

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

**PJM INTERCONNECTION, L.L.C**            )

**Docket No. ER23-2649-000**

**COMMENTS  
OF THE PJM POWER PROVIDERS GROUP**

Pursuant to the August 18, 2023, Combined Notice of Filings #1, issued by the Federal Energy Regulatory Commission (the “Commission” or “FERC”) in the above-captioned proceeding, The PJM Power Providers Group<sup>1</sup> (“P3”) submits these comments in support of the August 18, 2023, filing by PJM Interconnection, L.L.C. (“PJM”). PJM proposes certain revisions to the PJM Open Access Transmission Tariff (“Tariff”) to create a new rate schedule, Tariff Schedule 18, in order to establish a mechanism through which owners of generation units that PJM designates pursuant to North American Electric Reliability Corporation (“NERC”) standards as Interconnection Reliability Operating Limit (“IROL”) Critical Resources, may recover the costs of necessary upgrades as a result of PJM’s designation (“PJM Filing”).<sup>2</sup>

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<sup>1</sup> 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 83,000 MWs of generation assets and produce enough power to supply over 63 million homes in the PJM region covering 13 states and the District of Columbia. For more information on P3, visit [www.p3powergroup.com](http://www.p3powergroup.com).

<sup>2</sup> *PJM Interconnection, L.L.C.*, Docket No. ER23-2649-000 (August 18, 2023) (“PJM Filing”).

On August 21, 2023, P3 filed a doc-less Motion to Intervene. P3 respectively submits these comments,<sup>3</sup> in the above captioned proceeding. P3 supports the PJM Filing and urges the Commission to approve it as submitted.

## **I. COMMENTS**

PJM clearly explains what IROL Critical Resource are, that NERC requires them, and that generation units may need to make certain upgrades if designated as an IROL Critical Resource. Generating units that are designated must comply and make any upgrades required to meet NERC Reliability Standards. Those upgrades have associated costs and PJM’s proposed Tariff revisions provided a necessary mechanism for recovery of those costs. The PJM Filing, overwhelmingly endorsed by PJM Members, is just and reasonable, is important for bulk electric system reliability and should be accepted by the Commission. The Commission has already accepted similar provisions regarding cost recovery of IROL-Critical Facility Owners in ISO New England Inc. (“ISO-NE”)<sup>4</sup> and should accept these provisions in PJM.

As PJM points out, as defined by NERC, an IROL is a “System Operating Limit that, if violated, could lead to instability, uncontrolled separation, or Cascading outages that adversely impact the reliability of the Bulk Electric System.”<sup>5</sup> PJM is a NERC-registered Balancing Authority, Transmission Operator, and Reliability Coordinator, and is therefore responsible for “identifying, defining, operating within IROLs to maintain BES reliability.”<sup>6</sup> PJM also explains that in Order 791 on November 22, 2013, the Commission approved version 5 of the NERC CIP

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<sup>3</sup> 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.

<sup>4</sup> See ISO New England Inc., 171 FERC ¶61,160 (May 26, 2020) (“FERC ISO-NE Order”).

<sup>5</sup> PJM Filing at p. 2, quoting NERC Reliability Standards.

<sup>6</sup> PJM Filing at p. 2.

Cyber Security Standards that require Reliability Coordinators such as PJM to identify and categorize each of their Bulk Electric System Cyber Systems according to specific criteria (low, medium, high) and specifics regarding “medium impact” designations.<sup>7</sup> PJM in complying with these standards implemented a methodology to identify any “medium impact” Bulk Electric System associated with generation units that are “critical to the derivation of IROLs and their associated contingencies.”<sup>8</sup> PJM has informally referred to these units as IROL Critical Resources. As explained in the Filing, PJM, not the generation owner, designates which units are IROL Critical Resources.<sup>9</sup> Further, the internal process that PJM uses to make the designation is non-public for security reasons and the specific designation may only last for a twelve-month period and a unit may or may not be designated in subsequent years.<sup>10</sup> Importantly, PJM points out that “it is difficult for many Generation Owners to know in advance if their unit will be designated as an IROL Critical Resource, and adjust their market activity accordingly to account for any requisite investments.”<sup>11</sup> It is worth pausing here. To restate this, in order for PJM to meet NERC and FERC approved standards that are critical for cyber security and bulk electric system reliability, PJM may need to designate specific generation units as IROL Critical Resources. Then, in order to comply with NERC standards, those designated generation units – who have no control over PJM’s determination that they are an IROL Critical Resource and no advance warning of the designation – may need to make upgrades. Furthermore, an IROL Critical Resource designation may only be applicable for one twelve-

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<sup>7</sup> PJM Filing at p. 3.

