

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

PJM Interconnection, L.L.C.	)	Docket No. ER15-2260-000, 001
	)	
PJM Interconnection, L.L.C.	)	Docket No. EL14-24-000
	)	

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

Pursuant to Rule 212 of the Rules of Practice and Procedure of the Federal Energy Regulatory Commission (“FERC” or the “Commission”), 18 C.F.R. § 385.212 (2014), the Electric Power Supply Association (“EPSA”)<sup>1</sup> and PJM Power Providers Group<sup>2</sup> (“P3”) respectfully submit these comments regarding the July 23, 2015 filing by PJM Interconnection, L.L.C. (“PJM”) in the above-captioned proceedings.<sup>3</sup> In this proceeding, PJM is proposing revisions to its Amended and Restated Operating Agreement (“Operating Agreement”) and related revisions to its Open Access

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<sup>1</sup> EPSA is the national trade association representing leading competitive power suppliers, including generators and marketers. EPSA, 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 serving power markets. EPSA seeks to bring the benefits of competition to all power customers. The comments contained in this filing represent the position of EPSA as an organization, but not necessarily the views of any particular member with respect to any issue. EPSA filed timely doc-less Motions to Intervene in these proceedings as follows: Docket No. EL14-24-000 on April 4, 2014, and Docket No. ER15-2260-000 on August 7, 2015.

<sup>2</sup> The PJM Power Providers Group (“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 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. 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. For more information on P3, visit [www.p3powergroup.com](http://www.p3powergroup.com). P3 filed a doc-less Motion to Intervene on March 28, 2014, in Docket No. EL14-24-000. On August 7, 2015, P3 filed a doc-less Motion to Intervene in Docket No. ER15-2260-000.

<sup>3</sup> *PJM Interconnection, L.L.C.*, Docket No. ER15-2260-000 and EL14-24-000, “Compliance Filing Revising Certain Deadlines of the Day-Ahead Energy Market and Reliability Assessment Commitment in the PJM Open Access Tariff and Operating Agreement,” (filed July 23, 2015) (“PJM Filing” or “PJM Order 809 Filing”).

Transmission Tariff (“OATT” or “Tariff”) pursuant to the Federal Energy Regulatory Commission’s (“FERC” or “the Commission”) directives in the March 20, 2014, Order in Docket EL14-24-000 et al.<sup>4</sup> and the Commission’s Order No. 809 issued on the same day.<sup>5</sup> The revisions adjust PJM’s Day-Ahead scheduling practices as directed in the March 20 Order in order to allow the RTO schedule to correlate with revisions required of natural gas interstate pipelines’ Day-Ahead nomination and scheduling practices directed in Order No. 809.

EPSA and P3 support better coordination between the wholesale natural gas and electricity markets, as required by the Commission. While not taking a position as to whether the revised schedule is an improvement based on the expected changes to the natural gas pipeline scheduling timeline, EPSA and P3 would support additional changes following a reasonable period of operational experience. Specifically, as discussed and supported in the PJM stakeholder process,<sup>6</sup> PJM should strive to further shorten the duration of the window for clearing the Day-Ahead Energy Market so that the deadline for submitting bids and offers for the Day-Ahead Energy Market may be

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<sup>4</sup> *Order Initiating Investigation Into ISO and RTO Scheduling Practices and Establishing Paper Hearing Procedures*, 146 FERC ¶ 61,202, order’g para. (C), (2014) (“March 20 Order”); *Notice of Institution of Section 206 Proceedings and Refund Effective Date*, Docket Nos. EL14-22-000, California Independent System Operator Corporation; EL14-23-000, ISO New England, Inc.; EL14-24-000, PJM Interconnection, LLC; EL14-25-000, Midcontinent Independent System Operator, Inc.; EL14-26-000, New York Independent System Operator, Inc.; EL14-27-000, Southwest Power Pool, Inc., issued March 20, 2014 (“Section 206 Notice”).

