

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

PJM Interconnection, L.L.C.

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Docket No. EL21-78-000

COMMENTS OF THE PJM POWER PROVIDERS GROUP

Pursuant to Rule 213 of the Rules of Practice and Procedure of the Federal Energy Regulatory Commission (“FERC” or the “Commission”), the PJM Power Providers Group (“P3”)¹ respectfully submits these out-of-time comments (“Comments”) regarding the Commission’s June 17, 2021 Order to Show Cause (“Show Cause Order”) and PJM Interconnection, L.L.C.’s (“PJM”) September 15, 2021 answer thereto (“PJM Answer”), filed in the above-captioned-proceeding, concerning the Commission’s investigation under Section 206 of the Federal Power Act, as amended (“FPA”), with respect to PJM’s existing open access transmission tariff (“Tariff”) provisions governing parameter-limited schedules (“PLS”) and the requirement of PJM to commit and dispatch resources based on the lowest total system production cost.

On June 24, 2021, P3 filed a doc-less Motion to Intervene. P3 respectfully submits these out-of-time comments,² in the above-captioned proceeding

¹ 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. For more information on P3, visit www.p3powergroup.com

²The 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

I. COMMENTS

P3 supports and agrees with PJM as well as with the Comments of Vistra Corp., and its wholly owned subsidiary, Dynegy Marketing and Trade, LLC (“Vistra”) filed on October 15, 2021 in this proceeding. The Commission should find, consistent with its findings prior to the Show Cause Order, that the PJM Tariff provisions requiring PJM to commit and dispatch resources based on a total system production cost are just and reasonable.

As Vistra explained in its October 15, 2021 comments, the Commission should find, consistent with prior findings, that the PJM Tariff provisions requiring PJM to commit and dispatch resources based on the lowest total system cost are just and reasonable and not unduly discriminatory or preferential. P3 agrees that the existing PJM Tariff provisions provide the most efficient market outcome as they require PJM to commit and dispatch resources based on the lowest total system cost. Additionally, the Commission has repeatedly found, although opposed by the IMM, that the PJM Tariff provisions requiring PJM to commit and dispatch resources based on the lowest total system cost are just and reasonable, and the Commission should continue to find so in this proceeding. The existing Tariff provisions are just and reasonable because neither the IMM nor anyone else has provided evidence that market participants are actually gaming the PJM markets through the existing Tariff provisions.

As Vistra further explains, there are many economically rational reasons why market participants might submit lower non-PLS market-based schedules in the PJM markets, none of which reflect gaming, manipulation, or other anti-competitive behavior. Following the IMM’s logic would lead to several unfavorable consequences, including higher costs to consumers and

market participants, as well as potentially damaging reliability. In its Answer, the IMM again repeatedly asserts without evidence that non-PLS offers can only be explained as an attempt to exercise market power. The IMM completely fails to address PJM's argument that generators may submit inflexible parameters to avoid wear and tear on a unit. The limited empirical data the IMM presents in its Answer is not compelling and/or off-point. Specifically, much of the empirical information presented by the IMM appears to be related to circumstances in which cost-based and market-based offers cross. However, the Commission's Show Cause Order did not raise any concerns with crossing offers.

Even if the empirical data the IMM presented were relevant, it is not compelling. The IMM presents information about how frequently a mitigated offer includes a positive markup.³ The data show that mitigated offers include a markup greater than \$5/MWh a very small percentage of the time – about 1 percent of Day Ahead intervals and about 2 percent of Real-time intervals.⁴ The frequency of a meaningful markup is small even as a proportion of mitigated hours – roughly 8 percent of mitigated intervals. This minimal frequency is not compelling evidence that market power has been exercised.

The IMM also presents empirical data on uplift payments to resources that are committed on non-PLS offers.⁵ Placed in context, the data presented by the IMM shows very small uplift payments (less than \$5 million in a market worth tens of billions of dollars) to resources that are committed on non-PLS offers. The data also suggests that the uplift awarded is small on a

³ Comments of the Independent Market Monitor for PJM ("IMM Comments"), Table 4, p. 13-14.

⁴ It is not clear from the IMM's discussion whether the markup includes the 10% adder included in cost-based offers. In most of the State of the Market discussion the IMM distinguishes between adjusted and unadjusted cost-based offers when presenting results. The discussion in the IMM comments does not clearly indicate whether the markup is based on adjusted or unadjusted cost-based offer. To the extent the markup is measured against adjusted cost-based offers (*i.e.*, without the 10% adder), the empirical results are even less compelling.

⁵ IMM Comments, Tables 5-8, p. 16-18.

dollars per MWh basis, especially when one recognizes that resources that submit less flexible offers may lose out on other market opportunities. The IMM's data indicates that during the first three quarters of 2021, resources committed on non-PLS offers earned \$192 per unit hour (\$4 million divided by 20,812 unit hours) in uplift payments when they failed the TPS test. The IMM does not report the average unit capacity; if we assume a 400 MW unit this translates into less than \$0.50/MWh. Similarly, the IMM's data presented that during the first three quarters of 2021 resources committed on non-PLS offers earned \$8 per unit hour (\$300,000 divided by 35,981 unit hours) in uplift payments during weather alerts. Again, assuming a 400 MW average unit capacity, this translates to \$0.02/MWh. The IMM does not attempt to explain why a resource would accept the risk of lost opportunities for so little in uplift payments.

While the Commission can use theoretical arguments as the basis of its decision, it cannot reasonably do so, in the absence of actual evidence, when there are equally compelling theoretical arguments to the contrary. In this proceeding, the Commission is presented with unsupported assertions by the IMM that the use of non-PLS offers is always the exercise of market power. In contrast, PJM and Vistra explain that non-PLS offers are justified by valid commercial and engineering considerations. Neither the IMM nor the Commission's Show Cause Order presents any empirical evidence that withstands scrutiny.

The Commission should not consider PJM's suggested Tariff revisions, as a just and reasonable replacement rate, because PJM's proposal suffers from the same deficiencies as the IMM's Proposal, which PJM admitted to in its Answer.

II. CONCLUSION

For the foregoing reasons, P3 respectfully requests that the Commission consider these out-of-time Comments and find that the PJM Tariff provisions regarding PLS and requiring PJM to commit resources on a lowest total system cost basis are just and reasonable and not unduly discriminatory or preferential.

Respectfully submitted,

On behalf of the PJM Power Providers Group

By: Glen Thomas

Glen Thomas

Diane Slifer

GT Power Group

101 Lindenwood Drive, Suite 225

Malvern, PA 19355

gthomas@gtpowergroup.com

610-768-8080

October 29, 2021

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 29th day of October, 2021.

On behalf of the PJM Power Providers Group

By: /s/ Diane Slifer

Diane Slifer

GT Power Group

101 Lindenwood Drive, Suite 225

Malvern, PA 19355

dslifer@gtpowergroup.com

610-768-8080