

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

PJM Interconnection, L.L.C.

)

Docket No. ER16-372-001

**COMMENTS IN SUPPORT
OF THE ELECTRIC POWER SUPPLY ASSOCIATION**

Pursuant to Rule 212 of the Federal Energy Regulatory Commission’s (“FERC” or the “Commission”) Rules of Practice and Procedure, 18 C.F.R. § 385.212 (2014), the Electric Power Supply Association (“EPSA”)¹ respectfully submits comments regarding the March 4, 2016 response filed by PJM Interconnection, L.L.C. (“PJM” or the “RTO”) to the Commission’s February 3, 2016 letter requesting additional information in the referenced proceeding.² This response concerns PJM’s November 20, 2015 filing to modify various provisions of the PJM Open Access Transmission Tariff (“Tariff”) and the Amended and Restated Operating Agreement of PJM Interconnection, L.L.C. (“Operating Agreement”) to implement its Hourly Offers proposal.³ Specifically, in this proceeding PJM proposes energy market rules providing Market Sellers the flexibility to

¹ EPSA is the national trade association representing leading competitive power suppliers, including generators and marketers. Competitive suppliers, which collectively account for 40 percent of the installed generating capacity in the United States, provide reliable and competitively priced electricity from environmentally responsible facilities. 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.

² *Response of PJM Interconnection, L.L.C.*, Docket No. ER16-372-000 (filed March 4, 2016) (“PJM Data Response”).

³ *PJM Interconnection, L.L.C., Compliance Filing to Implement Hourly Offers*, Docket No. ER16-372-000 (filed November 20, 2015) (“PJM Hourly Offers Filing”).

submit offers in the Day-Ahead Energy Market that vary by hour and to update their offers in real time on an hourly basis under certain conditions.

I. COMMENTS IN SUPPORT

EPSA previously filed comments in support of the PJM Hourly Offers Filing,⁴ and reiterates here the critical role that implementation of the hourly day-ahead and real-time energy reoffer capabilities will have in the improvement of PJM's market design, energy price formation, and interaction with the natural gas markets, as well as improving the ability of generators to switch fuels during the delivery day to meet system demand. Further, EPSA has consistently urged the Commission through comments, priority principles and recommendations, and expert reports to ensure that intraday offer flexibility is addressed as one of the key elements in the overall solution to improve price formation across the ISOs/RTOs.⁵ ISO-NE, NYISO, MISO, CAISO, as well as ERCOT, have all developed market systems and related business rules that allow

⁴ *Comments of the Electric Power Supply Association*, Docket No. ER16-372-000 (filed December 11, 2015).

⁵ See, e.g., *Comments of the Electric Power Supply Association, Settlement Intervals and Shortage Pricing in Markets Operated by Regional Transmission Organizations and Independent System Operators*, Docket No. RM15-24-000, (filed November 30, 2015); *Post-Technical Workshop Comments Of The Electric Power Supply Association, Price Formation in Energy and Ancillary Services Markets Operated by Regional Transmission Organizations and Independent System Operators*, Docket No. AD14-14-000, (filed March 6, 2015); *Post-Conference Comments of the Electric Power Supply Association, Winter 2013-2014 Operations and Market Performance in Regional Transmission Organizations and Independent System Operators*, Docket No. AD14-8-000, (filed May 14, 2014); Susan L. Pope, "Price Formation in ISOs and RTOs: Principles and Improvements," *Electric Power Supply Association paper ("Pope Price Formation Paper")*, Filed in Docket No. ER14-14-000, October 29, 2014, available at http://www.epsa.org/forms/uploadFiles/2CC210000016F.filename.EPSA_Price_Formation_Oct_29_2014_FINAL.pdf; "The Polar Vortex: Implications for Improving the Efficiency of Wholesale Electricity Spot Market Pricing," by A. Joseph Cavicchi, Executive Vice President, Compass Lexecon, issued March 31, 2014, available at http://www.epsa.org/forms/uploadFiles/29D4100000011.filename.Compass_Lexecon_Polar_Vortex_Implications_paper_3_31_2014.pdf. ("Cavicchi Paper")

generating resources to make Hourly Offers in some form,⁶ and EPSA therefore commends the Commission's action in directing PJM to implement Hourly Offers in the instant proceeding. The PJM proposal is designed to both account for characteristics that are specific to PJM's markets and align with several of these RTOs which already allow Hourly Offers, and EPSA agrees with this approach. EPSA urges the Commission to expeditiously issue an order approving the PJM Hourly Offers Filing, as supplemented by the March 4, 2016 Data Response. The Commission should direct PJM to implement the proposal by November 1, 2016, or as soon as practicable thereafter, to allow changes to be in effect for the Winter 2016/2017. While this implementation date is appropriate given the scope of the required software and system changes, this market improvement is necessary and should be in place for the Winter 2016/2017 without further delay as the current rules prohibiting hourly offers are unjust and unreasonable.