<sup>8</sup> PJM Filing at p. 4.

<sup>9</sup> *Id.*

<sup>10</sup> *Id.*

<sup>11</sup> PJM Filing at p. 5.

month period. Any upgrade a generation unit needs to make to be NERC compliant will necessarily involve costs, yet because of the process involved in designating a unit as an IROL Critical Resource, the owner will have no advance notice in order to make the necessary investment and no opportunity to amortize the cost across future years. Therefore, it is just and reasonable and clearly equitable that PJM's Filing be accepted to provide a mechanism for these designated generators to recover these costs.

PJM clearly explains the process set forth in the new Schedule 18 by which generators are notified, costs are submitted, the PJM Independent Market Monitor as well as PJM review the submitted generator costs.<sup>12</sup> This process ensures that only those costs associated with upgrades required by the IROL Critical Resource designation are eligible for recovery. PJM further explains that the proposed changes and Schedule 18 aligns with policy objectives of the FPA section 219, respects the filed rate doctrine rule against retroactive ratemaking, and includes mechanisms to protect consumers.<sup>13</sup>

As PJM noted, the proposed amendments in the PJM Filing were overwhelmingly endorsed by acclamation by PJM Members at the June 22, 2023, PJM Markets and Reliability Committee ("MRC") with only four objections and twelve abstentions.<sup>14</sup> Similarly, at the July 26, 2023, PJM Members Committee ("MC") meeting, again the proposed amendments were endorsed by acclamation with only six objections and eleven abstentions.<sup>15</sup>

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<sup>12</sup> PJM Filing pp. 6-8.

<sup>13</sup> PJM Filing pp. 8-12.

<sup>14</sup> PJM Filing at p. 2.

<sup>15</sup> *Id.*

The Commission recognized in 2006 and 2010 that generation owners are entitled to recover the costs they have incurred to comply with reliability standards.<sup>16</sup> Furthermore, in 2020 the Commission accepted ISO-NE provisions similar to those requested in PJM’s Filing. The Commission accepted tariff modifications filed by ISO-NE allowing generator owners to make filings under Section 205 of the FPA to recover their critical infrastructure protection costs for facilities that had been designated as IROL Critical Facilities in accordance with NERC’s Reliability Standards.<sup>17</sup> The Commission found that ISO-NE’s proposed rate schedule “provides a just and reasonable cost recovery mechanism that will allow IROL-Critical Facility Owners to make FPA section 205 filings to recover costs incurred to comply with IROL-CIP Reliability Standards.”<sup>18</sup> The PJM Filing aligns with FERC precedent, and P3 respectfully requests that the Commission accept PJM’s Filing with an effective date of October 18, 2023.

## II. CONCLUSION

PJM’s Filing clearly explains what IROL Critical Resources are, that NERC requires them, and that generation units may need to make certain upgrades if designated as an IROL Critical Resource. Generating units that are designated must comply and make any upgrades required to meet NERC Reliability Standards. Those upgrades have associated costs and PJM’s proposed Tariff revisions provided a necessary mechanism for recovery of those costs. The PJM

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<sup>16</sup> See Order No. 672, 114 FERC ¶ 61,104 (February 3, 2006) at P 259 (“[T]he Commission will allow recovery of all costs prudently incurred to comply with the Reliability Standards.”). See also, e.g., Revision to Electric Reliability Organization Definition of Bulk Electric System, Order No. 743, 133 FERC ¶ 61,150 (November 18, 2010) at P 134 (noting that “the Commission has adopted an explicit rule, as required under Section 219(b)(4) of EPAAct 2005, allowing the recovery of ‘all prudently incurred costs necessary to comply with mandatory reliability standards issued pursuant to section 215.’”).

<sup>17</sup> See FERC ISO-NE Order.

<sup>18</sup> FERC ISO-NE Order at P 26.

Filing, overwhelmingly endorsed by PJM Members, is just and reasonable, is important for bulk electric system reliability, and should be accepted by the Commission, in alignment with the Commission's ruling accepting similar provisions in ISO-NE as well as in keeping with FERC precedent. The Commission should accept these provisions for PJM as set forth in the PJM Filing with an effective date of October 18, 2023.

Respectfully submitted,

On behalf of The PJM Power Providers Group

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Dated: September 8, 2023

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 8th day of September, 2023.

On behalf of the PJM Power Providers Group

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