

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

PJM Interconnection, L.L.C.

Docket No. ER15-643-000

**COMMENTS
OF THE PJM POWER PROVIDERS GROUP**

On December 17, 2014, PJM Interconnection, L.L.C. (“PJM”) submitted revisions to Attachment K-Appendix of the PJM Open Access Transmission Tariff (“Tariff”) and the identical provisions of Schedule 1 of the Amended and Restated Operating Agreement of PJM Interconnection, L.L.C. (“Operating Agreement”) to incorporate changes related to how PJM determines the price of reserves it procures in the Real-time Energy Market that exceed its normal real-time reserve requirements, and also how PJM allocates costs of reserves procured in the Day-ahead Energy Market that exceed its normal day-ahead reserve requirements (“PJM Filing”).¹ On December 17, 2014, the Federal Energy Regulatory Commission (the “Commission” or “FERC”) issued a Combined Notice of Filings #1 setting January 7, 2015, as the deadline to intervene or protest the filing. On December 30, 2014, pursuant to Rule 214 of the Rules of Practice and Procedure of the Commission, 18 C.F.R. § 385.214 (2014), the PJM Power Providers Group (“P3”)² submitted a doc-less motion to intervene.

¹ *PJM Interconnection, L.L.C.*, Docket No. ER15-643-000, December 17, 2014.

² P3 is a nonprofit corporation dedicated to promoting policies that will allow the PJM region to fulfill the promise of its competitive wholesale electricity markets. P3 strongly believes that properly designed and well-functioning competitive markets are the most effective means of ensuring a reliable supply of power to the PJM region, facilitating investments in alternative energy and demand response technology, and promoting prices that will allow consumers to enjoy the benefits of competitive electricity markets. Combined, P3 members own over 87,000 megawatts of generation assets, own over 51,000 miles of transmission lines, serve nearly 12.2 million customers

P3 respectfully submits comments³ in support of the PJM Filing as an important step to ensure that actions taken to maintain reliability are included in market clearing prices as further explained below.

I. COMMENTS

PJM proposes changes, which were unanimously supported by the PJM membership, to the method by which the cost of operating reserves are calculated and allocated. PJM's changes will reduce uplift, decrease price suppression and allow for reserves to be priced consistent with market conditions. Therefore, P3 supports PJM's efforts in this filing as an important step to ensure that operator actions taken to ensure reliability are included in market clearing prices.

As PJM described, there are occasions when PJM operators need to acquire reserves beyond the normal day-ahead or real-time reserve requirements. The need to procure these additional reserves is motivated by uncertainty in load forecasts or uncertainty in generator or demand response availability during periods of system stress. P3 does not challenge the operator's decisions to commit these additional resources in order to preserve reliability.

In circumstances where reliability of the system is at stake, i.e., during Hot/Cold Weather Alerts and other emergency situations, it is appropriate to change reserve requirements to reflect the additional procurement rather than compensate the additional procurement through out of market uplift payments.⁴ PJM's approach, to incorporate previously out-of-market commitments into the market is consistent with sound market design principles. Under current rules, reserves

and employ over 55,000 people in the PJM region – encompassing 13 states and the District of Columbia. For more information on P3, visit www.p3powergroup.com

³ 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.

⁴ The Commission has consistently favored policies that reduce out of market uplift payments. PJM Interconnection, L.L.C., 139 FERC ¶ 61,057, at PP 63-64; reh'g denied, 141 FERC ¶ 61,096 (2012).

acquired beyond the base reserve requirements are treated as an idle capability funded outside of the market through uplift. Under the PJM proposal, these needed reserves will be recognized in the LMP calculation and reflect value that they are providing to the grid. Incorporating the impacts of operator actions into the LMP calculation is integral to price formation that will signal investment and retirement decisions and resource performance. As Chairman LaFleur stated, “markets have to be structured and operated to send the proper price signals to reflect actual market contingencies so people can make the right investments.”⁵ PJM’s proposal to allocate costs to load where operators must procure additional reserves when load deviates from its schedule is consistent with cost causation principles, and should encourage load to improve the accuracy of their bids in the day-ahead market, supporting reliable operations.⁶

The PJM proposal is the product of an extensive stakeholder process that ultimately produced a solution that was supported by the entire PJM membership. The broad support for the proposal is an indication of the importance of getting reserve pricing correct and, perhaps more importantly, recognition of the need to procure additional reserves during times of system stress. While PJM’s proposal is an improvement over existing tariff provisions, P3 supports the continued efforts by both PJM and the Commission to ensure proper price formation and to reduce uplift.

P3 would urge the Commission to approve PJM’s request and supports a favorable decision on the proposal by the requested date of February 16, 2015.

⁵ Transcript of September 8, 2014 Technical Conference on Price Formation in Energy and Ancillary Services Markets Operated by Regional Transmission Organizations and Independent System Operators at 6, available at <http://www.ferc.gov/CalendarFiles/20141002102359-0908price%20conference%20transcript.pdf>.

⁶ Ideally, P3 believes that an accurate and efficiently formed price should provide the necessary incentive for load to accurately bid into the Day-ahead market

II. CONCLUSION

For the foregoing reasons, P3 respectfully requests that the Commission accept the PJM Filing.

Respectfully submitted,

On behalf of the PJM Power Providers Group

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Dated: January 7, 2015

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 7th day of January, 2015.

On behalf of the PJM Power Providers Group

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