



## I. COMMENTS

P3 supports the PJM revisions and respectfully requests that the Commission approve without delay the PJM revisions which are just and reasonable and nondiscriminatory. While the revisions proposed by PJM were approved by the PJM Markets and Reliability Committee on February 24, 2021 with a 3.5 sector-weighted favorable vote, the revisions ultimately failed by a very slim margin, on March 29, 2021, at the PJM Members Committee with 3.17 favorable vote. P3 members were very active in the stakeholder process and agree with PJM that due to the importance and critical nature of Black Start units as well as the timely necessity for approving such revisions, it was important for PJM to file this 205 filing, and for the Commission to promptly approve the proposed revisions.

### **A. Black Start Units Are Critical for Reliability and the Commission’s Timely Action is Crucial**

As PJM appropriately emphasizes, Black Start Service is “critically important to reliable operation of the PJM transmission system.”<sup>4</sup> Black Start units are the *only* option to restore operations to the transmission grid in the event of total system failure, and the North American Electric Reliability Corporation (“NERC”) appropriately requires PJM to have the high priority Black Start units.<sup>5</sup> Importantly, Black Start units either have equipment that allows them to start without an outside electricity supply or have a high operating factor that allows them to automatically remain in operation at reduced levels when disconnected from the transmission system.<sup>6</sup> Highlighting the importance of Black Start units is the extraordinary weather events

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<sup>4</sup> PJM Filing at p. 3.

<sup>5</sup> PJM Filing at pp. 3-4.

<sup>6</sup> PJM Filing at p. 3.

that took place in February 2021 in the Electric Reliability Council of Texas (“ERCOT”) region. PJM accurately and well states Black Start units’ importance: “Black Start Service, in simple terms, encompasses the well-planned, coordinated, and deliberate actions facility operators must take *after* such a harmful system collapse (of whatever geographic scope) *has actually occurred*, to bring the grid back into operation in a safe, prudent, and incremental manner.”<sup>7</sup> The weather conditions that occurred just months ago, are a vivid and stark reminder of the real concerns that occur without notice and the critical function of Black Start units.

Due to the critical nature of Black Start units, it is imperative that the Commission not hesitate to approve the PJM filing quickly providing the PJM requested effective date of June 6, 2021. As PJM points out there is an “urgency of the need for resolution of these issues,” as PJM has issued a RFP solicitation for Black Start Service due to a shortfall that will occur in a certain Transmission Zone in early 2022 due to the announcement of the retirement of several Black Start units.<sup>8</sup> P3 agrees that the Commission’s prompt acceptance of the proposed revisions will provide necessary certainty for Black Start owners and will encourage participation in PJM’s current Black Start solicitation.<sup>9</sup>

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<sup>7</sup> PJM Filing at p.4.

<sup>8</sup> PJM Filing at pp 2-3. PJM issued an incremental request for proposals with an open window of April 7, 2021 through August 6, 2021 for resources capable of providing Black Start Service by April 1, 2023. *See* PJM Interconnection, *2021 BGE/PEPCO Zones Black Start Service Incremental Request for Proposal*, at 7 (Apr. 7, 2021), <https://www.pjm.com/-/media/markets-ops/ancillary/black-start-service/2021-bge-pepco-zones-black-start-service-incremental-request-for-proposal.ashx>.

<sup>9</sup> PJM Filing at p. 3.

## **B. PJM’s Revisions are Just and Reasonable and Nondiscriminatory**

PJM’s proposed Black Start changes include revisions in several areas all of which are just, reasonable and nondiscriminatory.

PJM proposes to revise the commitment and termination provisions for Black Start Units’ commitments selected after the June 6 effective date. These provisions streamline and clarify the commitment period and termination provisions and will apply to existing and new Black Start units.<sup>10</sup> The provisions also revise the outage obligations and substitution provisions, removing the specificity of “critical” to certain Black Start units, because PJM considers all Black Start units critical.<sup>11</sup> The proposed revisions require that substitutions must be supported by documentation or information that demonstrates acceptable reasons for the substitution and only may occur within a 12-month period.<sup>12</sup> These provisions will provide clear guidance to Black Start unit owners and additional flexibility.<sup>13</sup> PJM is also revising the testing requirements so that all, not just some, Black Start units follow PJM’s testing requirements.<sup>14</sup> PJM is revising the provisions regarding involuntary termination of Black Start Service and the forfeiture of Black Start revenues that fail or do not perform black start testing and do not have a successful black start test with PJM on file for an extended period of time.<sup>15</sup> Further, P3 agrees with PJM’s proposed revisions to change the Minimum Tank Suction Level (“MTSL”) calculation to reflect

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<sup>10</sup> PJM Filing at pp. 8-9.

