

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

**Roy J. Shanker
Complainant,**

v.

**PJM Interconnection LLC,
Respondent.**

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Docket No. EL23-13-000

COMMENTS OF THE PJM POWER PROVIDERS GROUP

Pursuant to the Notice issued by the Federal Energy Regulatory Commission (the “Commission” or “FERC”) in the above-captioned proceeding on December 1, 2022, and the extension for comments granted by FERC on December 13, 2022 setting the due date for answers and comments for January 10, 2023 and then later extending the deadline to January 15, 2023¹, The PJM Power Providers Group (“P3”) submits these comments² in response to the November 30, 2022 complaint filed by Roy J. Shanker Ph.D. against PJM

¹ With January 15, 2023 being a Sunday and January 16, 2023 a federal holiday, this filing is submitted on the next FERC business day of January 17, 2023.

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 67,000 MWs of generation assets and produce enough power to supply over 50 million homes in the PJM region covering 13 states and the District of Columbia. 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.

Interconnection, L.L.C. (“PJM”). The Complaint states that PJM violated its filed Tariff, governing agreements, and contracts when identifying the energy output eligible to be counted in the accredited UCAP for variable/intermittent resources offered in PJM’s Reliability Pricing Model (“RPM”) auctions, therefore causing unjust, unreasonable, and unduly discriminatory rates for load and competing capacity resources (“Complaint”).³ P3 filed a doc-less Motion to Intervene in this docket on December 8, 2022. P3 respectfully submits these comments in response to Dr. Roy Shanker’s Complaint.

I. COMMENTS

P3 appreciates the efforts of Dr. Shanker to bring this issue to FERC’s attention. The issues raised in his Complaint have been stirring in PJM and its stakeholder process for nearly two years, and they remain unresolved and without clarity as to when they will be resolved. Since these issues have been raised, there have been multiple capacity auctions that have been run with resources acquiring capacity obligations and the associated financial benefits and obligations, despite the resources not having the transmission and/or interconnection rights required to assure delivery of the energy associated with the capacity obligation.⁴ For the sake of consumers and suppliers alike, the Commission needs to put an end, clearly and finally, to this activity.

³*Complaint of Roy J. Shanker Ph.D., v. PJM Interconnection, L.L.C.*, Docket No. EL23-13-000, November 30, 2022 (“Shanker Complaint”).

⁴ See the comments of the PJM IMM, “The Market Monitor agrees that PJM has permitted offers from capacity resources that were, in part, incorrectly defined as capacity, with the result that the total capacity offered from these resources in PJM capacity auctions was overstated and the clearing prices suppressed. The Market Monitor agrees that such offers should not have been permitted.”

https://www.monitoringanalytics.com/filings/2023/IMM_Comments_Docket_No_EL23-13_20230113.pdf at pp 1-2.

P3 expressed concerns about the issues raised in the Complaint to the PJM Board on February 1, 2022.⁵ At that time, P3 was concerned that PJM “over-accredited certain intermittent resources hundreds of megawatts of capacity that do not meet PJM’s capacity resource requirements because these resources are not deliverable at peak times.”⁶ P3 asked that PJM address the issue prior to the BRA for the 23/24 delivery year (which ended up being delayed until June of 2022).

PJM knew about this shortcoming prior to 2022. Shortly after PJM alerted the stakeholders in February 2021⁷ to the problems with its current practices, PJM introduced to the PJM stakeholders a proposal labelled “Package A” that would have appropriately resolved the concerns raised by P3.⁸ Among other things, Package A would have appropriately lowered the current accreditation of certain ELCC resources to correctly reflect both the existing tariff and RAA provisions for deliverability. Package A was the right answer in that it guaranteed that a resource could only be accredited by hourly energy produced below its CIR level.⁹

⁵ <https://www.pjm.com/-/media/about-pjm/who-we-are/public-disclosures/20220201-p3-letter-regarding-capacity-resource-accreditation.ashx>

⁶ *Id.*

⁷ The PJM stakeholders approved an Issue Charge in April 2021 to address the issue identified by PJM.

⁸ See, <https://pjm.com/-/media/committees-groups/committees/pc/2021/20210622-special/20210622-cirs-for-elcc-options-and-packages-matrix.ashx>. Note that the PJM Board responded to the P3 letter on March 4, 2021 - <https://www.pjm.com/-/media/about-pjm/who-we-are/public-disclosures/20220304-board-response-to-p3.ashx>. In that letter, PJM said, “its implementation of ELCC is compliant with the Reliability Assurance Agreement.” The letter did not respond to P3’s specific concern that certain resources are being awarded capacity obligations without the necessary and appropriate CIRs. This omission is a central element in the Shanker Complaint.

⁹ It is important to note that a unit’s capacity accreditation could decrease below its CIRs as a result of the application of the proposed revised ELCC rules. In other words, a unit’s final capacity accreditation needs to be limited to its hourly output up to its CIRs AND it’s ELCC contribution based on the calculation of the value of the ELCC Portfolio and each ELCC Class value.