<sup>5</sup> *Coordination of the Scheduling Processes of Interstate Natural Gas Pipelines and Public Utilities*, Order No. 809, 80 Fed. Reg. 23197 (2015) (“Order No. 809”).

<sup>6</sup> See generally PJM Markets and Reliability Committee (“MRC”) and Special Sessions of the MRC – Gas/Electric Market Timeline alignment, <http://www.pjm.com/committees-and-groups/committees/mrc.aspx>; overview available in “Gas/Electric Market Timeline Alignment” slide presentation by Adrien Ford, PJM Director, Market Evolution, presented to MRC (June 25, 2015), <http://www.pjm.com/~media/committees-groups/committees/mrc/20150625/20150625-item-12-gas-electric-market-timeline-alignment-presentation.ashx>.

moved to 11:00 a.m. Eastern Prevailing Time (“EPT”) or later,<sup>7</sup> with results posted by PJM by 1:30 p.m. EPSA and P3 therefore request that the Commission direct PJM to reevaluate the timelines and clearing window within one year on suggested improvements to the timelines/clearing window. This time period should be sufficient given that PJM has stated they will have new software in place to assist with clearing Day-Ahead offers and bids, and will otherwise have operational experience with the proposed new clearing window. Further, PJM should coincide its report to the Commission with reopening the stakeholder process for further input and review from the stakeholders.

## **I. BACKGROUND**

On March 20, 2014, the Commission took several related actions under the auspices of improving the interaction and efficacy of the wholesale electric and natural gas markets. Addressing issues for the natural gas industry, the Commission issued a Notice of Proposed Rulemaking (“NOPR”) proposing revisions to interstate natural gas pipelines’ Day-Ahead nomination and scheduling practices to better coordinate scheduling of the natural gas and electric industries in light of increased reliance of natural gas for electricity generation. In the Final Rule (Order No. 809) issued on April 16, 2015, interstate natural gas pipelines were directed to revise their Nomination cycles pursuant to the proposal submitted from the North American Energy Standards Board (“NAESB”),<sup>8</sup> including shifting back the Timely Nomination Cycle deadline by an hour and a half so that natural gas-fired generators would have sufficient time to procure

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<sup>7</sup> All times referenced in these comments refer to prevailing Eastern Time.

<sup>8</sup> NAESB’s WGQ Annual Plan Item 11c and Minor, Correction MC1401.

natural gas supply and pipeline transportation capacity to serve their Day-Ahead obligations.

To ensure that the two industries are better aligned and the regional ISO/RTO scheduling practices better correlate with any revisions to the nationwide natural gas scheduling practices pursuant to Order No. 809, the Commission concurrently issued orders initiating investigation pursuant to FPA Section 206 and paper hearings for each of the ISOs/RTOs (“March 20 Order,” “Section 206 Notice”)<sup>9</sup> to make changes to their Day-Ahead market and reliability unit commitment processes which conform to the changes required of the interstate pipelines. As explained in Order No. 809, the ISOs/RTOs were directed to,

- (1) make a filing that proposes tariff changes to adjust the time at which the results of its Day-Ahead energy market and reliability unit commitment process (or equivalent) are posted to a time that is sufficiently in advance of the Timely and Evening Nomination Cycles, respectively, to allow gas-fired generators to procure natural gas supply and pipeline transportation capacity to serve their obligations; or
- (2) show cause why such changes are not necessary.<sup>10</sup>

In compliance with Order No. 809 and the March 20 Order, PJM undertook a stakeholder process to assess its Day-Ahead energy market and reliability unit commitment processes, and has proposed several conforming changes including revising the deadline for submitting bids and offers for the Day-Ahead energy market from 12:00 p.m. to 10:30 a.m., and revising the deadline for posting the results of its Day-Ahead energy market from 4:00 p.m. to 1:30 p.m. This posting revision allows natural gas-fired generators to know their energy market commitments in advance of

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<sup>9</sup> *Order Initiating Investigation Into ISO and RTO Scheduling Practices and Establishing Paper Hearing Procedures*, Docket Nos. EL14-22 et al., 146 FERC ¶ 61,202 (Issued March 20, 2014).