<sup>11</sup> PJM Filing at p. 9.

<sup>12</sup> PJM Filing at p. 10.

<sup>13</sup> PJM Filing at p. 16.

<sup>14</sup> PJM Filing at p. 10.

<sup>15</sup> PJM Filing at p. 11.

only the volume of fuel necessary to provide Black Start Service by calculating the Black Start Energy Tank Ratio of MTSL in section 18. PJM notes that these revisions allow for cost causation and payment to more closely align.<sup>16</sup> P3 agrees with all of these revisions as just and reasonable and nondiscriminatory.

Lastly, PJM proposes to change the Capital Recovery Factor (“CRF”). This change, importantly and correctly, will be made on a prospective basis only, and will retain the current approved Tariff CRF percentages for existing Black Start units. As PJM explains the current CRF values used to calculate capital investments are essentially black box numbers with neither the Tariff or PJM Manuals specifying their bases or how they are calculated. These approved CRF values for past investments on existing Black Start units will continue to remain in place.<sup>17</sup> Importantly by keeping the current CRF values in place for exiting units, this recognizes and honors units that have already made the necessary capital investments, have commitments that provide Black Start service over multi-year periods, and have made the required capital investments in reliance on the stated current CRF percentages.<sup>18</sup> This sound decision by PJM to only apply any changes to CRF prospectively is not only fair, but also is necessary as PJM points out that changes made to previously made commitments could cause currently committed Black Start unit owners to terminate their current commitments, and “would be a poor policy choice for service as important as Black Start Service.”<sup>19</sup>

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<sup>16</sup> PJM Filing at pp. 14 and 17.

<sup>17</sup>PJM Filing at p. 12.

<sup>18</sup> PJM Filing at p. 18.

<sup>19</sup> PJM Filing at p. 18.

The proposed prospective changes to the CRF rate will be made pursuant to PJM Manual 15 and the components of the formula will include certain standard carrying cost components including capital structure with a 50-50 assumed debt-to-equity ratio, cost of capital, income tax rates and depreciation rates.<sup>20</sup> The proposed formulaic changes to the CRF rate, are just and reasonable. By applying these revisions prospectively only, PJM continues to do what it must – “honor its existing commitments to existing Black Start Unit owners,” as well as “retain[ing] the necessary amounts of Black Start Service without risking the loss of existing Black Start suppliers.”<sup>21</sup> Certainly, PJM’s decision to apply the CRF revisions only prospectively is supported by the longstanding *Mobile-Sierra* doctrine.<sup>22</sup> P3 agrees that there are legitimate and factual differences between existing and new Black Start unit owners, and retaining the CRF percentages for existing Black Start unit owners is just, reasonable, not unduly discriminatory and necessary.<sup>23</sup>

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<sup>20</sup> PJM Filing at p. 19.

<sup>21</sup> PJM Filing at p. 20.

<sup>22</sup> *United Gas Pipe Line Co. v. Mobile Gas Service Corp.*, 350 U.S. 332 (1956); *Federal Power Comm'n v. Sierra Pacific Power Co.*, 350 U.S. 348 (1956).

<sup>23</sup> PJM Filing at p. 21.

## II. CONCLUSION

For the foregoing reasons, P3 agrees with the proposed revisions set forth by PJM in its April 7, 2021 filing, as they are just and reasonable and nondiscriminatory. P3 urges the Commission to accept the PJM filing as submitted with an effective date of June 6, 2021.

Respectfully submitted,

On behalf of the PJM Power Providers Group

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Dated: April 28, 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 28th day of April, 2021.

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