As PJM states in the underlying compliance filing, the Hourly Offers proposal is intended to address the Commission's directives in Docket No. EL15-73-000 to allow generators to reflect cost changes within the Operating Day while also ensuring that appropriate changes to PJM's market power mitigation rules are made.⁷ EPSA agrees the compliance filing meets the Commission's directives, and PJM has provided additional detailed information in the Data Response, and in particular, is responsive to

⁶ PJM Issue Tracking, Generator Offer Flexibility, Issue Details, *available at* <http://www.pjm.com/committees-and-groups/issue-tracking/issue-tracking-details.aspx?Issue={ECAC2705-A42B-4495-82DD-B7DD7BBE4050}>.

⁷ PJM Hourly Offers Filing at 2.

concerns raised by the PJM Independent Market Monitor.⁸ It should be underscored that PJM worked closely with stakeholders, and in particular, the PJM Independent Market Monitor (“IMM”), to develop the Hourly Offers proposal. In fact, the submittal of the compliance filing was delayed and the Hourly Offers proposal was revised to address some of the concerns raised by the IMM and other stakeholders.⁹ Broadly, the proposal includes measures to eliminate foreseeable opportunities for market abuse, minimize schedule switching throughout the day, and in particular, the three pivotal supplier (“TPS”) market power mitigation test will be applied to online units on an hourly basis. These measures provide appropriate safeguards regarding market power concerns while providing Market Sellers the flexibility to respond to changing circumstances and better reflect their actual costs in offers.

It should be highlighted that the Hourly Offers proposal, as supplemented by the PJM Data Response, will provide the benefits of increased transparency and granularity to the overall market, in addition to allowing Market Sellers to refine their individual offers in response to weather or other events in the market to better ensure reliability. Further, the Hourly Offers proposal, as supplemented by the PJM Data Response, will improve PJM market efficiency and dispatch, as the current mechanism is cumbersome

⁸ See Protest of the Independent Market Monitor for PJM, Docket Nos. EL15-73-000 & ER16-372-000 (filed December 14, 2015); and, Answer and Motion for Leave to Answer of the Independent Market Monitor for PJM, Docket Nos. EL15-73-000 & ER16-372-000 (filed January 27, 2016).

⁹ See Updated Hourly Offers Proposal Overview Presentation, pg. 2 and generally, Generator Offer Flexibility Senior Task Force Meeting, November 12, 2015, *available at* <http://www.pjm.com/~media/committees-groups/task-forces/gofstf/20151112/20151112-item-02d-proposal-overview.ashx>; Also see, Supplemental Report of PJM Interconnection, L.L.C., Docket No. EL15-73-000, (filed October 29, 2015) (“Given the amount of stakeholder feedback PJM received related to its proposed revisions and the complexity of the issues involved, PJM will not be able to submit its filings by October 30. Moreover, PJM feels it is important to review the proposed revisions a final time with its stakeholder before submitting its filing to the Commission.”), *available at* <http://elibrary.ferc.gov/idmws/common/opennat.asp?fileID=14032289>.

as highlighted during the polar vortex of January 2014 and subsequent gas cost recovery waiver requests from various PJM Market Participants.

II. CONCLUSION

WHEREFORE, EPSA reiterates support for the PJM Hourly Offers proposal, as supplemented by the March 4, 2016 PJM Data Response, and asks the Commission to consider these comments in issuing its order on the PJM compliance filing. EPSA respectfully requests that the Commission grant approval to PJM without delay, as discussed herein, to facilitate implementation of the proposed changes by November 1, 2016, or as soon as practicable thereafter to allow changes to be in effect for the Winter 2016/2017.

Respectfully submitted,



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CERTIFICATE OF SERVICE

I hereby certify that I have served a copy of the comments via email upon each person designated on the official service list compiled by the Secretary in this proceeding.

Dated at Washington, D.C., March 28, 2016.



Nancy Bagot, Sr. Vice President