

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

PJM Interconnection, L.L.C.

)

Docket No. ER18-86-000

**COMMENTS
OF THE PJM POWER PROVIDERS GROUP**

Pursuant to Rule 212 of the Rules of Practice and Procedure of the Federal Energy Regulatory Commission (“FERC” or the “Commission”), 18 C.F.R. §385.212 (2017), the PJM Power Providers Group (“P3”)¹ respectfully submits these comments regarding the October 17, 2017 Proposed Revisions On Allocating Uplift To Virtual Transactions PJM Interconnection, L. L. C. (“PJM”) (“PJM Uplift Virtual Transactions Revisions”).² PJM proposed the revisions in order to more equitably allocate day-ahead Operating Reserves and balancing Operating Reserves (“uplift”) to Virtual Transactions and to refine the methodology used to calculate Operating Reserve credits paid to Market Participants.

On October 17, 2017, the Commission issued a Combined Notice of Filings #1 setting November 7, 2017, as the intervention and comment date. On October 31, 2017, P3 filed a doc-

¹ P3 is a non-profit organization dedicated to advancing federal, state and regional policies that promote properly signed 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. For more information on P3, visit www.p3powergroup.com.

² *PJM Interconnection, L.L.C.*, Proposed Revisions On Allocating Uplift To Virtual Transactions, Docket No. ER18-86-000, October 17, 2017 (“PJM Uplift Virtual Transactions Revisions”).

less Motion to Intervene. P3 respectfully submits these comments³ in response to the PJM Uplift Virtual Transactions Revisions.

I. COMMENTS

As an initial matter, P3 applauds PJM's and the Commission's efforts to reduce uplift in the organized markets.⁴ As has been demonstrated in various dockets and discussed at various Commission technical conferences and workshops, reducing the size and frequency of uplift occurrences improves market efficiency and produces market clearing prices that are more reflective of market conditions. While eliminating uplift entirely is not likely given the complexities of the electrical system, market prices should be reflective of the costs necessary to support the system and market participants should be incented to lower their production costs.

When out-of-market actions that create uplift do occur, equity demands that the costs associated with the charges be allocated fairly. As detailed in its filing, PJM's proposed Uplift Virtual Transactions Revisions correct an existing flaw in PJM's rules that thwarts this goal. Under current rules, uplift allocations for virtual transaction inequitably apply to only a subset of these transactions.

As PJM states, the proposed revisions will more appropriately allocate uplift to all Virtual Transactions by allocating uplift to Up-to Congestion Transactions ("UTCs") in the same way that uplift is currently allocated to Increment Offers ("INCs") and Decrement Bids ("DECs").⁵ UTCs are currently not allocated uplift, however INCS and DECs are allocated uplift. As PJM states,

³ 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.

⁴ Generally, *Price Formation in Energy and Ancillary Services Markets Operated by Regional Transmission Organizations and Independent System Operators*, Docket No. AD 14-14-000.

⁵ PJM Uplift Virtual Transactions Revisions p. 4.

this gap in the rules has led to UTCs having lower transaction costs and an inequitable market advantage over other market participants.⁶ Moreover, any justification for exempting UTCs from uplift allocations no longer exists, as UTCs are now entirely financial products – like INCs and DECs.⁷ As such, P3 agrees with PJM that “there is no rational reason why UTCs should continue to be exempt from uplift allocations.”⁸

As PJM highlighted, PJM and stakeholders have been discussing uplift in PJM energy markets since May 2013.⁹ The PJM proposed revisions were endorsed by stakeholders by a sector-weighted vote of 3.95 out of a 5.0 at the January 26, 2017, PJM Markets and Reliability Committee, and on February 23, 2017, the PJM Members Committee approved the proposed revisions by a sector-weighted vote of 4.16 out of 5.0.¹⁰

P3 agrees that by making these proposed revisions, along with other revisions proposed in Docket No. ER18-88-000, it will improve market outcomes and operations for all market participants.¹¹

⁶ *Id.* at p. 9-10

⁷ *Id.* at 7-8

⁸ *Id.* at p. 8.

⁹ *Id.* at p. 2.

¹⁰ *Id.* at p.14.

¹¹ *Id.* at pg. 6.

II. CONCLUSION

P3 respectfully requests that the Commission consider these comments and issue an order granting PJM's proposed revisions.

Respectfully submitted,

On behalf of the PJM Power Providers Group

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November 7, 2017

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 7th day of November 2017.

On behalf of the PJM Power Providers Group

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