**UNITED STATES OF AMERICA**

**BEFORE THE**

**FEDERAL ENERGY REGULATORY COMMISSION**

PJM Interconnection, L.L.C. : ER15-1470-000

**COMMENTS**

**SUBMITTED ON BEHALF OF**

**THE PUBLIC UTILITIES COMMISSION OF OHIO**

The Public Utilities Commission of Ohio (PUCO) submits the following com­ments in response to PJM Interconnection, L.L.C.’s (PJM)’s request for an expedited grant of a one-time waiver to delay its upcoming Base Residual Auction (BRA). The Federal Energy Regulatory Commission (Commission) issued a Notice requesting com­ments on PJM’s request by April 14, 2015. The PUCO intervened in this matter on April 9, 2015.

# I. Introduction

The PUCO urges the Commission to approve PJM’s waiver request. Granting a one-time waiver to delay the 2015 BRA creates the opportunity for enhanced generation performance standards to still be implemented in time for the 2018/2019 Delivery Year. In balancing the impact of a slight delay of the BRA with the potential reliability benefits of having essential tariff revisions in place for the 2018/2019 Delivery Year, a minimal delay is prudent. Further, by granting PJM’s waiver request, the Commission mitigates market uncertainty by allowing market participants to know what the performance requirements are in order to value risk accordingly.

# II. Background

On December 12, 2014, PJM filed proposed improvements to its Reliability Pric­ing Model (RPM) to correct market design flaws that were not providing sufficient incen­tives for generation unit performance.[[1]](#footnote-1) These reforms, referred to as Capacity Perfor­mance, were designed to enhance fuel security and generator performance.

On January 20, 2015, the PUCO submitted comments and a limited protest in response to PJM’s Capacity Performance proposal. The PUCO’s comments expressed support for Capacity Performance, noting that RPM was not ensuring adequate generator performance. The PUCO noted that PJM’s proposed Capacity Performance product is a reasonable approach to improve reliability and suggested a few important modifications to the proposal.[[2]](#footnote-2)

On March 31, 2015, the Commission staff issued a deficiency letter requesting additional information on PJM’s Capacity Performance proposal.[[3]](#footnote-3) The deficiency letter established a 30-day deadline for PJM to respond. After PJM formally responds to the deficiency letter, the Commission has 60 days to act on PJM’s response.[[4]](#footnote-4) This deadline falls after this year’s BRA, which is scheduled for May 11-15, 2015 in accordance with PJM’s tariff provisions.

In its request, PJM states that a waiver is necessary to resolve market uncertainty over whether Capacity Performance reforms, if approved, could apply to the 2015 BRA. Consequently, PJM proposes delaying the BRA to a week that is 30 to 75 days after a Commission order on the merits of PJM’s Capacity Performance proposal, but no later than the week of August 10-14, 2015. PJM adds that if the Commission does not take action on the waiver request by April 24, 2015, its request should be deemed withdrawn~~,~~ and the BRA will be run in accordance with PJM’s current tariff provisions.

# III. Comments

The Commission should grant PJM’s one-time waiver request. The PUCO under­stands that BRA market participants rely upon PJM’s tariffs for certainty and clarity, including the 36-month period between the BRA and the start of the delivery year. How­ever, a minimal delay in PJM’s 2015 BRA will provide an opportunity for Capacity Per­formance reliability initiatives, if approved, to be in place by the 2018/2019 delivery year. Further, a minimal delay to allow for a Commission order on Capacity Perfor­mance would mitigate uncertainty within PJM’s markets, regardless of whether the pro­posal is ultimately approved or denied.

## A. The Commission should grant PJM’s waiver in order to create the opportunity for improved resource reliability standards to be implemented for the 2018/2019 delivery year.

PJM’s Capacity Performance proposal will improve system reliability by ensuring generation performance, particularly during periods of system stress and extreme weather events. If the Commission finds that PJM’s Capacity Performance proposal solves some of the RPM deficiencies, it is imperative that these higher performance standards be implemented for the 2018/2019 delivery year. Absent Commission approval of PJM’s waiver request, fundamental design flaws within RPM will continue to permeate, as more stringent generation performance standards could not be implemented until the 2019/2020 delivery year.

A delay in reliability reforms, coupled with uncertainties related to environmental regulations and the status of demand response, creates a precarious situation that may cause harm to PJM’s markets, market participants, and end-use electricity consumers who depend on competitive markets to provide reliable and reasonably priced electricity. The PUCO urges the Commission to grant PJM’s waiver request.

## B. Delaying the RPM auction until a definitive Commission order is issued benefits competitive markets by providing certainty and transparency to market participants.

If the Commission were to deny PJM’s waiver request (or not take action on it), then the BRA will be run without the possibility of Capacity Performance being included in the tariffs. RPM results may not provide transparent price signals that are necessary to improve generation unit performance and reliability during periods of peak demand and system stress. Incumbent generation units may contemplate whether or not it is neces­sary to improve or update their facilities, while potential new entrants to the market face unknown risks in developing new facilities. Regardless of how the Commission ulti­mately decides on Capacity Performance, delaying the auction until a definitive order is issued allows for market participants to know, with confidence for the 2015 BRA, what the performance requirements are in order to value risk accordingly.

# IV. Conclusion

The PUCO respectfully requests that the Commission grant PJM’s one-time waiv­er to delay the 2015 BRA. A brief delay in conducting 2015 BRA is warranted in order to improve fuel security and generator performance for the 2018/2019 delivery year. PJM’s just and reasonable waiver request satisfies the Commission’s waiver criteria and should be granted.

Respectfully submitted,

/s/ Jonathan J. Tauber

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**Counsel for the Public Utilities Commission of Ohio**

# V. Certificate of Service

I hereby certify that the foregoing has been served in accordance with 18 C.F.R. Section 385.2010 upon each person designated on the official service list compiled by the Secretary in this proceeding.

/s/ Thomas W. McNamee

**Thomas W. McNamee**

Dated at Columbus, Ohio this April 10, 2015.

1. *PJM Interconnection, L.L.C.*, Reforms to the Reliability Pricing and Related Rules in the PJM Open Access Transmission Tariff and Reliability Assurance Agreement Among Load Serving Entities, Docket No. ER15-623-000 (Dec. 12, 2014). [↑](#footnote-ref-1)
2. Comments and Limited Protest Submitted on Behalf of the Public Utilities Commission of Ohio, Docket No. ER15-623-000 (Jan. 20, 2015). [↑](#footnote-ref-2)
3. PJM Interconnection, L.L.C., Docket No. ER15-623-000 (Letter Order) (Mar. 31, 2015) (“March 31 Deficiency Letter”). [↑](#footnote-ref-3)
4. FPA section 205(d), 16 U.S.C. § 824d (d). [↑](#footnote-ref-4)