

172 FERC ¶ 61,055
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Neil Chatterjee, Chairman;
Richard Glick, Bernard L. McNamee,
and James P. Danly.

PJM Interconnection, L.L.C.

Docket No. ER20-1414-000

ORDER ACCEPTING TARIFF REVISIONS

(Issued July 16, 2020)

1. On March 27, 2020, PJM Interconnection, L.L.C. (PJM) filed, pursuant to section 205 of the Federal Power Act (FPA)¹ and Part 35 of the Commission's regulations,² proposed revisions to the PJM Open Access Transmission Tariff and the Amended and Restated Operating Agreement (collectively Tariff).³ PJM states that these proposed revisions will provide PJM Market Sellers with the ability to submit hourly differentiated segmented ramp rates for resources in both the PJM Day-Ahead and Real-Time Energy Markets, and to update those values intraday. In this order, we accept PJM's proposed Tariff revisions, effective January 5, 2021, as requested.

I. Background and PJM's Filing

2. PJM explains that, in 2017, its stakeholders convened a task force to explore how PJM's resource modeling could better represent generation resources' operating characteristics.⁴ PJM further explains that, while many of the initiatives developed by this task force depend on the completion of PJM's long-term Net Generation Markets

¹ 16 U.S.C. § 824d (2018).

² 18 C.F.R. pt. 35 (2019).

³ PJM Interconnection, L.L.C., Intra-PJM Tariffs, OATT, Attachment K Appendix, (36.0.0) § 1.10.9B; PJM Interconnection, L.L.C., Intra-PJM Tariffs, Operating Agreement, Schedule 1 (36.0.0) § 1.10.9B.

⁴ PJM Transmittal at 1.

initiative, the task force determined that the instant proposal could be implemented earlier.⁵

3. PJM proposes to add “ramp rates” to the list of offer parameters in section 1.10.9B of Tariff Attachment K-Appendix and the identical Operating Agreement provision that Market Sellers may vary for each hour during the Operating Day.⁶ PJM also proposes to remove “ramp rates” from the list of parameters that may not differ between Real-Time and Day-Ahead offers. However, under the proposal, while Market Sellers may vary their ramp rates, they may not change the “MW amount specified in the ramp rate” in their Real-Time offers.⁷

4. PJM argues that the proposed revisions provide Market Sellers more flexibility by permitting them to reflect the actual costs and capabilities of ramping their resources in their offers.⁸ PJM asserts that hourly differentiated ramp rates provide increased granularity in Market Seller offers, which will enhance price formation. PJM also represents that these proposed revisions provide it with the ability to more accurately dispatch resources and calculate reserves.

5. PJM argues that its proposal is consistent with the Commission’s price formation policies,⁹ as well as the Commission’s determinations in the PJM Hourly Offers order.¹⁰

⁵ *Id.* at 2-3.

⁶ PJM Interconnection, L.L.C., Intra-PJM Tariffs, OATT, Attachment K Appendix, (36.0.0) § 1.10.9B; PJM Interconnection, L.L.C., Intra-PJM Tariffs, Operating Agreement, Schedule 1 (36.0.0) § 1.10.9B; PJM Transmittal at 5.

⁷ PJM Interconnection, L.L.C., Intra-PJM Tariffs, OATT, Attachment K Appendix, (36.0.0) § 1.10.9B; PJM Interconnection, L.L.C., Intra-PJM Tariffs, Operating Agreement, Schedule 1 (36.0.0) § 1.10.9B; PJM Transmittal at 5-6.

⁸ PJM Transmittal at 4-5.

⁹ *Id.* at 3-4 (citing *Elec. Storage Participation in Mkts. Operated by Reg’l Transmission Organs. & Indep. Sys. Operators*, Order No. 841, 162 FERC ¶ 61,127, at PP 191, 193 (2018), *order on reh’g*, 167 FERC ¶ 61,154 (2019); *Midwest Indep. Trans. Sys. Operator, Inc.*, 119 FERC ¶ 61,311, at P 79 (2007) (order on the Midcontinent Independent System Operator, Inc.’s ancillary services market for operating reserve, emphasizing that there are operational and market efficiency benefits when resources can reflect their true capabilities, as this ensures maximum participation from resources)).

