

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

**PJM Interconnection, L.L.C.** ) **Docket No. ER19-1486-000**  
**PJM Interconnection, L.L.C.** ) **Docket No. EL19-58-000**  
**(Not consolidated)**

**ANSWER TO JOINT MOVANTS' MOTION**

Pursuant to Rule 213 of the Rules of Practice and Procedure of the Federal Energy Regulatory Commission (the “Commission”),<sup>1</sup> the Electric Power Supply Association (“EPSA”),<sup>2</sup> and The PJM Power Providers Group (“P3,”<sup>3</sup> and together with EPSA, the “Indicated Parties”) hereby answer the motion filed by the Joint Movants on December 7, 2021, renewing their prior protests to the modifications to the reserve market rules of PJM at issue in these proceedings, requesting that the Commission issue an order on remand granting rehearing of or vacating the orders accepting such modifications,<sup>4</sup> and further requesting that the Commission “reopen the

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<sup>1</sup> 18 C.F.R. § 385.213 (2021).

<sup>2</sup> 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.

<sup>3</sup> 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 and 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](http://www.p3powergroup.com). This pleading represents the position of P3 as an organization, but not necessarily the views of any particular member with respect to any issue.

<sup>4</sup> *PJM Interconnection, L.L.C.*, 171 FERC ¶ 61,153 (2020) (“May 2020 Order”), *on reh’g*, 173 FERC ¶ 61,123 (2020); *PJM Interconnection, L.L.C.*, 173 FERC ¶ 61,134 (2020), *on reh’g*, 174 FERC ¶ 61,180 (2021) (together, the “ORDC Orders”).

record in these proceedings” and permit the Joint Movants to lodge a variety of materials relating to Winter Storm Uri.<sup>5</sup>

As P3 previously pointed out, the modifications to the reserve market rules and Operating Reserve Demand Curve (“ORDC”) that were approved by the Commission in these proceedings reflected a multi-year effort by PJM and its stakeholders to reform PJM’s reserve market rules.<sup>6</sup> PJM fully explained and supported the need for those modifications in its underlying filings, and concerns regarding the proposed modifications were examined and addressed in the ORDC Orders. There is no reason for the Commission to now reverse course. This is particularly true because market participants have made business decisions,<sup>7</sup> and other market rules have been designed, based on the expectation that the ORDC rules would be implemented.<sup>8</sup>

While the Indicated Parties urge the Commission to reaffirm its findings in the ORDC Orders, the Indicated Parties understand that the Commission’s request for voluntary remand before the United States Court of Appeals for the District of Columbia Circuit could indicate a desire on the part of the Commission to revisit the issues raised in these proceedings. In the event

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<sup>5</sup> Supplemental/Renewed Protest, Motion for Order on Remand, and Motion to Lodge at 3, Docket Nos. ER19-1486-001, *et al.* (filed Dec. 7, 2021) (the “December 7 Motion”). For purposes of the December 7 Motion, the Joint Movants consist of American Municipal Power, Inc., Delaware Division of the Public Advocate, District of Columbia Office of People’s Counsel, Maryland Office of People’s Counsel, Old Dominion Electric Cooperative, Pennsylvania Office of Consumer Advocate, PJM Industrial Customer Coalition, Public Power Association of New Jersey, and Southern Maryland Electric Cooperative, Inc.

<sup>6</sup> *See* Comments of the PJM Power Providers Group at 3, Docket No. EL19-58-000 (filed Dec. 2, 2021) (the “P3 Comments”).

