

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

**PJM Interconnection, L.L.C., Proposed Modifications) Docket No. ER16-1336-000
Performance Assessment Hour Calculation of Shortfall)
With Respect to Ramp Rate.)**

**COMMENTS
OF THE PJM POWER PROVIDERS GROUP**

On April 1, 2016, pursuant to section 205 of the Federal Power Act (“FPA”), 16 U.S.C. § 824d, PJM Interconnection, L.L.C. (“PJM”) submitted proposed revisions to the PJM Open Access Transmission Tariff (“Tariff”), Attachment DD, section 10A(d), in the above-captioned proceeding to the Federal Energy Regulatory Commission (the “Commission” or “FERC”), to ensure that the ramp rate of a generation Capacity Performance Resource¹ that PJM has deemed to be acceptable (“PJM-acceptable ramp rate”), can be accounted for in expected unit output calculations for Capacity Performance Assessment Hours (“PAH”). PJM is seeking these Tariff changes to ensure that a Capacity Market Seller with a PJM-acceptable ramp rate that is following PJM dispatch instructions will not be deemed to have experienced a Performance Shortfall if not operating at its Expected Performance level due to its ramp rate (“Proposed Ramp Rate Modifications”).

On April 1, 2016, the Commission issued a Combined Notice of Filings requiring that comments or protests be filed in this docket by April 22, 2016. On April 11, 2016, the PJM

¹ Per PJM, capitalized terms, such as “Capacity Performance Resource,” not otherwise defined in its

Power Providers Group (“P3”)² submitted a doc-less intervention in the above-captioned proceeding.

Per PJM, the Proposed Ramp Rate Modifications are necessary to ensure that flexible output units are incented to follow PJM dispatch signals before and during Capacity Performance events without concern that they would be subject to non-performance penalties. PJM also has stated that the proposed Tariff revisions in their filing would be an interim solution and can serve as a transition step until a better solution can be developed.³ In order to implement the changes beginning with the upcoming 2016/2017 Delivery Year commencing on June 1, 2016, PJM requests an effective date of May 31, 2016 to the proposed Tariff revisions.

For the reasons stated herein, P3 submits these comments in support of PJM's Proposed Ramp Rate Modifications.

I. COMMENTS

A. **PJM’s Proposed Ramp Rate Modifications, as an Interim Solution, are Just and Reasonable and Should Be Accepted for the Delivery Year beginning June 1, 2016.**

Although issues surrounding parameter limitations were part of the Capacity Performance Filing,⁴ ramp rate issues, in and of themselves, were not. PJM states that it "became aware in

² P3 is a nonprofit corporation dedicated to promoting policies that will allow the PJM region to fulfill the promise of its competitive wholesale electricity markets. 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 Capacity Performance – Ramp Rate presentation. PJM Operating Committee, February 9, 2015, p.6.

⁴ *PJM Interconnection, L.L.C.*, Reforms to the Reliability Pricing Market (“RPM”) and Related Rules in the PJM [Tariff] and [RAA], proposed Tariff, Attachment DD, section 10A(d), Docket No. ER15-623-000 (filed Dec. 12, 2014). On that same date, PJM submitted a Capacity Performance filing under Federal Power Act section 206 proposing modifications to its Operating Agreement and the mirror provisions in its Tariff. *See PJM Interconnection, L.L.C.*, Docket No. EL15-29-000. Together these filings are referred to as the “Capacity

December, 2015 that exclusion of ramp rate from "excusable" megawatts calculated for a Performance Shortfall creates inappropriate incentives for Market Sellers to self-schedule and/or self-dispatch resources before the appropriate Performance Assessment Hour is triggered, regardless (of) whether PJM ultimately determines the resource is needed, simply to avoid a Performance Shortfall."⁵

On December 22, 2015, PJM submitted an Informational Filing, as part of its Capacity Performance Filing, which raised several operational and reliability issues, including that of ramp rates, which PJM acknowledged that it "may need to further address . . . through a subsequent filing."⁶ In its Informational Filing, PJM explained the delicate balance it was seeking with its Capacity Performance rules between incentives for performance and penalties for non-performance, both inherently tied to PJM's dispatch instructions, in order to achieve the optimal operational efficiencies for the necessary reliability needs. In part, PJM stated that:

" . . . PJM balanced its need to provide a clear incentive for performance through greatly increased Non-Performance Charges with its need to be sure resources would follow its dispatch instructions so it could operate its system in a reliable and efficient manner. To that end, PJM intended its dispatch directions, as opposed to the seller's decisions (about parameter limited offers), would drive whether a resource's Performance Shortfall would be subject to Non-Performance Charges. . .

Self-scheduling is not harmful to PJM's system if it is done in a manner that is consistent with PJM's dispatch instructions and provides PJM the ability to manage its system in due course. However, units that self-schedule but do not follow PJM's instructions, or that self-dispatch, inevitably cause problems for PJM's ability to control the system."⁷

Performance Filing."

