000.⁹

As P3 has stated to the Commission on two prior occasions involving similar waiver requests,¹⁰ when a generator relies on a clear communication from its RTO and takes actions

⁸ NJEA Waiver Request, at pp 4-13.

⁹ NJEA Waiver Request, at p13.

¹⁰ See comments of P3 in the following Commission docket(s): *Duke Energy Corp. v. PJM Interconnection, L.L.C.*, Docket No. EL14-45-000, Complaint of Duke Energy Corporation on behalf of Duke Energy Commercial Asset Management, Inc., and Duke Energy Lee II, L.L.C. against PJM Interconnection, L.L.C. and PJM Settlement, Inc., or in the Alternative, Request for Waiver (filed May 5, 2014), (P3 Comments filed May 27, 2014); and *Calpine*

relying on such an instruction, particularly in a moment when the grid is under stress and the prospects of reliably are uncertain, a generator should not be economically punished for “doing the right thing.” In this case, according to the facts asserted, NJEA was performing as directed by PJM and incurred substantial financial harm as a result. In situations such as this, a generator should be compensated for its losses.

Failure to compensate market participants who incur economic losses as a result of following the direction of the RTO – particularly when that direction is related to grid security – would lead to an untenable market construct in which market participants would be forced to question or perhaps ignore the RTO. Risk of a substantial economic loss should not be a consideration when a generator is being told that a unit is required in order to keep lights on and homes warm. At a minimum, the operational relationship between a generator and the RTO is one based upon trust – that the generator will dispatch as promised and when needed, and that the RTO, in return, will compensate that performance on a commensurate basis. Instances where the RTO fails to fairly compensate a generator that complies, in good faith, with requests and direction for dispatch will harm this crucial foundation of trust moving forward.¹¹

As P3 has stated in similar dockets, the alleged facts in this case speak to a broader need to improve coordination between the gas and electricity markets; nonetheless, as a general market principle, the Commission should ensure that market participants are not be harmed by following instructions issued by the RTO.

Energy Services, L.P. Docket No. ER15-376-000 (filed November 12, 2014) (P3 Comments filed December 17 2014).

¹¹ See, for example, *Transcript of FERC April 1, 2014 Technical Conference on Winter Weather*, AD 14- 8-000 at pp. 227-228 (John Sturm of Aces Power Marketing noted that as a result of the winter weather experiences, “for the first time in history this traditional symbiotic relationship between the system operator and central dispatch during emergency operations became suspect. The RTOs trust generator will dispatch, and the generator trusts the RTO will compensate that generator if requested to dispatch for reliability. Absent this trust, it could affect reliability issues during future emergency events”).

NJEA has recounted a situation in which it, in good faith, immediately followed all of the scheduling instructions requested of it by PJM. The economic losses incurred by its agent, NEPM, for following these instructions were substantial. While NJEA states that if the Commission declines to grant the requested waivers for the full amount of its losses, it should, at the very least, require PJM to compensate NJEA for its start-up costs pursuant to Section 1.10.2 of the Operating Agreement, P3 strongly believes that the Commission should require PJM to fully compensate NJEA for the full amount of its loss - \$1,334,280, especially given NJEA's attempts to mitigate its losses.

As NEPM states, “[i]t would be inequitable, as PJM has acknowledged, for generators such as NJEA to be put at risk of significant losses when they make good faith efforts to comply with their obligations to PJM at a time when the region was experiencing extraordinary conditions and reliability was threatened.”¹²

P3 fully supports NJEA's request that the Commission grant any and all waivers of the PJM Tariff and Operating Agreement that are necessary in order to permit NJEA to recover the gas costs it incurred as a result of PJM's instruction to dispatch the South River CC unit and PJM's later cancellation of such dispatch instructions. In light of the factual circumstance in this matter and NJEA's good faith efforts to support PJM's effort to ensure reliability during times of stress, P3 supports this request and urges the Commission to do the same.

¹² NJEA Waiver Request, at p16, citing PJM's Motion to Intervene and Comments in support of the Petition of Old Dominion Electric Cooperative (“ODEC”) for Waiver of PJM Tariff and Operating Agreement Provisions in Order to Make ODEC Whole for Certain January 2014 Operations, Docket No. ER14-2242-000 (dated July 11, 2014 at p19).

II. CONCLUSION

For the foregoing reasons, P3 respectfully requests that the Commission fully compensate NJEA for its economic losses that resulted from following the instructions of PJM.

Respectfully submitted,

On behalf of the PJM Power Providers Group

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Dated: February 20, 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 20th day of February, 2015.

On behalf of the PJM Power Providers Group

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