

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

PJM Interconnection, L.L.C. : Docket No. EL15-29-000

**COMMENTS OF THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

I. INTRODUCTION

On December 12, 2014, PJM Interconnection, L.L.C. (PJM), pursuant to Sections 205 and 206 of the Federal Power Act, 16 U.S.C. §§ 824d and 824e, filed proposed revisions to its Amended and Restated Operating Agreement (Operating Agreement) and related revisions to its Open Access Transmission Tariff (Tariff) to correct deficiencies in the PJM-administered wholesale markets on matters of resource performance and excuses for resource performance. The Pennsylvania Public Utility Commission (PAPUC) files Comments to that filing as further explained below.

II. BACKGROUND

This filing is a companion to PJM's Capacity Performance Filing at docket number ER15-623-000, also filed on December 12, 2014, that seeks to improve performance of committed capacity resources called upon to meet the reliability needs of the PJM region. PJM's instant filing supplements the Capacity Performance Filing by addressing issues of resource performance and excuses for resource performance arising outside the capacity market. Specifically, this filing attempts to correct the four areas

below that currently or potentially enable unreasonable excuses for market participant performance:

1. The current energy market rules allow market sellers in certain circumstances to condition their Day-ahead Energy Market offers on acceptance of parameter limitations that extend beyond the operating design characteristics of their specific resources and include economic or budgetary concerns.
2. The Operating Agreement's current force majeure rules are unreasonably overbroad as applied to transactions and commitments in PJM's wholesale markets, and should be dramatically narrowed to excuse PJM market participant performance *only* when catastrophic conditions broadly preclude performance by all or most market participants in the PJM Region.
3. The current market rules extend an overbroad opportunity to sellers of generation capacity resources to avoid energy market performance, and potentially engage in economic withholding, by submitting uneconomic ("Maximum Emergency") offers in the Day-ahead Energy Market, even in circumstances when PJM has issued certain alerts or warnings, which indicates a heightened need for capacity.
4. The current Operating Agreement should be clear, but is not, that PJM can withdraw or rescind prior approval of a generator maintenance outage when necessary for resource adequacy or reliability reasons in anticipation of, or to avoid, emergencies, and also fails to clearly provide for other PJM actions that

would better enable PJM to strike the right balance between system reliability needs and the needs of sellers for prudent and cost-effective maintenance of their generation facilities.

PJM's proposed solutions to the problems identified above include:

- **Implementation of new unit specific parameter limited schedules and elimination of default parameter limited schedule matrix**

This change seeks to ensure that energy offer parameters employ the specific generation unit's operational flexibility. If, for instance, the unit operates below its pre-determined parameter limited values, its compensation via uplift costs will be limited. PJM further defines the circumstances under which the new parameter limited schedules are to be applied during hot or cold weather operations. Additionally, it adds three new parameter limitations—maximum run time, start-up time, and notification time—to ensure that PJM operators schedule resources for only the timeframe they are economically efficient to serve the region's load.

- **Revised Force Majeure Provisions**

PJM characterizes its current force majeure provisions as typical for bilateral contracts but fundamentally incompatible with PJM's centralized, multilateral commodity markets where individual parties have no meaningful opportunity to negotiate with their counterparty an appropriate allocation of risk for varying circumstances. By contrast, multilateral commodity markets typically recognize only sweeping, systemic events as force majeure and allow the market administrator alone the right to declare a force majeure event. While no PJM entity has invoked a force majeure provision to

excuse its performance in PJM's markets thus far, PJM sees the need to revise the language in light of the other changes to its capacity and energy markets. PJM proposes a new Catastrophic Force Majeure provision applicable to its market transactions when there has been a systemic failure of either the transmission system or the fuel delivery network in all or substantially all of the PJM area. PJM will be responsible for determining if such an event has occurred, subject to review by FERC. In non-market contexts, such as matters involving Interconnection Service Agreements, PJM's existing force majeure provisions will continue to apply.

- **Elimination of a capacity resource's Maximum Emergency offer designation during extreme weather alerts or severe emergencies**

PJM proposes to revise its market rules that currently allow a capacity resource to be designated as Maximum Emergency offer. Such designation excuses the capacity resource from offering its available capacity in the Day-ahead Energy Market until PJM has issued its last call for all available generation, known as Maximum Generation Emergency. The effect of PJM's revisions will be to require capacity resources to be available when called and to honor their capacity commitments.

- **Clarification of PJM's authority to withhold, withdraw, or rescind prior approval of Generator Outages**

PJM proposes to treat Generator Maintenance Outages similarly to Generator Planned Outages by clarifying that prior PJM approval is necessary for both and that PJM may withhold, withdraw or rescind an approval of a Maintenance Outage to ensure adequacy of reserves or the reliability of the PJM region in connection with anticipated implementation or avoidance of emergency procedures. To mitigate the economic effect

of these actions on the Market Seller, PJM proposes to give notice of at least 72 hours when rescinding a prior approval of a Maintenance Outage and to offer alternative schedules.

III. COMMENTS

The PAPUC is supportive of PJM's efforts to minimize performance risk and remove excuses for non-performance by implementing unit-specific parameter limitations, adding a catastrophic force majeure provision that better reflects PJM's multilateral commodity markets, placing limits on Maximum Emergency offer designations and exercising stricter control over outage scheduling. These revisions seek to ensure that generation units not only be available but actually perform during system peaks or other emergency conditions. It is therefore important that, should the Commission approve PJM's Capacity Performance Filing at docket number ER15-623-000, it also approve this filing and require that they both be implemented. Otherwise, failure to do so could undermine the assumed reliability enhancements of the penalty provisions attached to the Capacity Performance product.

While the PAPUC is generally supportive of PJM's proposal to substitute the current default parameter limitations by technology type for generation resources with unit specific limitations, it is concerned that this be done without diluting the important role of PJM's Market Monitoring Unit (MMU) in determining those limitations. The current rules in Section 6.6(d) of the Operating Agreement and Tariff charge the MMU with preparing and proposing parameter limited schedule values, whereas the proposed changes in Section 6.6(b) transfer this role to the Office of Interconnection for the

2016/2017 Delivery Year and subsequent Delivery Years. The MMU's role is diminished to providing consultation only. The reason for this change is unclear and unacknowledged in PJM's filing. Without proper justification for this seemingly important change, the PAPUC is concerned that MMU's role will be inappropriately curtailed. Therefore, the PAPUC proposes that MMU's role in determining the unit parameter limitations be restored.

IV. CONCLUSION

For all the foregoing reasons, the PAPUC respectfully requests that its comments be considered in this proceeding.

Respectfully submitted,

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Dated: January 20, 2015

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that I am on this date serving a copy of the foregoing document upon each person designated on the official service list compiled by the Federal Energy Regulatory Commission in accordance with the requirements of Rule 2010 of the Commission's Rules of Practice and Procedure.

Dated at Harrisburg, PA this 20th day of January, 2015.

Respectfully submitted,

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