

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

PJM Interconnection, L.L.C.)

Docket No. ER18-2090-000

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,¹ the PJM Power Providers Group (“P3”)² respectfully submits comments in response to the above docketed complaint.³

On July 27, 2018, pursuant to Federal Power Act, section 205,⁴ PJM Interconnection, L.L.C. (“PJM”) filed proposed revisions to the PJM Open Access Transmission Tariff (“Tariff”), Attachment Q (“Credit Policy”) in order to limit potential credit exposure of PJM Members with Financial Transmission Rights (“FTR”) portfolios (“FTR Holders”) that have little to no credit requirement relative to the megawatt-hour (“MWh”) volume of positions in their FTR portfolios. PJM requests that the Commission issue an order accepting its proposed revisions on or before

¹ 18 C.F.R. § 385.212 (2018).

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 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.

³ P3 filed a doc-less Motion to Intervene on August 5, 2018, which was accepted by the Commission on August 6, 2018.

⁴ 16 U.S.C. § 824d.

September 25, 2018, with an effective date of September 3, 2018 (“PJM FTR Proposal”).⁵ P3 respectfully files these comments in support of PJM’s FTR Proposal.

I. BACKGROUND

PJM’s FTR Proposal is aimed at addressing a “recently-experienced credit exposure” for PJM members due to “FTR Holders with large volume FTR portfolios having minimal or no credit requirements.”⁶ PJM stated that while the Commission recently accepted its proposed Tariff modifications to its Credit Policy,⁷ that properly addressed potential exposure related to the projected decreased value of certain FTRs due to recent or future Regional transmission Expansion Plan changes or other transmission upgrades, these Tariff modifications did not address the problem of a significant number of large portfolios with minimal credit requirements based on PJM’s Credit Requirement calculation.⁸

PJM proposes amendments to its Tariff, Attachment Q, section IV.C.2, that will create a two-step process for the determination of the applicable FTR Credit Requirement. The first step maintains the current path-specific FTR Credit Requirement calculation. The new, second step is a proposed volumetric minimum FTR Credit Requirement that requires PJM to calculate, on a monthly basis at a portfolio level, a minimum credit requirement for FTRs either bid or held in an FTR Holder’s portfolio, equal to \$0.10 per MWh. The greater of these two calculations will be the FTR Credit Requirement for the portfolio each month. PJM states that its two-step FTR

⁵ *PJM Interconnection, L.L.C., FTR Credit Revisions*, Docket No. ER18-2090-000, filed July 27, 2018 (“PJM FTR Proposal”).

⁶ PJM FTR Proposal, p.3.

⁷ *See Proposed Modifications to FTR Credit Requirements of PJM Interconnection, L.L.C.*, Docket No. ER18-425-000 (Dec. 11, 2017), as accepted by the Commission on January 19, 2018.

⁸ PJM FTR Proposal, p. 3.

Proposal will not affect the current process and rules for the application of Auction Revenue Rights (“ARR”) credits.⁹ PJM is proposing a one-time transition period, as more fully described in its filing.

PJM describes the stakeholder process for the FTR Proposal since November 2017, including numerous meetings in the PJM Credit Subcommittee and an overwhelmingly strong endorsement by the Market Implementation Committee at its meeting on July 11, 2018 (208 votes in favor (95%), 12 objections (5%) and 21 abstentions).¹⁰

II. COMMENTS

A. **The Commission Should Fully Adopt PJM's Proposed Volumetric Minimum FTR Credit Requirement.**

P3 fully agrees with PJM that PJM’s FTR credit requirements should be updated to appropriately reflect the risk posed by large volume FTR portfolios. More specifically, P3 agrees with PJM’s proposed \$0.10 volumetric minimum FTR credit requirement, including the request that such a requirement should be implemented ahead of the next long-term FTR auction, which begins on September 4, 2018.

As P3 recently stated, “PJM’s current collateral requirements related to FTRs afford insufficient protection to the market by allowing market participants . . . to acquire large open FTR positions with little or no collateral requirements. Proper collateral requirements are necessary in order to provide sufficient protection to other market participants in the event of a default.”¹¹

⁹ *Id.*, pp. 3-7.

¹⁰ *Id.*, at p. 14.

¹¹ *Comments of the PJM Power Providers Group*, DC Energy, L.L.C. v PJM, Docket No. EL18-170-000, filed on June 25, 2018, p. 2.

P3 agrees with PJM that its current credit requirements fail to allow PJM to ensure that it has meaningful and effective credit requirements that protect all market participants, as the Commission required of all regional transmission providers in FERC Order 741.¹² As such, P3 supports PJM's enhanced collateral proposal and proposed Tariff amendments contained in its FTR Proposal filed herein.

III. CONCLUSION

For the forgoing reasons, P3 respectfully requests that the Commission consider P3's comments and adopt PJM's FTR Proposal, including its proposed implementation date of September 3, 2018.

Respectfully submitted,

On behalf of the PJM Power Providers Group

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¹² *Credit Reforms in Organized Wholesale Electric Markets*, 133 FERC ¶ 61,060, issued October 10, 2010 ("FERC Order 741"). See also, *Statement of Commissioner Philip D. Moeller on Credit Reforms for Organized Electric Markets*, Docket No. RM10-13-000, Item No. E-2, January 21, 2010.

CERTIFICATE OF SERVICE

I hereby certify that I have served a copy of the foregoing to all parties on the official service list in these proceedings.

Respectfully submitted,

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