<sup>7</sup> *Id.*

<sup>8</sup> In particular, PJM’s market rules were significantly restructured to capture future, instead of historical energy prices, with the expectation that the ORDC would be in place and increase future energy revenues. This Commission-ordered change to attempt to capture potentially higher future energy revenues created significant administrative burdens for PJM and its stakeholders as the projection of forward-looking revenues that are unknown involves multiple assumptions that could prove to be wrong. *See* May 2020 Order, 171 FERC ¶ 61,153 at P 308; PJM, *E&AS Revenue Offset Proposal* (MIC Special Session, June 17, 2020), <https://www.pjm.com/-/media/committees-groups/committees/mic/2020/20200617-special/20200617-item-03b-eas-revenue-offset-proposal.ashx>.

that the Commission does intend to do so, the Indicated Parties urge the Commission to establish additional procedures in order to permit *all* interested parties to supplement the record and fully brief any issues of concern, as it has done in past cases where it has requested voluntary remand.<sup>9</sup> Such an approach would be more efficient than having parties haphazardly submit individual pleadings and motions to lodge, as the Joint Movants have done. Moreover, established briefing procedures would ensure that all parties have the opportunity to respond to issues raised by others. Indeed, the December 7 Motion demonstrates the importance of full briefing, because the Joint Movants have presented a skewed and incomplete view of actions taken by the Public Utility Commission of Texas (“PUCT”) in the wake of Winter Storm Uri, which occurred earlier this year.

The December 7 Motion attempts to portray Winter Storm Uri as having “revealed the detrimental financial and economic impact of allowing electricity prices to reach extraordinarily high levels during scarce conditions under extreme system stress . . . .”<sup>10</sup> This severely misrepresents the scope of issues that have been identified by the PUCT as needing correction. In fact, shortly after the storm, the PUCT identified “eight key areas of focus” that warranted examination.<sup>11</sup> Since that time, the PUCT has also initiated a comprehensive review of its market

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<sup>9</sup> See, e.g., *BP Pipelines (Alaska) Inc.*, 171 FERC ¶ 61,002 (2020) (instituting hearing and settlement judge procedures on voluntary remand); *Pacific Gas & Elec. Co.*, 164 FERC ¶ 61,121 (2018) (establishing briefing schedule on voluntary remand); *Louisiana Pub. Serv. Comm’n v. Entergy Servs., Inc.*, 163 FERC ¶ 61,136 (2018) (establishing paper hearing on voluntary remand); *San Diego Gas & Elec. Co. v. Sellers of Energy and Ancillary Services into Mkts. Operated by the Cal. Indep. Sys. Operator Corp. & the Cal. Power Exchange*, 158 FERC ¶ 61,055 (2017) (instituting hearing and settlement judge procedures on voluntary remand).

<sup>10</sup> December 7 Motion at 2.

<sup>11</sup> PUCT, News Release, *PUC DETAILS EFFORTS RELATED TO WINTER STORM GRID EVENT, Eight areas of focus guiding agency’s response to February grid event* (Mar. 12, 2021), <http://www.puc.texas.gov/agency/resources/pubs/news/2021/PUCTX-MR-PR-OM-WS21Projects.pdf>.

design,<sup>12</sup> with Chairman Peter M. Lake of the PUCT explaining that the Texas legislature had tasked the PUCT with “redesigning the [Electric Reliability Council of Texas (“ERCOT”)] market to enhance reliability.”<sup>13</sup> Recently, Chairman Lake further emphasized the need for “a comprehensive solution to address our substantial long term resource adequacy issues while also continuing to address the operational, planning, and emergency response elements of the ERCOT system,”<sup>14</sup> and identified a broad range of issues that are continuing to be examined.<sup>15</sup>

Notably, the efforts of the PUCT have not, as suggested by the Joint Movants, simplistically focused on just reducing the High System-Wide Offer Cap (“HCAP”).<sup>16</sup> Instead, as Commissioner Will McAdams noted, “[e]ach of [the PUCT Commissioners] in our public comments has expressed an interest in moving ERCOT away from a crisis-driven market design that is based on high prices that are experienced only as the system nears physical scarcity.”<sup>17</sup> Accordingly, although the PUCT lowered the HCAP, it also directed the Brattle Group to assess alternative ORDCs, with the following goals:

- Limit exposure to the very highest prices (lower HCAP) *but without taking money out of the market, by allocating modest scarcity pricing to a greater number of hours.*

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<sup>12</sup> See Memorandum of Connie Corona, Deputy Executive Director, Review of Wholesale Electric Market Design, Project No. 52373 (Aug. 2, 2021) (identifying six broad issues for inquiry), [http://interchange.puc.texas.gov/Documents/52373\\_2\\_1144518.PDF](http://interchange.puc.texas.gov/Documents/52373_2_1144518.PDF).

