

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

PJM Interconnection, L.L.C.)	Dockets Nos. ER15-623-000, -004,
)	EL15-29-000, -003
)	
)	

**JOINT STATEMENT OF
PJM INTERCONNECTION, L.L.C.
AND THE
INDEPENDENT MARKET MONITOR FOR PJM**

PJM Interconnection, L.L.C. and Monitoring Analytics, LLC, acting in its capacity as the Independent Market Monitor for PJM¹ (“Market Monitor”), jointly submit this statement in order to propose an agreed upon solution to a key issue raised by PJM’s informational filing in this proceeding, submitted December 22, 2015,² and the Market Monitor’s answer to such filing submitted January 13, 2016 (“IMM Answer”). PJM and the Market Monitor here jointly propose an approach to balance the need to ensure that operating parameters not be used to excuse nonperformance with the need to maintain operational control of the system during Performance Assessment Hours and request that it be approved.

¹ Capitalized terms used herein and not otherwise defined have the meaning used in the PJM Open Access Transmission Tariff (“Tariff”) or the Amended and Restated Operating Agreement of PJM Interconnection, L.L.C. (“Operating Agreement”).

² *PJM Interconnection, L.L.C.*, Informational Filing and Alternative Request for Action concerning PJM’s Capacity Performance Proposal, Dockets Nos. ER15-623-000, et al., and EL29-000, et al., (Dec. 22, 2015) (“December 22nd Informational Filing”).

I. JOINT STATEMENT

In PJM's compliance filing submitted on July 9, 2015, PJM clarified that operating parameters would not excuse non-performance, to comply with the Commission's direction in the order on the Capacity Performance tariff revisions ("CP Order").³

In its December 22nd Informational Filing, PJM noted a number of questions raised in PJM's stakeholder process regarding the implementation of the CP Order, particularly as they relate to the impact of operating parameters on Non-Performance Charges. On January 13, 2016, the Market Monitor recommended that in the event that the Commission determines there is a need to address the issues raised by PJM, the Commission do so by adopting PJM's original proposal along with the Market Monitor's January 20, 2015 proposed changes.⁴

PJM and the Market Monitor support the use of original equipment manufacturer ("OEM") specified physical parameters for technology for the vintage when a specific unit was constructed to determine eligibility for uplift payments and Non-Performance Charges.

The CP Order changed PJM's proposal (at PP 171, 173) to exclude "any operating parameter limitations" as an excuse for non-performance. The CP Order explained (at P 171) that this clarification was needed so that less flexible resources did not have a disproportionate ability to avoid Non-Performance Charges compared to more flexible resources, even if both were operating at the pre-defined parameter limits. The CP Order

³ See *PJM Interconnection, L.L.C.*, 151 FERC ¶ 61,208 at PP 170–171 (2015).

⁴ See Market Monitor Answer at 9, referring to Comments of the Independent Market Monitor for PJM (January 20, 2015) at 27–29. As relevant here, the Market Monitor recommended resources be subject to OEM operating parameters rather than parameter limits based on the historical operation of resources.

pointed to PJM's statements in the transmittal letter about exposing the parameter limits to financial and market consequences:⁵

[N]ot scheduling a resource, or dispatching it down, due to parameter limitations specified by the seller in its energy market offer are attributable to choices made by the seller, rather than actions dictated by PJM. Even physically based resource parameter limits reflect choices controlled by the seller as to the nature of the resource that it is offering to the PJM Region as capacity. Parameter limits should not be viewed as a permanent entitlement to underperform. Instead, those limits should be exposed to financial and market consequences: if sellers of resources with fewer operating limits earn more from the capacity market (after taking Non-Performance Charge and Performance credits into account) than sellers of resources with more restrictive operating limits, then all sellers will be incented to find ways to minimize those operating limits, which should over time increase overall fleet performance and benefit loads in the region.

If resources were held only to parameter limits based on the physical characteristics of resources, resources that are less flexible as a result of economic decisions about maintenance and investment could avoid Non-Performance Charges more readily than resources that are more flexible as a result of economic decisions. Such less flexible parameters would not be exposed to financial and market consequences.

The CP Order stated that the way to ensure that a resource's parameters are exposed to market consequences is to not allow any parameter limitations as an excuse for non-performance.

As PJM pointed out in its December 22nd Informational Filing, a potential consequence of such a rule is that during tight conditions, some generation resources may self-schedule at maximum output in anticipation of a Performance Assessment Hour in the

⁵ CP Order at P 171, citing PJM transmittal letter at 46 (Docket No. ER15-623-000).

energy market and not follow PJM dispatch instructions.⁶ If the Commission determines that there is a need to address the issues raised by PJM, PJM and the Market Monitor request that the Commission consider this proposal to do so.

In order to balance the need for reliable performance of generators, using capacity nonperformance charges and bonus payments, with the need for following economic dispatch during tight conditions as directed by PJM, PJM and the Market Monitor propose that the Commission adopt PJM's original proposal concerning parameter limits, with the Market Monitor's January 20, 2015, suggested change to use OEM data rather than historical data on parameter limits, as well as to define parameter limits for ramp rate and boiler temperature retention times.⁷ Under that proposal, resources would not be assessed non-performance charges as long as the operating parameters complied with the pre-defined limits and as long as resources followed dispatch consistent with those operating parameters.⁸

The proposed requirement is that all operating parameters specified in the energy market offers be limited under the Parameter Limited Schedules using limits that are based on technology specific OEM parameters reflecting the vintage of the specific unit. This ensures that as long as resources follow dispatch as determined based on these unit specific parameters, they would be excused from Non-Performance Charges during Performance Assessment Hours and would be made whole in the energy market. If resources offer parameters that are less flexible than the unit specific parameters, they would be ineligible

⁶ See PJM Informational Filing at 8.

⁷ PJM Interconnection, L.L.C., Comments of the Independent Market Monitor for PJM, Docket Nos. ER15-623-000 and EL15-29-000, at 27-29 (Jan. 20, 2015).

⁸ PJM Interconnection, L.L.C., Reforms to the Reliability Pricing Market ("RPM") and Related Rules in the Tariff and Reliability Assurance Agreement Among Load Serving Entities ("RAA"), Docket No. ER15-623-000, filed December 12, 2014 ("Capacity Performance Filing"), proposed Tariff, Attachment DD, section 10A(d).

for uplift and if the energy provided during performance assessment hours is less than the expected performance based on the unit specific parameters, they would be subject to Non-Performance Charges.

PJM and the Market Monitor will analyze the performance and nonperformance of generators under the Capacity Performance rules and the associated reasons. Based on this analysis PJM and the Market Monitor may recommend a different approach in the future.

II. CONCLUSION

PJM and the Market Monitor respectfully request that the Commission afford due consideration to this pleading as the Commission resolves the issues raised in this proceeding.

Respectfully submitted,



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Dated: February 11, 2016

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 Eagleville, Pennsylvania, this 11th day of February, 2016.



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