<sup>10</sup> Order No. 809, P 16.

the deadline for the interstate pipelines' Timely Nomination Cycle (2:00 p.m. Eastern). In order to effectuate these changes, PJM has shortened its window for clearing the market (between the submission deadline for bids/offers and publication of the results) from four hours to three hours.

In its filing PJM states,

In consultation with its stakeholders, PJM developed these deadlines to address stakeholder concerns that a sufficient balance exist between: (1) providing gas-fired generators with sufficient time to procure natural gas supply and interstate pipeline transportation capacity to serve their obligations; and (2) ensuring the deadline to submit bids and offers is as late in the day as possible to allow sufficient price discovery in the natural gas market prior to the requirement for gas-fired generators to submit their offers into the PJM Day-Ahead market.

PJM also made changes to its Reliability Unit Commitment process ("RUC"), adjusting the timing of the rebidding period for generators to occur earlier so that based on the Day-Ahead energy market results and commitments, offers may be adjusted shortly after the close of the interstate pipelines' Timely Nomination Cycle deadline, with results posted before the nomination deadline for the pipelines' Evening Nomination Cycle.

PJM had requested an effective date of April 1, 2016, for the revisions proposed in its Order No. 809 Filing, which is the same effective date for the related changes to interstate natural gas pipelines set out in Order No. 809. In order to meet this effective date, PJM has requested an order from FERC accepting the tariff and manual changes by no later than September 21, 2015. However, on August 7, 2015, PJM filed to revise its requested effective date to be March 31, 2016, in order to comply with the Commission's clarification in its July 31, 2015 Order that the new interstate pipeline

nomination deadlines will apply as of March 31, 2016.<sup>11</sup>

## II. COMMENTS

EPSA and P3 member companies participated in and supported the NAESB process which examined the business practices of the natural gas industry, in particular the nomination and scheduling process of interstate natural gas pipelines, which was accepted in large part in the Commission's Order No. 809 on the "Coordination of the Scheduling Process of Interstate Natural Gas Pipelines and Public Utilities." The instant PJM filing represents the other side of that coordination coin, in which the ISOs/RTOs have examined their Day-Ahead Energy Market and RUC offer and commitment schedule to see if conforming changes are necessary to better align with the pipeline schedule, thereby achieving sufficient and important benefits from those nomination and scheduling revisions.

EPSA and P3 largely support PJM's proposed revision to change its timeline Day-Ahead so that results are posted by 1:30 p.m., which allows a short time for PJM generators to make nominations for interstate pipeline capacity by the 2:00 p.m. Timely Nomination Cycle, the critical nomination opportunity to ensure that capacity is available and assigned for the next day's service. This meets the directives in the March 20 Order, which Day-Ahead requires "the ISOs and RTOs [to] implement reciprocal changes, if needed, to their posted Day-Ahead market and reliability unit commitment results to ensure the Day-Ahead and reliability schedules are known prior to the applicable natural gas nomination deadlines."<sup>12</sup>

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<sup>11</sup> *PJM Interconnection, L.L.C.*, Docket No. ER15-2260-001 (filed August 7, 2015).

<sup>12</sup> March 20 Order, p 8.

