

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

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|-----------------------------|---|-------------------------|
| PJM Interconnection, L.L.C. | ) | Docket No. ER19-210-000 |
|                             | ) | Docket No. EL19-8-000   |
|                             | ) |                         |
|                             |   | Not Consolidated        |

**MOTION FOR LEAVE TO ANSWER AND ANSWER  
OF THE PJM POWER PROVIDERS GROUP  
AND THE ELECTRIC POWER SUPPLY ASSOCIATION**

Pursuant to Rules 212 and 213 of the Federal Energy Regulatory Commission’s (“FERC” or “Commission”) Rules of Practice and Procedure,<sup>1</sup> the PJM Power Providers Group (“P3”)<sup>2</sup> and the Electric Power Supply Association (“EPSA”)<sup>3</sup> respectfully submit this Motion for Leave to Answer and Answer (“Answer”) in response to the Protests of the Independent Market

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<sup>1</sup> 18 C.F.R. §§ 385.212; 385.213 (2017).

<sup>2</sup> P3 is a non-profit organization dedicated to advancing federal, state and regional policies that promote properly signed 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. For more information on P3, visit [www.p3powergroup.com](http://www.p3powergroup.com). 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.

<sup>3</sup> Launched over 20 years ago, EPSA is the national trade association representing leading independent power producers and marketers. EPSA members provide reliable and competitively priced electricity from environmentally responsible facilities using a diverse mix of fuels and technologies. Power supplied on a competitive basis collectively accounts for 40 percent of the U.S. installed generating capacity. EPSA seeks to bring the benefits of competition to all power customers. This pleading represents the position of EPSA as an organization, but not necessarily the views of any particular member with respect to any issue.

Monitor for PJM (“IMM”) filed on November 20, 2018, (“IMM Protests”)<sup>4</sup> and the late-filed Comments of the Organization of PJM States (“OPSI Comments”)<sup>5</sup>. P3 and EPSA file this Answer, to respond to the IMM Protests and OPSI Comments, and to provide a fuller record for the Commission’s consideration in this matter.

## **I. MOTION FOR LEAVE TO ANSWER**

Pursuant to 18 C.F.R. § 385.212 and 18 C.F.R. § 385.213, P3 and EPSA respectfully submit this Motion for Leave to Answer the IMM Protests and OPSI Comments.<sup>6</sup> On November 19, 2018, P3 and EPSA filed Comments to PJM’s Filings in the above captioned proceedings. P3 and EPSA respectfully submit that providing this additional information will help contribute to a fuller record and will assist the Commission in its decision-making process.

## **II. ANSWER**

The IMM seeks to redefine what is an appropriate cost-based offer in PJM and in doing so completely rewrite the Commission-approved definition of a cost-based offer in PJM. The Commission has accepted and approved, permissible components of cost-based offers in the PJM Operating Agreement, Schedule 2, as follows:

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<sup>4</sup> Protest of the Independent Market Monitor for PJM, *PJM Interconnection, L.L.C.*, Docket No EL19-8-000 (“IMM 206 Protest”); dated November 20, 2018. See also Protest of the Independent Market Monitor for PJM, *PJM Interconnection, L.L.C.*, Docket No ER19-210-000 (IMM 205 Protest”), dated November 20, 2018.

<sup>5</sup> Motion to File Comments Out of Time and Comments of the Organization of PJM States, Inc., *PJM Interconnection, L.L.C.*, Docket No. EL19-8-000; dated November 26, 2018 (“OPSI Comments”).

<sup>6</sup> Although the Commission’s procedural rules do not provide for answers to comments as a matter of right, the Commission has allowed answers where, as here, the answer provides further explanation or otherwise helps ensure a full and complete record. See, e.g., *Empire Pipeline, Inc.*, 164 FERC ¶ 61,076 P 9 (2018), *PJM Interconnection, L.L.C.*, 104 FERC ¶ 61,154, at P 14 (2003), on reh’g, 109 FERC ¶ 61,236 (2004); *Williams Energy Mktg. & Trading Co. v. Southern Co. Servs., Inc.*, 104 FERC ¶61,141, at P 10 (2003); *Ameren Servs. Co.*, 100 FERC ¶ 61,135, at P 15 (2002), on reh’g, 103 FERC ¶ 61,178 (2003).