¹⁰ PJM Transmittal at 3 (citing *Duke Energy Corp. v. PJM Interconnection, L.L.C.*, 151 FERC ¶ 61,206 (2015)).

PJM states that, in the PJM Hourly Offers order, the Commission instituted a proceeding under section 206 of the FPA into PJM's intraday hourly offer rules. PJM further states that the Commission found that permitting flexibility for resources to develop offers could allow resources to better reflect their actual costs and capabilities, which would improve price formation and real-time dispatch.

6. PJM states the proposed revisions in this filing received significant stakeholder support. PJM requests a January 5, 2021 effective date. PJM also requests waiver of the Commission's 120-day advance notice requirements¹¹ so that it has sufficient time to build and test the software necessary to implement these proposed revisions.¹²

II. Notice of Filing and Responsive Pleadings

7. Notice of PJM's filing was published in the *Federal Register*, 85 Fed. Reg. 18,571 (April 2, 2020), with interventions and protests due on or before April 17, 2020. Timely motions to intervene were filed by Monitoring Analytics, LLC, acting in its capacity as the Independent Market Monitor for PJM (Market Monitor), the Delaware Division of the Public Advocate, Exelon Corporation, Calpine Corporation, Dominion Energy Services, Inc., NRG Power Marketing LLC, American Municipal Power, Inc., and American Electric Power Service Corporation. On April 20, 2020, the Market Monitor filed comments. On July 8, 2020, Public Service Electric and Gas Company, PSEG Power LLC, and PSEG Energy Resources & Trade LLC (collectively, the PSEG Companies) jointly filed an out-of-time motion to intervene.

8. The Market Monitor generally supports PJM's proposed revisions, stating that the proposal will allow PJM to dispatch generating units based on more accurate information, which will improve market efficiency, pricing, and reliability.¹³ However, the Market Monitor cautions that improvements to market efficiency depend on Market Sellers submitting updated ramp rates that are based on their units' actual physical capabilities.¹⁴ According to the Market Monitor, there are no explicit rules requiring Market Sellers to do so. The Market Monitor states that PJM's proposal creates the opportunity, but not the obligation, to submit accurate ramp rates. The Market Monitor requests that the Commission require PJM to add protections to its Market Rules to ensure that generators provide achievable and accurate ramp rates based on their units' actual physical capability. The Market Monitor claims that such a requirement would prevent generators

¹¹ 18 C.F.R. § 35.3(a)(1) (2019).

¹² PJM Transmittal at 6.

¹³ Market Monitor Comments at 1-2.

¹⁴ *Id.* at 2.

from using ramp rates to misrepresent capacity in order to exercise market power. The Market Monitor also argues that this requirement would ensure that the intended market efficiency benefits are realized because it would decrease PJM's reliance on out-of-market adjustments.

III. Discussion

A. Procedural Matters

9. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2019), the timely, unopposed motions to intervene serve to make the entities that filed them parties to this proceeding.

10. Pursuant to Rule 214(d) of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214(d), we grant the PSEG Companies' late-filed motion to intervene given their interest in the proceeding, the early stage of the proceeding, and the absence of undue prejudice or delay.

B. Substantive Matters

11. As discussed below, we accept PJM's proposed Tariff revisions to allow Market Sellers to submit hourly differentiated segmented ramp rates for resources in both the PJM Day-Ahead Market and the Real-Time Energy Market, and to update those values intraday, effective January 5, 2021, as requested.¹⁵ We find PJM's proposed Tariff revisions to be just and reasonable, and not unjust, unreasonable, unduly discriminatory or preferential, or otherwise unlawful.

12. We agree with PJM that its proposed Tariff revisions provide greater flexibility for resources to reflect their actual costs and capabilities, which will support better price formation and efficient real-time dispatch, consistent with the findings in the Hourly Offers proceeding.¹⁶ In the Hourly Offers proceeding, the Commission determined that

¹⁵ We grant PJM's request for waiver of the Commission's advance notice requirement, 18 C.F.R. § 35.3(a), to permit the proposed tariff revisions to be considered more than 120 days in advance of the requested effective date.

