

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

Calpine Energy Services, L.P.

)

Docket No. ER15-376

**COMMENTS
OF THE PJM POWER PROVIDERS GROUP**

On November 12, 2014, Calpine Energy Services, L.P., (“Calpine”) filed a request for a one-time, limited waiver of Section 1.10.2(d) of Attachment K – Appendix to, and any other applicable provisions of, the Open Access Transmission Tariff (the “Tariff”) of PJM Interconnection, L.L.C. (“PJM”) in order to allow Calpine to be reimbursed for fuel losses that were incurred by Calpine as a result of PJM’s designation of two generation facilities owned and operated by Calpine’s affiliates as needed for Conservative Operations, and PJM’s subsequent decision not to dispatch those units (“Calpine Waiver Request”).¹ On November 12, 2014, the Federal Energy Regulatory Commission (the “Commission” or “FERC”) issued a Combined Notice of Filings #1 setting December 3, 2014, as the deadline to intervene or protest the filing. On November 13, 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

¹ *Calpine Energy Services, L.P.* Docket No. ER15-376-000, November 12, 2014 (“Calpine Waiver Request”)

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

doc-less motion to intervene. On November 17, 2014, the Independent Market Monitor for PJM submitted a motion for extension of time for submission of comments, protests and interventions, and on November 21, 2014, the Commission granted the motion setting the submission date as December 17, 2014.

P3 respectfully submits comments³ noting, as further explained below, as a matter of principle, market participants should not suffer economic consequences as a result of following RTO instructions.

I. COMMENTS

In its request for a limited waiver, Calpine relates a compelling series of events.⁴ Calpine avers that it acted in good faith and procured natural gas in a manner that would allow it to meet the dispatch instructions of PJM. After Calpine's units⁵ were not awarded day ahead commitments, PJM confirmed to Calpine at 4:20 PM on Sunday January 26, 2014, that their units should be ready to begin running at 4:00 AM on Monday, January 27th. Relying on these instructions, Calpine purchased the gas necessary to have those units available and then was subsequently told at 11:35 PM on January 26th by PJM that their units would not be needed.

customers 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 For purposes of this filing, P3 will not repeat the entire factual scenario, but rather highlight the most salient facts. P3 assumes the facts presented by Calpine to be true and bases its comments on that assumption. P3 makes no representations as to the accuracy of the facts presented by Calpine.

⁵ The Calpine units referred to in this section are the Hay Road Energy Center in Wilmington, DE and the Bethlehem Energy Center in Bethlehem, PA.

Despite its best efforts to mitigate the costs associated with procuring the gas it needed for units that were never dispatched, Calpine suffered a loss of over \$3 million.⁶

When a generator relies on a clear communication from its RTO/ISO and takes actions relying on such an instruction⁷, particularly in a moment when the grid is under stress and the prospects of reliably are uncertain, a generator should not be economically punished for “doing the right thing.” In this case, according to the facts asserted, Calpine was performing as directed by PJM and incurred substantial financial harm as a result. In situations such as this, a generator should be compensated for its losses.

Failure to compensate market participants who incur economic losses as a result of following the direction of the RTO – particularly when that direction is related to grid security – would lead to an untenable market construct in which market participants would be forced to question or perhaps ignore the RTO.⁸ Risk of a substantial economic loss should not be a consideration when a generator is being told that a unit is required in order to keep lights on and homes warm. While the facts in this case speak to a broader need to improve coordination between the gas and electricity markets; nonetheless, as a general market principle, the Commission should stand firm and ensure that market participants should not be harmed by following instructions issued by the RTO.

As this market principle related to the facts of this matter as presented in the Calpine Waiver Request, Calpine followed the directions of PJM to its economic detriment and should be

⁶ Calpine Waiver Request at p. 10.

⁷ It is important to note that Calpine indicates that their analysis concluded that the Hays Road and Bethlehem units were not going to be needed (because, among other things, the units did not clear the day ahead market) and that but for the PJM instruction, they would have not procured the gas necessary to run these units. Calpine Waiver at p. 14.

⁸ Indeed, Calpine requests in the alternative that if the Commission denies its limited waiver request that generators be given flexibility in future circumstance such as these. Ideally, the Commission would grant the limited waiver request and not pursue the alternative relief which could adversely impact reliability.

compensated. Calpine requests that the Commission grant any and all waivers of the PJM Tariff, including waiver of Section 1.10.2(d) of Attachment K – Appendix, that are necessary in order to permit Calpine to recover the gas costs it incurred as a result of PJM’s instruction to dispatch the Hay Road/Bethlehem Units and PJM’s later cancellation of such dispatch instructions. In light of the factual circumstance in this matter and Calpine’s good faith efforts to support PJM’s effort to ensure reliability during times of stress, P3 supports this request and urges the Commission to do the same.

II. CONCLUSION

For the foregoing reasons, P3 respectfully requests that the Commission compensate Calpine for its economic losses that resulted from following the instructions of PJM.

Respectfully submitted,

On behalf of the PJM Power Providers Group

By: /s/ Glen Thomas

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Dated: December 17, 2014

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 17th day of December, 2014.

On behalf of the PJM Power Providers Group

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