

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

DC Energy, L.L.C.)	
Complainant)	Docket No. EL18-170-000
)	
)	
v.)	
)	
PJM Interconnection, L.L.C.)	
Respondent)	

Comments of the PJM Power Providers Group

Pursuant to Rule 212 of the Federal Energy Regulatory Commission’s (“FERC” or the “Commission”) Rules of Practice and Procedure,¹ the PJM Power Providers Group (“P3”)² respectfully submits comments in response to the above docketed complaint.³

On June 4, 2018, DC Energy, L.L.C. (“DC Energy”) filed a complaint seeking fast-track processing against the PJM Interconnection, L.L.C. (“PJM”) under sections 206 and 306 of the Federal Power Act (“FPA”) asking the Commission to rule that PJM’s Financial Transmission Right (“FTR”) credit requirements are unjust and unreasonable (“Complaint”).⁴ In part, the

¹ 18 C.F.R. § 385.212 (2018).

² 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.

³ P3 filed a doc-less Motion to Intervene on June 20, 2018.

⁴ Fast-Track Complaint of DC Energy, LLC Regarding PJM Interconnection, LLC’s Credit Policy, Docket No. EL18-170-000, filed June 4, 2018 (“Complaint”).

Complaint cites DC Energy's projections of potential \$80 million net losses on an illustrative FTR portfolio ("Illustrative Portfolio") and DC Energy's estimate of PJM's current FTR credit policy's credit requirement of \$10 million on that Illustrative Portfolio as its support for the request to have FERC conclude that PJM's current FTR credit policy is unjust and unreasonable.

The Complaint also requests FERC to immediately enact three changes to PJM's FTR credit policy:

1. Establish a 5-cent minimum credit requirement per megawatt hour of FTR bid or cleared;
2. Incorporate references to FTR auction cleared prices in the determination of FTR portfolio credit requirements; and
3. Revise the current minimum capitalization requirements for FTR auction participation to be scaled to the activity each market participant pursues.

On June 21, 2018, PJM announced to its membership that GreenHat Energy, LLC defaulted on a PJM invoice issued June 5, 2018, requiring PJM to liquidate GreenHat's FTR positions. PJM informed its members that a default assessment will be issued to PJM members following the liquidation process.

P3 shares DC Energy's concern that PJM's current collateral requirements related to FTRs afford insufficient protection to the market by allowing market participants, such as GreenHat Energy, to acquire large open FTR positions with little or no collateral requirements. In light of recent events in PJM, the problem in PJM is quite apparent. Moreover, as presented in the Complaint, DC Energy raises the concern that current market rules provide an incentive for entities to expand FTR positions without concern for additional collateral requirements.

Proper collateral requirements are necessary in order to provide sufficient protection to other market participants in the event of a default. PJM has extensive requirements for all

market participants in order to reduce the risks associated with default to other market participants.⁵ The Commission has long recognized the importance of credit requirements and, in 2010, issued FERC Order 741, partly in response to a \$56 million default in PJM stemming from large open FTR positions.⁶ FERC Order 741 speaks strongly to the need to have meaningful and effective credit requirements on all market participants.

In the case of the market participant identified in the Complaint, PJM's current rules appear to fall woefully short and demand revision. Specifically, P3 supports DC Energy's conclusion that that current rules cannot be considered just and reasonable and urges the Commission to take swift action to address. If left unresolved, the potential liability to the market in the event of a default appears likely to grow and further increase the risk to other market participants. As the Commission has noted in regard to credit reforms, "Sound credit practices are necessary to prevent a disruption in the system, and it is not acceptable to wait until after a disruption to implement the necessary standards."⁷

P3 understands that PJM generally agrees that its current rules are in need of revision to address very large FTR portfolios with little or no credit requirements.⁸ PJM stakeholders have been actively discussing the issue of increased collateral requirements for FTR Transactions for several months. As a result of these discussions, a recent poll of PJM membership revealed

⁵ See, [PJM Credit Overview and Supplement to the PJM Credit Policy, dated October 6, 2017](#)

⁶ *Credit Reforms in Organized Wholesale Electric Markets*, 133 FERC ¶ 61,060, issued October 10, 2010 ("FERC Order 741"). See also, *Statement of Commissioner Philip D. Moeller on Credit Reforms for Organized Electric Markets*, Docket No. RM10-13-000, Item No. E-2, January 21, 2010.

⁷ FERC Order 741, at P 13.

⁸ See, [PJM FTR Credit Enhancements, Bridget Cummings, Market Implementation Committee, June 6, 2018.](#)

substantial stakeholder support for a \$.10/MWh minimum credit requirement.⁹ PJM agrees with the \$.10/MWh proposed change and will seek stakeholder endorsement of the change in July with a possible filing in August.¹⁰ P3 supports this call for a \$.10/MWh credit requirement and urges the Commission to endorse that requirement in either this proceeding or the likely forthcoming filing from PJM.

Regarding the other relief requested by DC Energy, P3 would prefer to change only the credit requirements at this time to address the problem. Beyond the minimum credit requirement, P3 would welcome further discussion in the stakeholder process on the establishment of a minimum based on “mark-to-auction” valuation and a review of PJM’s minimum capitalization requirement.

Respectfully submitted,

On behalf of the PJM Power Providers Group

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⁹ See, [FTR Credit Requirements Poll Results, Credit Subcommittee, June 15, 2018](#).

¹⁰ *Id.*

CERTIFICATE OF SERVICE

I hereby certify that I have served a copy of the foregoing to all parties on the official service list in these proceedings.

Respectfully submitted,

On behalf of the PJM Power Providers Group

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