Had Package A been submitted to FERC in the Summer of 2021 and approved by the Commission in a timely manner, the capacity auctions that were run in January and June of 2022 (and the current auction that PJM has requested Commission permission to delay¹⁰ and potentially the auction currently scheduled for June 2023) would not have suffered the flaws identified in the Shanker Complaint. Unfortunately, in November of 2021, PJM withdrew Package A and replaced it with a muddled combination of proposals that did not resolve the problem.¹¹ Since that time, PJM and its stakeholders have been discussing the issue and while these discussions have been informative, the issues associated with “phantom capacity” raised by Dr. Shanker languish.¹²

Dr. Shanker is not alone in his view. The IMM has raised the same concern as Dr. Shanker in the State of the Market Report for the Third Quarter of 2022. In that report, the IMM states:

“Both the capacity derating factors applied to intermittent nameplate capacity in the 2022/2023 BRA and the ELCC calculations used in the 2023/2024 BRA are based on the assumption that the intermittent resources provide reliable output in excess of their CIRs. But that output is not deliverable when needed for reliability because it is in excess of the defined deliverability rights (CIRs) and therefore should not be included in the definition of intermittent capacity.”¹³

The IMM points to the same principle as Dr. Shanker – energy that is above a unit’s tested and awarded CIR rights to access the transmission system should not be accredited capacity. The

¹⁰ See, *PJM Interconnection, L.L.C.*, Docket Nos. EL 23-19-000 and ER23-729-000, December 23, 2022.

¹¹ See, <https://pjm.com/-/media/committees-groups/committees/pc/2021/20211108-special/20211108-item-02-cirs-for-elcc-options-and-packages-matrix.ashx>

¹² Shanker Complaint at pp. 7-9.

¹³ https://www.monitoringanalytics.com/reports/PJM_State_of_the_Market/2022/2022q3-som-pjm.pdf at 336.

IMM confirmed this view to the Commission in its comments in this docket and offers that all future auctions should be run without this flaw.

The Shanker complaint is fundamentally about one issue: did PJM violate its tariff and in doing so violate one of the fundamental tenets of its capacity market? As PJM succinctly said to the Commission in 2021, “The assigned Accredited UCAP sets a maximum amount of capacity an ELCC Resource may offer or provide in a given Delivery Year, subject to the amount of Capacity Interconnection Rights secured for the resource [emphasis added]. That is, the amount of capacity an ELCC Resource can provide is the lesser of its capacity capability (i.e., Accredited UCAP) and transmission constraints (i.e., Capacity Interconnection Rights). Stated another way, a resource cannot offer more capacity than it is capable of providing nor more capacity than it is capable of delivering.”¹⁴ Given PJM’s unimpeachable understanding of the principle, P3 is struggling to understand why implementation has been so elusive.

PJM has acknowledged on several occasions that there is a problem to be fixed as evidenced by the multiple solutions packages that have been put forth during the stakeholder process.¹⁵ PJM has wavered on the scope of the problem and the costs associated with the current regime but acknowledges the need to adhere to these fundamental principles in an unambiguous manner.¹⁶

¹⁴ <https://www.pjm.com/directory/etariff/FercDockets/6152/20210601-er21-2043-000.pdf> at 39-40. The Commission should note that an ELCC resource’s accreditation should never account for energy provided above its CIR level. In this regard, CIRs should be thought of as a cap – however, for reasons addressed in footnote 9, proper accreditation can be below the CIR level.

¹⁵ *PJM Interconnection, L.L.C.*, Motion to Lodge and Motion for Leave to Answer and Answer of LS Power Development, LLC, Docket No. ER21-2043-000.

¹⁶ PJM has yet to provide a fulsome response to the arguments presented in Footnote 41 of the Shanker complaint. P3 looks forward to PJM’s specific explanation for how the discrepancy in MWhs identified in Dr. Shanker’s complaint do not constitute a violation of PJM’s tariff. P3 will likely offer additional comments after given the opportunity to review PJM’s answer.

As it relates to relief, regardless of whether the Commission determines that PJM violated the tariff as it appears from the Complaint, P3 would ask that the Commission demand that all future auctions, starting in June of 2023¹⁷, be run in strict accordance with the principles that PJM articulated in 2021 and in the current PJM tariff – namely, a resource cannot offer more nor be accredited by energy greater than it can produce or has the CIRs that assure its ability to deliver under the designated stress test conditions.

Respectfully submitted,

On behalf of The PJM Power Providers Group

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Dated: January 17, 2023

¹⁷ P3 recognizes that PJM is asking the Commission in ER23-729-000 and EL23-19-000 to determine that the base residual auction that was conducted in December 2023 remains unconcluded and should not be concluded until such time as revised tariff provisions are applied. P3 opposes PJM's request; however, should the Commission approve PJM's request, the Commission should demand that the relief request by P3 in this complaint be applied to the December 2022 BRA.

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 17th day of January 2023.

On behalf of The PJM Power Providers Group

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