

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

PJM Interconnection, L.L.C.)	Docket Nos. ER19-19-000
)	ER19-23-000
)	ER19-24-000
)	ER19-25-000
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)	
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)	Not Consolidated

**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, 18 C.F.R. §385.212 (2018), the PJM Power Providers Group (“P3”)¹ respectfully submits comments in the above-captioned dockets. P3 is filing these comments in support of the four contemporaneous filings of PJM Interconnection, L.L.C. (“PJM”) on October 1, 2018, related to the Financial Transmission Rights (“FTR”) default disposition revisions (“Default Disposition Filing”),² bilateral transaction indemnification revisions (“Bilateral Transaction Indemnification Filing”),³ default allocation assessment

¹ 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.

² *PJM Interconnection, L.L.C.*, Docket No. ER19-19-000, October 1, 2018 (“Default Disposition Filing”).

³ *PJM Interconnection, L.L.C.*, Docket No. ER19-24-000, October 1, 2018 (“Bilateral Transactions Indemnification Filing”).

clarifying revisions (“Default Allocation Filing”),⁴ and the conditional extension of time regarding default disposition (“Waiver Extension Filing”).⁵ All four filings are a result of the reforms necessitated in the wake of the GreenHat Energy LLC (“GreenHat”) default.

On October 2, 2018, the Commission issued a Combined Notice of Filings #1 setting the intervention and comment date for all four filings as October 22, 2018. On October 18, 2018, P3 filed doc-less Motions to Intervene in all four dockets.

I. Comments

As PJM noted in the four contemporaneous filings, PJM stakeholders voted overwhelmingly in favor of the PJM filings in the above dockets. P3 supports PJM’s four filings.

The need for the reforms proposed in the PJM filings were a result of the default by GreenHat. As PJM explained, on June 21, 2018, “PJM declared GreenHat in payment default of its financial obligations associated with GreenHat’s sizable FTR portfolio, consisting of numerous FTRs for the 2018/2019, 2019/2020, and 2020/2021 Planning Periods. As a result of this declaration, PJM initiated procedures to close out and liquidate GreenHat’s FTRs”⁶

P3 agrees with PJM’s Default Disposition Filing and that the revisions proposed by PJM and supported by stakeholders will improve the existing FTR liquidation rules by: (1) preventing a “signification disruption to FTR auctions by avoiding distortion of the FTR market from forced liquidation of an FTR portfolio when there are not enough willing buyers to rationally absorb the supply in an economically efficient manner;” (2) helping “avoid a proverbial ‘race to the

⁴ *PJM Interconnection, L.L.C.*, Docket No. ER19-23-000, October 1, 2018 (“Default Allocation Assessment Filing”).

⁵ *PJM Interconnection, L.L.C.*, Docket No. ER19-25-000, October 1, 2018 (“Waiver Extension Filing”).

⁶ Default Disposition Filing at page 5.

bottom’ that would result from an effectively unconstrained, unlimited mandate to sell . . . substantial money-losing FTR positions;” (3) providing a “simple, practical, and transparent process for valuing a loss resulting from a Member’s ongoing default;” and (4) reflecting “an approach chosen by the Members themselves to address current Member defaults and provide for a resolution process for ongoing Member defaults in the FTR markets which may occur in the future.”⁷ P3 respectfully asks the Commission to accept PJM’s Default Disposition Filing in ER19-19 as a long-term, Membership -endorsed solution for disposing of a defaulting Member’s FTR positions. In addition, allowing the FTRs to be settled in the ordinary course will provide Members who must bear the burden of FTR defaults (including GreenHat’s significant default) greater ability to manage the costs and risks associated with such a default. For example, such members can hedge some or all of their potential FTR default costs exposure. Alternatively, they can let the FTRs go to settlement if they think that will provide a better result. Such increased optionality provides some value to the non-defaulting Members.

However, in the event that the Commission rejects the FTR Default Disposition filing or otherwise delays the effectiveness beyond December 1, 2018,⁸ P3 supports the Waiver Extension Filing allowing PJM to continue to develop a FTR default disposition solution. PJM filed the Waiver Extension Filing in ER19-25 to provide a backup solution in the event the Commission declines to accept the FTR Default Disposition Filing or otherwise delays the effectiveness beyond December 1, 2018. The Waiver Extension Filing allows PJM’s general process for liquidating FTRs to be suspended during the time period of August 24, 2018, through the earlier of the effective date the Commission grants the revisions filed in the Default Disposition Filing

⁷ Default Disposition Filing at page 3.

⁸ Waiver Extension Filing and Default Disposition Filing, October 18, 2018 PJM Letter Clarifying Filings, “(PJM Clarifying Letter”) at page 2.

or February 28, 2019.⁹ As PJM describes, “this proposal acts as a backup temporary solution to preserve the ability of the PJM Members to craft an alternative long-term FTR default disposition option for the Commission’s consideration in the event that the Commission does not accept the Tariff changes in the FTR Default Disposition Filing”¹⁰ or otherwise delays the effectiveness beyond December 1, 2018.¹¹

P3 also agrees with the Bilateral Transactions Indemnification Filing, as these provisions would allow “indemnifying sellers to assume negatively valued FTR positions on which its indemnified buyer defaulted.”¹² In addition, P3 agrees with PJM’s Default Allocation Assessment Filing clarifying that a Member’s per capita portion default allocation assessment “will not exceed \$10,000 per Member per calendar year, cumulative of all defaults, or more than once per each Member’s ongoing default if Default Allocation Assessment charges for a Member’s ongoing default span multiple calendar years.”¹³ P3 agrees with PJM that the GreenHat default “brought to light an ambiguity in the Operating Agreement regarding the maximum assessment value applicable to Members for a default when the default in question is an ongoing default, such as on a portfolio of FTR positions that span more than one calendar year. The goal of these Operating Agreement revisions is to resolve this ambiguity.”¹⁴

P3 supports PJM’s four filings, and P3 members look forward to continued discussions with PJM on the credit risk processes in order to avoid the type of situation which gave rise to

⁹ Waiver Extension Filing at page 2.

¹⁰ Waiver Extension Filing at page 3.

¹¹ PJM Clarifying Letter at page 2.

¹² Bilateral Transactions Indemnification Filing at page 3.

¹³ Default Allocation Assessment Filing at page 1.

¹⁴ Default Allocation Assessment Filing at page 2.

the GreenHat default. P3 appreciates the PJM Board of Managers commencing an independent review of the GreenHat default as noted in an October 16, 2018 press release.¹⁵ As PJM stated a special committee will “examine the facts and circumstances associated with GreenHat’s participation in the FTR market and its subsequent default; conduct an assessment of PJM’s actions in connection with GreenHat; review lessons learned, and make recommendations for the future of FTR markets. The special committee will also address questions raised by the members concerning circumstances of the default.”¹⁶ While P3 is pleased PJM will be commencing this independent review of the GreenHat default, it is important that the Commission approve the PJM filings for the reasons stated herein.

II. CONCLUSION

P3 respectfully requests that the Commission consider these Comments and approve PJM’s filings.

Respectfully submitted,

On behalf of the PJM Power Providers Group

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¹⁵PJM Statement on Independent Review of GreenHat Energy Default, Oct. 16, 2018, <https://www.pjm.com/-/media/about-pjm/newsroom/2018-releases/20181016-pjm-statement-on-independent-review-of-greenhat-energy-default.ashx>

¹⁶ *Id.*

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 22nd day of October, 2018.

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