

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

PJM Interconnection, L.L.C.

)

Docket No. ER19-469-000

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 submit these comments³ in the above-captioned docket. P3 is filing these comments in response to the PJM Interconnection, L.L.C’s (“PJM”) December 3, 2018, filing in compliance with the Commission’s Order No. 841,⁴ that seeks revisions to the PJM Open Access Transmission Tariff (“Tariff”) and the Amended and Restated Operating Agreement of PJM (“Operating Agreement”) to establish a participation model

¹ 18 C.F.R. §385.212 (2018).

² 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. P3 strongly believes that properly designed and well-functioning competitive markets are the most effective means of ensuring a reliable supply of power to the PJM region, facilitating investments in alternative energy and demand response technology, and promoting prices that will allow consumers to enjoy the benefits of competitive electricity markets. Combined, P3 members own over 87,000 megawatts (“MWs”) of generation assets, own over 51,000 miles of transmission lines, serve nearly 12.2 million customers and employ over 55,000 people in the PJM region – encompassing 13 states and the District of Columbia. For more information see www.p3powergroup.com.

³ The comments contained herein 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

⁴ *Electric Storage Participation in Markets Operated by Regional Transmission Organizations and Independent System Operators*, Order No. 841, III FERC stats. & Regs., Regs. Preambles ¶ 31,398 (2018) (“Order No. 841”).

that facilitates the participation of Energy Storage Resources (“ESRs”) in the PJM Capacity, Energy, and Ancillary Services markets (“ESR Participation Model”). PJM requests that the Commission issue an order by May 30, 2019, on its requested revisions. (“Compliance Filing”).⁵

On December 4, 2018, the Commission issued a Combined Notice of Filings #1 setting December 24, 2018, as the deadline for filing an intervention or protest regarding the PJM Filing. On December 14, 2018, the Commission issued a Notice of Extension of Time, setting February 7, 2019, as the new deadline for filing an intervention or protest. On December 6, 2018, P3 filed a doc-less Motion to Intervene. While P3 appreciates the Commission’s leadership in ensuring that ESRs are properly integrated in the wholesale markets, P3 notes that further incorporation of additional ESRs and distributed energy resources (“DERs”) will only further exacerbate the increasing need for the Commission to elevate and continue its efforts regarding price formation in these important wholesale markets and require PJM to ensure that further improvements in this regard are taken.

I. COMMENTS

In Order 841, the Commission found, in part, that Regional Transmission Organizations (“RTOs”), such as PJM, should revise its tariffs, if need be, in order to “establish market rules that, recognizing the physical and operational characteristic of electric storage resources, facilitate their participation in the RTO/ISO markets.”⁶ These new market rules, which the Commission referred to as a “participation model,” would,

⁵ On December 3, 2018, in Docket No. ER19-462-000, PJM also made a companion filing addressing additional Tariff and Operating Agreement revisions in compliance with Order No. 841, which the Commission has given a comment date of January 4, 2019 (“ESR Accounting Proposal”).

⁶ Order No. 841, P 55.

in part, allow ESRs to be dispatched and set price as supply and demand/wholesale seller/buyer. Specifically, the Commission found that:

Consistent with the NOPR proposal, we find that, for a resource using the proposed participation model for electric storage resources to be able to set prices in the RTO/ISO markets as either a wholesale seller or a wholesale buyer, it must be available to the RTO/ISO as a dispatchable resource. Also, consistent with the NOPR, we require that (1) resources using the participation model for electric storage resources be able to set the price in the capacity markets, where applicable; (2) RTOs/ISOs must accept wholesale bids from resources using the participation model for electric storage resources to buy energy; and (3) resources using the participation model for electric storage resources must be allowed to participate in the RTO/ISO markets as price takers, consistent with the existing rules for self-scheduled resources.⁷

As PJM noted in its Compliance Filing, PJM's current market rules allow an ESR to participate in the PJM markets only as a Market Seller. Therefore, in part, PJM is proposing to expand its current market rules to allow ESRs to both buy and sell at wholesale and to adopt new rules regarding purchases and sales unique to ESRs.⁸

P3, in conjunction with the Electric Power Supply Association, was an interested party in the Commission's docketed proceedings leading up to Order 841.⁹ Additionally, P3's member companies have been active in both the Order 841 proceedings and PJM's stakeholder process that led to the formation of its proposed ESR Participation Model. While P3 and its members have been supportive of the Commission's directives to more fully integrate ESRs in the wholesale markets, we continue to urge the Commission not to lose sight of the importance of price formation efforts that must remain a priority as the

⁷ Order No. 841, *supra*, at P 140 (emphasis added).

