



PJM Utilities state:

Most market participants, including the Coalition members, have expressed significant concerns related to the assessment of non-performance charges.<sup>4</sup>

PJM Utilities' concerns are not a reason to approve the ramp rate excuses proposal. Suppliers that own better performing units, including Calpine, Rockland Capital and LS Power, oppose the ramp rate excuses proposal.

The Commission has already resolved this issue in favor of better performing units in the CP Order.<sup>5</sup> The point of CP is to reward better performance and disincent poor performance.

The Commission should stand by its finding in the CP Order and reject the ramp rate excuses proposal.<sup>6</sup>

**B. PJM's Response Demonstrates the Need to Redefine the Trigger for PAH.**

PJM states:

PJM agrees with the comments that when the PJM system reaches an Emergency Action where resources are expected to be operating at or close to their maximum there should not be a problem.[Footnote omitted] That is, if resources were self-dispatching at that point in time, PJM likely would not need to dispatch those resources down. But, in many instances, PJM initiates its Emergency Actions in a step-by-step, deliberate manner—some times as many as six days in advance—and does not need all generation to go to maximum output instantaneously.<sup>7</sup>

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<sup>4</sup> PJM Utilities at 1-2.

<sup>5</sup> See Protest of Calpine Corporation and Rockland Capital, LLC, and Protest of LS Power Associates, L.P. , Docket No. ER16-1336 (April 22, 2016).

<sup>6</sup> CP Order at P 441.

<sup>7</sup> PJM at 3-4.

PJM's answer demonstrates that the problem with excessive self-scheduling at maximum output is not related to operating parameters.

Excessive self-scheduling and the operational problems associated with it result because resources may self-schedule at their maximum output when they are actually not needed. Resources would self-schedule in PJM's example because a Performance Assessment Hour would be triggered much earlier than necessary when it does not reflect an actual capacity shortage condition. The market signal to incent resources to supply energy and reserves at the level of their Capacity Performance obligation (defined as UCAP times Balancing Ratio) should occur when the market is close to or in a capacity shortage condition. The trigger for a Performance Assessment Hour should be based on an analytical metric of the available measured reserves rather than subjective metrics that may bear little or no relationship to actual shortage conditions.

PJM also describes a scenario using the operations on January 7, 2014:

To expand on this, at 2:51AM on January 7, 2014 when the Voltage Reduction Warning was issued, the PJM load was 120,381MWs. The peak did not occur until four and a half hours later and was 138,733MWs. During that four and a half time period, PJM dispatchers were highly focused on scheduling resources to come online when needed and to then follow the PJM basepoints being sent every 5 minutes. If during this time period resources do not follow the basepoints and instead ramped to full load to avoid a potential Non-Performance Charge,[footnote deleted] there are several highly detrimental things that would have occurred.<sup>8</sup>

This scenario is based on a false premise about the reason for triggering emergency procedures in the first place. PJM triggered a Voltage Reduction Warning on January 7, 2014, because the reserves estimated by PJM to be available for the evening peak on January 6 did not respond when called. Units had high forced outage rates. PJM triggered a Voltage Reduction Warning the next day because of the high forced outage rates.

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<sup>8</sup> PJM at 5.

The high forced outage rates were a result of the flawed design that was replaced by the CP design. In January 2014, capacity resources did not have an incentive to be available. It was this behavior that was a key reason for introducing the Capacity Performance design. Under the CP construct, capacity resources have the incentive to be available when needed.

If the January 7 scenario had occurred under the CP construct, PJM would have had enough resources to meet the peak load and there would not have been a Voltage Reduction Warning. There would not have been a scramble to self-schedule at maximum output because there would not have been an emergency.

PJM should not accede to the requests of some stakeholders to weaken CP performance incentives based on empty claims about self-scheduling. PJM should not ignore other competitive generation suppliers that continue to support strong CP incentives.

The effect of implementing the ramp proposal would be to discriminate against flexible and fast start resources and to hold them to a higher standard of performance while excusing inflexible generation. Under the proposed ramp rate proposal, inflexible generation will never receive the appropriate incentive to improve performance. The point of CP incentives is to pay more for capacity in return for capacity resources taking the steps necessary to respond when needed. Giving special weight to existing ramp rates that resulted from years of weak incentives is exactly the wrong approach.

The ramp rate excuses proposal should not be approved.

## **II. MOTION FOR LEAVE TO ANSWER**

The Commission's Rules of Practice and Procedure, 18 CFR § 385.213(a)(2), do not permit answers to answers or protests unless otherwise ordered by the decisional authority. The Commission has made exceptions, however, where an answer clarifies the issues or

assists in creating a complete record.<sup>9</sup> In this answer, the Market Monitor provides the Commission with information useful to the Commission’s decision-making process and which provides a more complete record. Accordingly, the Market Monitor respectfully requests that this answer be permitted.

### III. CONCLUSION

The Market Monitor respectfully requests that the Commission afford due consideration to this answer as the Commission resolves the issues raised in this proceeding.

Respectfully submitted,



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<sup>9</sup> See, e.g., *PJM Interconnection, L.L.C.*, 119 FERC ¶61,318 at P 36 (2007) (accepted answer to answer that “provided information that assisted ... decision-making process”); *California Independent System Operator Corporation*, 110 FERC ¶ 61,007 (2005) (answer to answer permitted to assist Commission in decision-making process); *New Power Company v. PJM Interconnection, L.L.C.*, 98 FERC ¶ 61,208 (2002) (answer accepted to provide new factual and legal material to assist the Commission in decision-making process); *N.Y. Independent System Operator, Inc.*, 121 FERC ¶61,112 at P 4 (2007) (answer to protest accepted because it provided information that assisted the Commission in its decision-making process).

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Dated: May 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 11<sup>th</sup> day of May, 2016.



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