⁵ Proposed Ramp Rate Modifications filing, at p. 4.

⁶ Proposed Ramp Rate Modifications filing, at p. 5, citing *PJM Interconnection, L.L.C.*, Informational Riling and Alternative Request for Action concerning PJM's Capacity Performance Proposal, at n.10, Docket Nos. ER15-623-000, et al., and EL15-29-000, et al. ("Informational Filing").

⁷ PJM Informational Filing, *supra*, at pp. 4 and 9.

PJM states that while the larger issues surrounding parameter limitations on Non-Performance Charge liability are currently subject to rehearing requests, the issues surrounding ramp rates and how they interrelate to dispatchability prior to a PAH, is one that can be addressed with a few targeted tariff modifications that can have significant operational reliability benefits, including better values in the system for dispatch.⁸ Per PJM, a reliability concern arises as a direct result of the potential that generators will self-schedule to avoid non-performance penalties in anticipation of a PAH, which could make the system much harder for the PJM dispatchers to control and balance in times of system stress. PJM also believes that, given certain requirements, generators should not be penalized when following a PJM-acceptable ramp rate in order to follow PJM's dispatch instructions during a PAH.

In part, PJM is proposing that an online resource's ramp rate should be included in the dispatch algorithm during a PAH when determining what level of output to schedule the unit, which would result in excused performance during that time to ramp even if during a Performance Assessment Hour.

However, the inclusion of ramp rate is not allowed per the current Tariff language. PJM believes the solution to this issue is "sufficiently simple" (in accordance with Manual 34: PJM Stakeholder Process, section 11.2) and proposes to create a new parameter used only during Performance Assessment Hours.⁹

Under PJM's Proposed Ramp Rate Modifications, PJM will require that Market Sellers provide inputs of their ramp rate values in Markets Gateway that reflects at least the average

⁸ PJM PAH Ramp Proposal, Operating Committee, February 9, 2016, at p.6.

⁹ PJM Problem Statement – Ramp Rate, January 20, 2016.

historical actual demonstrated ramp rates over a three-month reference period. PJM has given a time frame for these ramp rate values for both Capacity Performance units (by April 20) and Non-Capacity Performance units (by May 31). PJM, with input from the Independent Market Monitor ("IMM"), will then review the newly inputted ramp rates between April 21 and May 15, in order to ensure that the ramp rate reflects the resource's recent operational history.

P3 notes two important aspects of PJM's Proposed Ramp Rate Modifications: 1) the modifications are an interim solution that are meant to be a "transition step" until a longer term solution is developed, based on how the interim solution is working, and 2) PJM, with the input from the IMM, will review and verify the inputted values to ensure the entered values align with PJM internal analysis.¹⁰ If the Market Seller inputs a ramp rate that reflects at least the average historical actual demonstrated ramp rates and PJM agrees with the inputted value, then that value will be deemed a PJM-acceptable ramp rate.¹¹ P3 agrees that this is an appropriate transitional step that implements a reasonable process in light of the need for reform prior to summer operations.

PJM's Proposed Ramp Rate Modifications have been the subject of numerous stakeholder meetings and discussions in the PJM Operations Committee and the Markets and Reliability Committee during the months of January through March. As PJM notes, on March 31, 2016, the Proposed Ramp Rate Modifications received a 2/3 supermajority favorable vote (77% in favor; 23% opposed) in the Markets and Reliability Committee, and passed by acclamation in the Members Committee with 11 objections and 0 abstentions.

¹⁰ Although P3 appreciates that PJM will be receiving input from the IMM, P3 notes that PJM will retain the appropriate role of reviewing and verifying the inputted values, as well as all other necessary information, in order to administer the applicable Tariff provisions. *Order Accepting Proposed Tariff and Operating Agreement Revisions*, Docket No. ER16-76-000, (December 11, 2015), 153 FERC ¶ 61,289, at P 47.

¹¹ PJM Rate Rate Modifications Proposal filing, at pp. 7-8.

P3 supports the Proposed Ramp Rate Modifications as a pragmatic means to address an operational issue created by the new market incentives brought forth by Capacity Performance. If accepted, PJM's proposal would by no means undermine the fundamental purposes of Capacity Performance (promoting generator performance during system emergencies), but instead would provide PJM the tools they need to appropriately manage their grid during such times. Moreover, the proposal appropriately alters the capacity performance expectations for certain units in a manner that should remove the incentive to self-schedule in anticipation of a PAH. For these reasons, P3 supports the Proposed Ramp Rate Modifications and agrees with PJM that they are just and reasonable and not unduly discriminatory or preferential.

II. CONCLUSION

For the foregoing reasons, P3 respectfully requests that the Commission consider these comments and grant PJM's Proposed Ramp Rate Modifications, effective May 31, 2016.

Respectfully submitted,

On behalf of the PJM Power Providers Group

By: */s/ Glen Thomas*

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Dated: April 22, 2016

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 April, 2016.

On behalf of the PJM Power Providers Group

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