⁸ PJM Compliance Filing, at pp. 12-13.

⁹ Comments of the Electric Power Supply Association and the PJM Power Providers Group on Electric Storage Participation in Markets Operated By Regional Transmission Organizations And Independent System Operators, Dockets No. RM16-23-000; AD16-20-000, dated February 13, 2017 ("P3/EP SA Order 841 Comments").

ESRs and other DERs become more integrated into the markets – especially given the ability for those resources to now set energy and capacity wholesale market prices. As

P3/EPISA previously stated to the Commission:

. . . the integration of DER aggregations into wholesale markets is a new frontier, and similarly efforts to enable their participation on the electric grid cannot interfere with the pricing and operational efficiencies that support the system’s backbone conventional generation and demand response, as well as the new, aggregated resources.

. . . One of the critical implications of these changes is the market impact of new resources with different or new cost structures and revenue requirements, as certain resources will have low to zero marginal costs while conventional resources with significant marginal costs will continue to be needed to meet operational and planning needs. While this poses challenges under the current competitive market structure, the best and most efficient way to deal with these changes remains reliance on well-designed, transparent, properly regulated competitive wholesale markets in which energy, ancillary services and operating reserve price formation policies and practices in both day-ahead and real-time energy markets result in price signals that reflect actual system conditions and support incentives for all resources to operate in support of system reliability, and to invest in additional resources that will be most valuable to the system. This market model best manages the challenges and risks presented by all resources including new technologies because markets are inherently more flexible and adaptable, and place risks primarily on investors rather than on consumers.¹⁰

Similarly, while NRG Energy, Inc. supported the Commission’s goal of allowing ESR and DER aggregations to participate as wholesale seller and buyer simultaneously, especially enabling these resources to set prices in the wholesale market, it urged the Commission to continue its important efforts towards price formation, recommending that:

As the Commission has noted in its energy market price formation docket, proper price formation “...should lead to prices that more transparently reflect the marginal cost of serving load, which will reduce uplift costs and thereby improve price signals to support efficient investments.” While many distributed energy resource aggregations will be accommodated by the existing demand response participation model, others (particularly batteries and other energy storage resources) are capable of both injecting and withdrawing energy. In its Final Rule, the Commission should require each ISO and RTO to ensure that these resources are accounted for in the

¹⁰ P3/EPISA Order 841 Comments, *supra*, at p. 4; pp. 6-7 (emphasis added).

price formation process for any increment in which they are participating in the wholesale market.¹¹

While PJM acknowledges that its ESR Participation Model must be designed and implemented to ensure that ESRs' increased role in the wholesale markets "do not result in preferential treatment or undue discrimination,"¹² its Compliance Filing is otherwise silent on any additional efforts PJM will take to ensure that price formation efforts are respected, prioritized and administered in its markets, especially given ESRs new role as energy, capacity and ancillary market price setting resources.

P3 appreciates that the PJM Energy Price Formation Senior Task Force has been meeting deliberatively over the past year, and that the PJM Board has, in fact, indicated its intent on filing a specified price formation proposal with FERC yet this winter.¹³ P3, however, submits that given the fact that PJM's proposed ESR Participation Model will now integrate yet more resources, some that will set the price in its markets and some that will be precluded from doing so, the Commission should take this opportunity to reiterate the importance of PJM's continued efforts to ensure proper price formation for all resources in the PJM markets.

II. CONCLUSION

For all of these reasons, P3 respectfully requests that the Commission continue its efforts on price formation in order to PJM's Participation Model's rules, regulations and

¹¹ Comments of NRG Energy, Inc., Dockets No. RM16-23-000; AD16-20-000, dated February 13, 2017, citing *Fast-Start Pricing in Markets Operated by Regional Transmission Organizations and Independent System Operators*, 157 FERC ¶ 61,213 at Summary (2016).

¹² PJM Compliance Filing, p. 3.

¹³ <https://www.pjm.com/-/media/committees-groups/task-forces/epfstf/postings/20180412-pjm-board-letter-regarding-energy-market-price-formation.ashx?la=en>

obligations are implemented in a reliable and non-discriminatory manner with respect to all other resources operating in the PJM wholesale markets.

Respectfully submitted,

On behalf of the PJM Power Providers Group

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February 7, 2019

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document on each person designated on the official service list compiled by the Secretary of the Federal Energy Regulatory Commission in this proceeding.

Dated at Washington D.C., this 7th day of February, 2019

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