<sup>13</sup> Memorandum of Chairman Peter M. Lake at 1, Review of Wholesale Electric Market Design, Project No. 52373 (Aug. 4, 2021), <https://interchange.puc.texas.gov/search/documents/?controlNumber=52373&itemNumber=3>.

<sup>14</sup> Memorandum of Chairman Peter M. Lake at 1, Review of Wholesale Electric Market Design, Project No. 52373 (Dec. 1, 2021) (“Lake December 1 Memorandum”), <http://interchange.puc.texas.gov/search/documents/?controlNumber=52373&itemNumber=265>.

<sup>15</sup> See *id.* at 2-4.

<sup>16</sup> See December 7 Motion at 14-15.

<sup>17</sup> Memorandum of Commissioner Will McAdams at 1, Review of Wholesale Electric Market Design, Project No. 52373 (Sept. 14, 2021), <http://interchange.puc.texas.gov/search/documents/?controlNumber=52373&itemNumber=128>.

- *Send the strongest possible price signal* (i.e., prices at HCAP) before ERCOT declares a Control Room Advisory (<3,000 MW reserves) or issues a Conservation Alert.
- Increase demand for reserves in real-time, consistent with ERCOT's day-ahead procurement of more AS; otherwise, the procured AS would cannibalize self-commitment unless ERCOT RUCs units to achieve the desired reserves.<sup>18</sup>

Similarly, Chairman Lake indicated that ORDC reforms being undertaken by the PUCT were intended to accomplish, among other things, the following:

- Increase revenues to reliable assets able to be dispatched during scarcity events.
- First Change: Maintains ORDC revenue in market at levels before HCAP moved to \$5,000 (“back to even”).
- Second Change: Adds more ORDC revenue to provide additional incentives for reliable assets to be dispatched during scarcity events (“above and beyond status quo”).<sup>19</sup>

The PUCT’s acknowledgement of the broad range of reforms that are required in ERCOT, including the focus on ensuring that ORDC revenues remain stable despite the reduction to the HCAP, demonstrate that the situation in ERCOT and any lessons from Winter Storm Uri are not necessarily helpful for purposes of evaluating these proceedings. Unfortunately, and by contrast to the approach taken by the PUCT, neither PJM nor this Commission have undertaken a holistic and comprehensive review of PJM’s market rules in order to ensure that they are working together to provide the necessary compensation and correct incentives for resources that are needed for reliability. Accordingly, while the Indicated Parties would welcome a thorough review of PJM’s market rules such as that being undertaken by the PUCT, there is no basis for the Joint Movants to

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<sup>18</sup> The Brattle Group, *Impact Assessment of ORDC Changes*, at 2, Project No. 52373 (Nov. 2021) (emphases added), <https://interchange.puc.texas.gov/search/documents/?controlNumber=52373&itemNumber=246>.

<sup>19</sup> Lake December 1 Memorandum at 2.

suggest that just one narrow action by the PUCT should guide the Commission's actions in these proceedings while ignoring the other actions that are being undertaken to provide additional revenues to resources.

The Commission should therefore either reaffirm the conclusions of the ORDC Orders or establish additional proceedings as described herein in order to give all interested parties the opportunity to present and address any new information that may be relevant to the Commission's reassessment. Moreover, to the extent that the Commission grants the Joint Movants' request to lodge materials relating to Winter Storm Uri, it should also ensure that it properly considers the totality of the PUCT's actions.

Respectfully submitted,

**ELECTRIC POWER SUPPLY  
ASSOCIATION**

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On behalf of the  
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On behalf of the  
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Dated: December 20, 2021

**CERTIFICATE OF SERVICE**

I hereby certify that I have caused the foregoing document to be served upon each person designated on the official service lists compiled by the Secretary of the Federal Energy Regulatory Commission in these proceedings.

Dated at Washington, D.C., this 20<sup>th</sup> day of December, 2021.

/s/ Nancy Bagot  
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