

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

PJM INTERCONNECTION, L.L.C)

Docket No. ER20-2573-000

**COMMENTS OF THE PJM POWER PROVIDERS GROUP
AND THE ELECTRIC POWER SUPPLY ASSOCIATION**

On July 31, 2020, PJM Interconnection, L.L.C. (“PJM”), pursuant to Section 205 of the Federal Power Act (“FPA”),¹ and Part 35 of the Federal Energy Regulatory Commission’s (“FERC” or the “Commission”) regulations,² submitted revisions to the PJM Open Access Transmission Tariff (“Tariff”), Attachment K-Appendix, section 2.5, and to the identical corresponding provisions in the Amended and Restated Operating Agreement of PJM Interconnection, L.L.C. (“Operating Agreement”), Schedule 1, section 2.5, in order to effectuate greater accuracy in the pricing and dispatch of resources in PJM’s footprint, and in furtherance of the Commission’s overarching price formation policy objectives³ (“PJM Filing”).⁴ PJM requests an effective date of October 15, 2020, for the proposed revisions to the Tariff and Operating Agreement, and an order from the Commission no later than October 12, 2020.

¹ 16 U.S.C. § 824d.

² 18. C.F.R. Part 35 (2020).

³ PJM’s Filing cites, in part, *Settlement Intervals and Shortage Pricing in Markets Operated by Regional Transmission Organizations and Independent System Operators*, 155 FERC ¶ 61,276 at P 53 (2016) (“Order No. 825”).

⁴ *PJM Interconnection, L.L.C.*, Docket No. ER20-2573-000, July 31, 2020 (“PJM Filing”).

On July 31, 2020, the Commission issued a Combined Notice of Filings #1 setting August 21, 2020, as the deadline to intervene or protest the filing. On August 6, 2020, pursuant to Rule 214 of the Rules of Practice and Procedure of the Commission,⁵ the PJM Power Providers Group (“P3”)⁶ and the Electric Power Supply Association (“EPSA”)⁷ each submitted a doc-less motion to intervene. P3 and EPSA (collectively, “P3/EPSA”) respectfully submit these comments⁸ in support of the PJM Filing.

I. COMMENTS

P3/EPSA are supportive of PJM’s Filing, as it is a significant and necessary step in PJM’s price formation efforts. P3/EPSA has long stressed the importance of PJM’s continued efforts to ensure proper price formation for all resources in the PJM markets, and believes that the proposed changes will ensure more accurate pricing and dispatch of resources within the PJM footprint.

P3/EPSA appreciate that PJM’s Filing begins with these “short-term reforms” that will lay the groundwork for additional reforms in the “intermediate-term” and the “long-term.” Specifically, PJM’s short-term proposal resolves issues with the five-minute dispatch and pricing by seeking tariff and operating agreement revisions that will align the locational price calculator

⁵ 18 C.F.R. § 385.214.

⁶ 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, 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.

⁷ EPSA is the national trade association representing competitive power suppliers in the U.S. EPSA members provide reliable and competitively priced electricity from environmentally responsible facilities using a diverse mix of fuels and technologies. 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.

⁸ 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.

(“LPC”) to use the reference Real-time Security Constrained Economic Dispatch (“RT SCED”) case for the same target time. PJM proposes to accomplish this by changing “the LPC program to assign prices to a future interval, effectively calculating real-time LMPs, Regulation, and reserve clearing prices based on the latest-approved RT SCED program solution, referred to as the ‘reference case,’ for the *same future target time that* RT SCED is dispatching for, thereby aligning the future dispatch (RT SCED) with the corresponding target interval for pricing (LCP).”⁹ The LPC would calculate prices for the interval from 11:55 a.m. to 12 p.m. using the RT SCED solution for a 12 p.m. target time.

In addition, PJM proposes to modify the effective time of the input data exported to RT SCED in order to support the alignment of dispatch and pricing. Therefore, data from several sources will be used, including resource offers, forecasted load, parameters and ancillary service assignments corresponding to the interval ending at the target dispatch time.¹⁰

Importantly, these proposed modifications appropriately resolve the pricing and dispatch misalignment problem that the Commission identified in PJM’s Fast-Start Order on January 23, 2020.¹¹ Specifically, the Commission found that:

In response to PJM’s compliance filing, commenters identified that PJM currently computes dispatch instructions using a different market interval than it uses to calculate prices. Based on these comments, it appears that resources in PJM may be compensated with prices that do not correspond to their dispatch instructions, a pricing and dispatch misalignment. This pricing and dispatch misalignment may occur because PJM uses different input data for calculating dispatch and pricing in a given interval. PJM appears to dispatch resources for a target interval that is roughly 10 minutes in the future, but immediately assign the prices associated with that future dispatch interval to the *current* interval.¹²

⁹ PJM Filing, p. 5. (emphasis in original)

¹⁰ *Id.*, pp. 5-6.