Further, EPSA and P3 commend PJM for shortening its clearing window for its Day-Ahead Energy Market from four hours to three hours. This improvement is not merely administrative or ministerial, as it is critical to allowing the electric market scheduling process to occur in advance of the interstate pipelines' Timely Nomination period. By shortening the clearing window for its Day-Ahead scheduling process, PJM's proposal takes a step towards balancing the conundrum faced by gas-fired generators in every market: (1) whether to purchase gas and transportation capacity during liquid gas markets and scheduling periods *before* knowing a unit's electricity market commitment, running the risk of holding gas and pipeline capacity that is not necessary if the unit is not dispatched, or seeking gas and pipeline capacity during very illiquid and high-priced times if the unit is unexpectedly dispatched; or, (2) waiting to learn a unit's electricity market commitment before acquiring natural gas and related pipeline capacity, leading to the need to purchase both supply and transportation later in the day when natural gas supply markets are illiquid and pipeline capacity may not be available at all.<sup>13</sup>

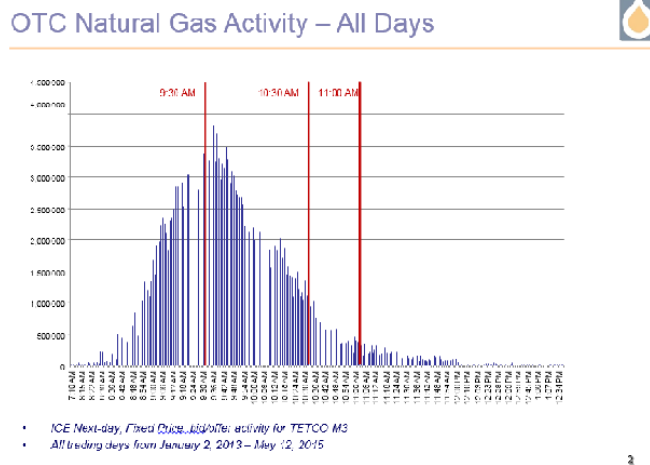
EPSA and P3 believe that even more meaningful timing coordination improvements are possible and should be pursued. Notably, as explained by generators in PJM's stakeholder processes on the Order No. 809 compliance and related gas/electric coordination issues, the ability to price and then purchase natural gas during the time in which that market is the most liquid, and therefore the most transparent and certain as to price, is extremely important for natural gas-fired generation. Natural gas supply and prices are most liquid in the morning, though that

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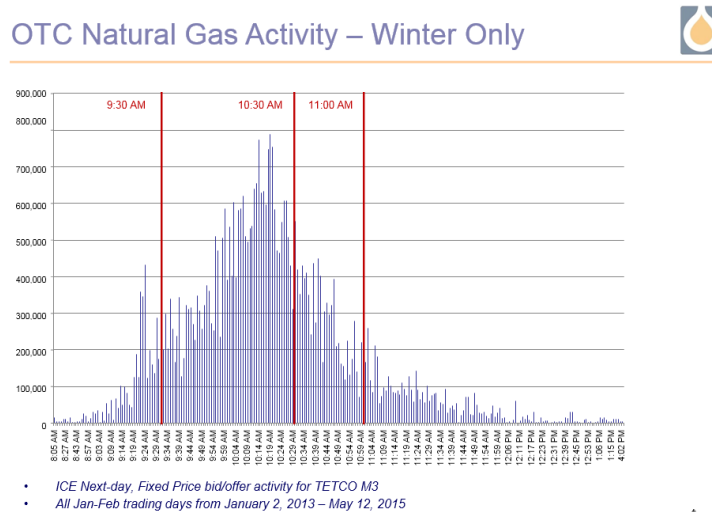
<sup>13</sup> March 20 Order, pp 8-10.

could occur past 10:30 a.m. Eastern. Information presented to PJM during the stakeholder process on the instant proposal demonstrates that looking at ICE natural gas activity, Next-day Fixed Price bid/offer activity is most liquid through 11:00 a.m.,<sup>14</sup> and this is particularly true in Winter when nearly a third of Next-day Fixed Price bid/offer transactions occur after 10:30 a.m.<sup>15</sup> Therefore, PJM natural gas-fired

<sup>14</sup> See chart – Vitol PJM presentation, Slide 2, available at <http://www.pjm.com/~media/committees-groups/committees/mrc/20150528/20150528-item-07-pjm-Day-Ahead-timeline-issue-vitol.ashx> (May 28, 2015).



