

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

PJM Interconnection, L.L.C.) **Docket Nos. ER19-210-000**
) **EL19-8-000**

Not Consolidated

**COMMENTS
OF THE PJM POWER PROVIDERS GROUP
AND THE ELECTRIC POWER SUPPLY ASSOCIATION**

On October 29, 2018, PJM Interconnection, L.L.C. (“PJM”) submitted revisions¹ to the PJM Open Access Transmission Tariff (“Tariff”) and the Amended and Restated Operating Agreement of PJM (“Operating Agreement”) to eliminate a current restriction that prevents sellers of energy from combined cycle (“CC”) and combustion turbine (“CT”) plants from including in their energy market offers the same type of plant maintenance costs that sellers from all other resource types are permitted to include (“PJM Filings”).

On October 30, 2018, the Federal Energy Regulatory Commission (the “Commission”) issued a Combined Notice of Filings #1 setting November 19, 2018, as the deadline for filing an intervention or protest regarding PJM’s 205 Filing, and on

¹ *PJM Interconnection, L.L.C.*, Docket No. ER19-210-000 and Docket No. EL19-8-000 (both filed October 29, 2018) (“PJM filings”). PJM filed revisions to the Operating Agreement in Docket No. EL19-8-000 under Section 206 of the Federal Power Act, and PJM filed revisions to the Tariff in Docket No ER19-210-000 under Section 205 of the Federal Power Act. The PJM filings are substantially the same in both dockets. See PJM Filings at p. 1, n1.

November 14, 2018, the Commission issued a Notice of Filing setting November 19, 2018, as the deadline for filing an intervention or protest regarding PJM's 206 filing. On November 5, 2018, the PJM Power Providers ("P3")² filed a doc-less Motion to Intervene in each of the above dockets. On November 1, the Electric Power Supply Association ("EPSA")³ filed a doc-less Motion to Intervene in each of the above dockets. Pursuant to Rules 211 of the Rules of Practice and Procedure of the Commission, 18 C.F.R. §§ 385.211 (2018), P3⁴ and EPSA⁵ hereby provide these comments in the above-captioned proceeding.

I. COMMENTS

P3 and EPSA agree with PJM that there is no justification for the disparate treatment that currently exists for sellers of energy from CC and CT plants.⁶ This disparate treatment unfairly disadvantages these sellers by raising a risk of under-recovery of costs that all other sellers are permitted to include in their cost-based offers in the energy market.⁷ The difference is unduly

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 Launched over 20 years ago, EPSA is the national trade association representing leading independent power producers and marketers. EPSA members provide reliable and competitively priced electricity from environmentally responsible facilities using a diverse mix of fuels and technologies. Power supplied on a competitive basis collectively accounts for 40 percent of the U.S. installed generating capacity. EPSA seeks to bring the benefits of competition to all power customers.

⁴ 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.

⁵ This pleading represents the position of EPSA as an organization, but not necessarily the views of any particular member with respect to any issue.

⁶ PJM Filings at p 1.

⁷ PJM Filings at pp 1-2.

discriminatory. Further, this disparate treatment could lead to inefficient commitment and dispatch decisions, as CC and CT maintenance costs are ignored while other generators' maintenance costs are considered in determining the least-cost commitment and dispatch. This could lead to an inefficient number of starts and longer run times for CC and CT plants, further exacerbating the under-recovery of maintenance costs. The resulting rates are unjust and unreasonable. P3 and EPSA support PJM's proposed revision that clarifies that "sellers of energy from CC plants and CT plants may include in their cost-based energy market offers a major maintenance cost component . . . in the same manner, and under the same conditions, as sellers of energy from other plants may include comparable costs in their energy offers."⁸

PJM notes that its proposal is in accord with the Commission's approval of SPP's proposal to include a major maintenance cost component for mitigated start-up offers and mitigated no-load offers.⁹ PJM goes on to note that the Commission can make clear that the permissible major maintenance costs are those associated with the number of unit starts and run hours for the resource.¹⁰ P3 and EPSA agree with PJM's characterization of the nature of the maintenance costs in question. PJM does not specify in its submittal whether it is permissible for the generators to include the maintenance costs in question in cost-based start-up and no-load costs rather than in cost-based incremental energy offers. P3 and EPSA seek clarification that the costs in question can, at the unit owner's discretion, be included in cost-based start-up and no-load costs.

⁸ PJM Filings at p 2.

⁹ PJM Filings at p. 3, citing *Sw. Power Pool, Inc.*, 165 FERC ¶ 61,026, at P 1 (2018).

¹⁰ PJM Filings at p. 3.

Specifically, PJM’s proposed revisions revise the Operating Agreement by adding “Operating Costs” to the list of recoverable costs in the energy market and adding new relevant subsections. Also, the Tariff is revised to similarly reflect associated changes.¹¹ P3 and EPSA agree with PJM that “[t]hese revisions to the Operating Agreement and Tariff will ensure that CT and CC plants are treated on the same basis as all other resource types, with respect to reflecting major maintenance expenses in the calculation of the Maintenance Adder in their cost-based energy market offers.”¹² PJM’s submittal letter includes language that states that “(t)hese revisions will not prohibit Generation Resources from continuing to recover major maintenance costs through the capacity market if they choose to do so, provided they are not also planning to recover the same costs in their energy market cost-based offers.”¹³ P3 and EPSA agree with the spirit of this language, but seek clarification that PJM’s revisions are limited to construction of cost-based offers, such that generation resources can continue to include maintenance costs in their Avoidable Cost Rates, if they choose, as long as they commit to not include the same costs in their energy market cost-based offers.¹⁴ The phrase “recover maintenance costs through the capacity market” is overly broad and could be read to cover market-based offers or circumstances when a generator receives inframarginal rents in the capacity markets. Further, the tariff provision would be clearer if it focused less on intent and cost recovery and more on a commitment regarding the construction of cost-based offers. P3 and EPSA propose the following for Attachment DD, section 6.8(c):

¹¹ PJM Filings at pp 20-21.

¹² PJM Filings at p. 21.

¹³ *Id.*

¹⁴ *Id.*

A Market Seller that includes variable costs under an Avoidable Cost Rate used in a mitigated RPM offer may not include such costs in cost-based offers to sell energy from operating capacity on the PJM Interchange Energy Market.

With these clarifications, P3 and EPSA agree that these revisions strike an appropriate balance between comparability and cost recovery concerns, ensuring that costs properly categorized as variable can be included in cost-based energy market offers without unduly discriminating against any particular type of Generation Resource.¹⁵

P3 and EPSA agree with the remedy set forth by PJM. As PJM points out, PJM's revisions are consistent with the Commission's regulations across the electricity and natural gas sectors of allowing recovery of maintenance costs in the energy market, and that the Commission has accepted recovery of such costs by CT and CC plants in the SPP, California, New York and MISO organized markets.¹⁶ P3 and EPSA respectfully request that the Commission accept PJM's proposed revisions, as modified, as a just and reasonable replacement of the current discriminatory rules.

II. CONCLUSION

For the foregoing reasons, P3 and EPSA respectfully request that the Commission consider its comments and accept PJM's filings, as modified by P3's and EPSA's suggestions.

Respectfully submitted,

On behalf of the PJM Power Providers Group
By: Glen Thomas

¹⁵ *Id.*

¹⁶ PJM Filings at p. 22.

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November 19, 2018

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 DC, this 19th day of November, 2018.

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