¹¹ *PJM Interconnection, L.L.C.*, 170 FERC ¶ 61,018 (January 23, 2020), (“Fast-Start Order”).

¹² *Id.*, P 30 (emphasis in original).

P3/EPISA agree with PJM that the proposed changes herein “will better align dispatch and pricing intervals by ensuring that prices appropriately reflect the costs of the marginal resources consistent with the future timing of the dispatch instructions they receive.”¹³ Therefore, these short-term reforms will appropriately address the Commission’s dispatch and pricing issues expressed in the Fast-Start Order.

P3/EPISA note that these short-term pricing alignment changes were overwhelmingly approved by the PJM stakeholders. In a rare and impressive vote, on July 23, 2020, the PJM Markets and Reliability Committee (“MRC”) endorsed PJM’s proposed Tariff and Operating Agreement revisions in a sector-weighted vote, with 5.0 out of 5.0 in favor. On the same day, the PJM Members Committee (“MC”) similarly endorsed the Tariff and Operating Agreement revisions with three objections and three abstentions.¹⁴

P3/EPISA support PJM’s continued work on both the intermediate-term and long-term reforms. In particular, P3/EPISA are pleased to see that PJM’s initial implementation phase of its “intermediate reforms,” focused on operational changes to implement the case execution and approval process for the RT SCED has resulted in an “immediate and positive” change in the “frequency of automatically executed RT SCED cases from *less than* every five minutes to every five minutes.”¹⁵

¹³ *Id.* p. 9.

¹⁴ *Id.*, p. 14.

¹⁵ *Id.*, p. 10.

As summarized in an October 2, 2019, presentation from Monitoring Analytics,¹⁶ Independent System Operators ("ISOs") across the U.S. implement dispatch and pricing differently. Real-Time Security Constrained Economic Dispatch ("RT SCED") execution periodicity, pricing execution periodicity, the horizon of future target intervals, dispatch and pricing applications, and settlement intervals are not identical across the ISOs. Yet, dispatch and pricing can still be aligned with different types of RT SCED implementation. If a specific methodology were required to satisfy dispatch and pricing alignment, then all ISOs would need reform. Additionally, many ISOs do not have an automated approval process of RT SCED cases, which is one of the long-term reforms listed in PJM's proposal. The long-term reforms may prove to be beneficial for the PJM market but are above and beyond what is needed to address the misalignment problem. P3/EP SA look forward to PJM's continuing work on its long-term reforms, which will involve more foundational changes to the RT SCED's case approval process and resource ramping methodology.

Finally, while PJM requests an order from the Commission on the proposed revisions on the Tariff and Operating Agreement by no later than October 12, 2020, given its proposed effective date of October 15, 2020, P3/EP SA submit that the Commission should issue an order as soon as possible, and before October 12. These reforms are a prerequisite to implementation of fast-start pricing reforms, which the Commission has found to be the necessary replacement rate to otherwise unjust and unreasonable PJM governing documents, and for which the process has been ongoing for several years.¹⁷ P3/EP SA, therefore, respectfully request that the Commission

¹⁶ See <https://www.pjm.com/-/media/committees-groups/committees/mic/20191002-fmdp/20191002-item-03a1-alignment-of-dispatch-and-pricing-issue-education.ashx>.

¹⁷ See, e.g., *Fast-Start Pricing in Markets Operated by Regional Transmission Organizations and Independent System Operators*, 157 FERC ¶ 61,213 (2016); *PJM Interconnection, L.L.C.*, 161 FERC ¶ 61,295 (2017); *PJM Interconnection, L.L.C.*, Order Holding Proceeding In Abeyance, 170 FERC ¶ 61,018, (January 23, 2020). PJM has been working with stakeholders to develop these market enhancements for some time.

approve these essentially unanimous pricing and dispatch reforms as soon as possible, and preferably far in advance of PJM's requested October date.

II. CONCLUSION

For the foregoing reasons, P3/EPSC fully support PJM's proposed short-term pricing and dispatch changes. The proposal put forth by PJM is a welcome and significant step in its continued efforts toward reasonable and effective energy price formation in the PJM footprint. P3/EPSC respectfully request that the Commission expeditiously accept PJM's Filing at the requested date of no later than October 12, 2020.

Respectfully submitted,

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Dated: August 21, 2020

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 21st day of August, 2020.

On behalf of the PJM Power Providers Group

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