(a) Each Market Participant obligated to sell energy on the PJM Interchange Energy Market at cost-based rates may include the following components or their equivalent in the determination of costs for energy supplied to or from the PJM Region:

For generating units powered by boilers

Firing-up cost

Peak-prepared-for maintenance cost

For generating units powered by machines

Starting cost from cold to synchronized operation

For all generating units

Incremental fuel cost

Incremental maintenance cost

No-load cost during period of operation

Incremental labor cost

Emission allowances/adders

Maintenance Adders

Ten percent adder

Other incremental operating costs.<sup>7</sup>

The IMM provides an alternate proposal and consequently advances changes to the Commission approved PJM operating documents as well as complete removal of Manual 15 Cost Development Guidelines that are well outside this proceeding.<sup>8</sup> Despite the fact that energy offers in PJM have never been based exclusively on short run marginal costs and the 10% adder has been a feature of cost-based energy offers for decades, the IMM asks the Commission to oppose a logical tariff change based on overriding objections to the long-standing definition of cost-based

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<sup>7</sup> PJM Operating Agreement Schedule 2, 1.1(a), see <https://agreements.pjm.com/oa/4739>

<sup>8</sup> IMM 206 Protest at pp 23-24. See PJM Manual 15, Cost Development Guidelines, see <https://www.pjm.com/~media/documents/manuals/m15.ashx>

energy offers in PJM. Importantly, the IMM includes the term “Short-Run Marginal Costs,” in the its proposal<sup>9</sup> even though this term is not a defined term in the PJM approved Operating Agreement or Tariff.

Additionally, the IMM criticizes the PJM reference to the SPP’s Maintenance Cost filing.<sup>10</sup> However, the reference is appropriate and noteworthy because the Commission less than two months ago approved SPP’s similar proposed Tariff revisions regarding maintenance costs. The Commission found “SPP’s proposal to include a major maintenance cost component in mitigated start-up offers and mitigated no-load offer to be a just and reasonable means of addressing concerns over the recovery of costs resulting from the gradual deterioration of resources operating equipment in the SPP Integrated Marketplace.”<sup>11</sup> P3 and EPSA respectfully request that the Commission similarly approve PJM’s proposed revisions as just and reasonable.

Regarding the concern expressed by OPSI and the IMM that an inefficient market outcome could result from a generator having the option of including maintenance costs in either its energy or capacity market bids,<sup>12</sup> P3 and EPSA respectfully suggest that the concern is both speculative and remote. For the OPSI/IMM concern to impact the market, a resource would need to know it will be marginal in a particular RPM delivery year or regularly in the energy market for the same period and thus have the potential to impact clearing prices. Dynamics of the capacity market make the opportunity to pre-identify marginal resources remote. In PJM’s market-based construct,

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<sup>9</sup> IMM 206 Protest at p. 24.

<sup>10</sup> IMM 206 Protest at p. 31.

<sup>11</sup> 165 FERC ¶ 61,026 (October 18, 2018) at P 16.

<sup>12</sup> See OPSI Comments and IMM 205 Protest.

offers that clear the energy market are seldom cost based. Very few energy market offers are mitigated, as the IMM has acknowledged<sup>13</sup>, and a single generator would be loathe to even consider the strategy which would come at the risk of not clearing in either the energy or capacity markets (assuming the resource's owner thought it likely would be marginal). While P3 and EPSA acknowledge that the scenario posited by OPSI and the IMM is theoretically possible, P3 and EPSA submit that benefits to the market of providing generators the option of addressing maintenance issues in the energy or capacity market outweigh the risks associated with potentially creating a remote likelihood of an inefficient market outcome.

### III. CONCLUSION

For the foregoing reasons, P3 and EPSA respectfully request that the Commission consider this Answer.

Respectfully submitted,

On behalf of the PJM Power Providers Group

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[http://www.monitoringanalytics.com/reports/Presentations/2018/IMM\\_MC\\_Special\\_Session\\_SOM\\_20180322.pdf](http://www.monitoringanalytics.com/reports/Presentations/2018/IMM_MC_Special_Session_SOM_20180322.pdf)  
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