<sup>15</sup> See chart – Vitol PJM presentation, Slides 4, available at <http://www.pjm.com/~media/committees-groups/committees/mrc/20150528/20150528-item-07-pjm-Day-Ahead-timeline-issue-vitol.ashx> (May 28, 2015).





generators may not have sufficient gas market information when preparing their Day-Ahead offers for submission to PJM by 10:30 and would benefit greatly by an offer/bid deadline that is later than 10:30 a.m. This market access must be balanced, though, with the posting of PJM's Day-Ahead schedule in order to allow nomination strategies and bids to be developed and finalized in time for the pipelines' Timely Nomination (2:00 p.m. Eastern).

The best way to ensure that PJM natural-gas fired generators are well coordinated and working efficiently with the natural gas market and transportation system would be to further shorten the PJM clearing window during which PJM processes the Day-Ahead Energy Market offers and bids and then posts results. A two and half hour window, for instance, could allow for offers/bids to be submitted by 11:00 a.m., while maintaining the 1:30 p.m. posting time, granting access to a more liquid natural gas market in the morning without creating pipeline nomination concerns. In discussions with stakeholders to develop the instant proposal, and in response to extensive requests for either data to support the three hour clearing window proposal or consideration of a shorter window as there is far superior data and technology available to the RTO, PJM staff noted that at this time, there are concerns that a clearing window shorter than 3 hours could not be met at all times. It was acknowledged, however, that after operational experience, shortening that window may be a feasible further improvement.<sup>16</sup> EPSA and P3 urge that PJM dedicate resources to enable a further

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<sup>16</sup> Special Sessions of the PJM Markets and Reliability Committee – Gas/Electric Market Timeline Alignment: May 6, 2015, <http://www.pjm.com/~media/committees-groups/committees/mrc/20150528/20150528-draft-minutes-20150506.ashx>; June 10, 2015, <http://www.pjm.com/~media/committees-groups/committees/mrc/20150723/20150723-item-01-draft-minutes-mrc-20150610.ashx>.

condensed clearing window as a means to better serve the operational needs of natural-gas fired generators.

Based on the importance of that improvement, EPSA and P3 urge the Commission to set a specific time period of one year after which PJM will be required to reevaluate and assess its capabilities to process offers and bids in less than three hours, as needed to allow generators to utilize the natural gas markets during the most liquid and transparent period of the day. This reevaluation should include software enhancements PJM is making with respect to clearing Day-Ahead Market offers and bids and utilize the stakeholder process for complete review.

Additionally, EPSA and P3 must point out the critical role that implementation of hourly Day-Ahead and Real-Time energy reoffer capabilities has in the improvement of PJM's market design, energy price formation and interaction with the natural gas markets. PJM is currently developing market mechanisms and associated tariff revisions to allow market participants to submit Day-Ahead offers that vary by hour and update their offers in Real-time on an hourly basis. PJM has reported to the Commission that it is on a timeline to develop the necessary proposed tariff revisions for submission to the Commission for approval this fall, with a proposed effective date of November 1, 2016.<sup>17</sup> This market improvement is necessary and must not be delayed. Therefore, EPSA and P3 support PJM's proposed timeline and urge the Commission to issue any guidance necessary to ensure that implementation is not delayed.

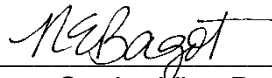
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<sup>17</sup> *PJM Interconnection, LLC*, "Report of PJM Interconnection, LLC," Docket No. EL15-73-000 (submitted July 10, 2015).

### III. CONCLUSION

WHEREFORE, for the foregoing reasons, EPSA and P3 respectfully requests that the Commission consider these comments in developing its Order on the PJM Order No. 809 Compliance Filing.

Respectfully submitted,



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Dated: August 28, 2015

**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., August 28, 2015.



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Nancy Bagot, Senior Vice President