¹⁶ See *PJM Interconnection, L.L.C.*, 155 FERC ¶ 61,282, at P 32 (2016); see also *Duke Energy Corp. v. PJM Interconnection, L.L.C.*, 151 FERC ¶ 61,206 at P 71 (citing *Price Formation in Energy & Ancillary Servs. Mkts. Operated by Reg'l Transmission Organs. & Indep. Sys. Operators*, Notice of Proceeding, Docket No. AD14-14-000 (June 19, 2014); *Price Formation in Energy & Ancillary Servs. Mkts. Operated by Reg'l Transmission Organs. & Indep. Sys. Operators*, Notice Inviting Post-Technical Workshop Comments, Docket No. AD14-14-000 (Jan. 16, 2015)).

PJM's Tariff was unjust and unreasonable because it failed to provide opportunities for market participants to submit day-ahead offers that vary hourly or to update those offers in real-time, which would not allow them to reflect changes in cost. The Commission explained that providing market participants greater flexibility to structure and modify their offers would allow them to better reflect their actual costs.¹⁷ On compliance, the Commission accepted PJM's initial version of section 1.10.9B of Tariff Attachment K-Appendix, and the comparable Operating Agreement provision. The Commission found that PJM's proposal provided sufficient flexibility because it would allow market participants to submit resource offers that vary by hour in the Day-Ahead Market and to update their offers in the Real-Time Market.¹⁸

13. We find that PJM's instant proposal further expands the offer flexibility that the Commission accepted in the Hourly Offers proceeding. By incorporating ramp rates into the existing framework for hourly-varying parameters,¹⁹ PJM's proposal provides Market Sellers the flexibility to reflect their resources' actual ramping costs and capability in their offers, which should enhance overall price formation and allow for more accurate dispatch of resources.

14. Further, we find that the primary concern raised by the Market Monitor was already addressed in a separate proceeding in which the Commission recently required PJM to include in its Tariff a provision that would require Market Sellers to submit accurate ramp rates.²⁰ Moreover, the Market Monitor supports the filing and states that it would improve the efficiency of the PJM markets.²¹

¹⁷ *Duke Energy Corp. v. PJM Interconnection, L.L.C.*, 151 FERC ¶ 61,206 at PP 69-71.

¹⁸ *See PJM Interconnection, L.L.C.*, 158 FERC ¶ 61,133, at PP 100, 110-12 (2017) (accepting the previous version of Sections 1.10.9B that did not include ramp rates).

¹⁹ PJM Interconnection, L.L.C., Intra-PJM Tariffs, OATT, Attachment K Appendix, (36.0.0) § 1.10.9B; PJM Interconnection, L.L.C., Intra-PJM Tariffs, Operating Agreement, Schedule 1 (36.0.0) § 1.10.9B.

²⁰ *PJM Interconnection, L.L.C.*, 171 FERC ¶ 61,153, at P 271 & n.582 (2020) (citing proposed Operating Agreement, Schedule 1, § 1.7.19 and noting the filing pending in this docket).

²¹ Market Monitor Comments at 1.

The Commission orders:

PJM's filing is hereby accepted, effective January 5, 2021, as requested, as discussed in the body of this order.

By the Commission. Commissioner Glick is concurring with a separate statement attached.

(S E A L)

Nathaniel J. Davis, Sr.,
Deputy Secretary.

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GLICK, Commissioner, *concurring*:

1. I support today's order because I agree that these enhancements can improve price formation and real-time dispatch in PJM. I write separately to address the concerns raised in the record about the exercise of market power. Although competitive wholesale electricity markets have yielded tremendous benefits to customers and industry, continuing to realize those benefits requires that market outcomes be the product of genuine competition, not market manipulation.
2. The changes accepted in today's order provide greater flexibility for Market Sellers to reflect actual costs and their capability to ramp their resources in their offers. Nevertheless, the benefits for price formation and dispatch will be realized only if Market Sellers use this enhanced flexibility to reflect actual costs and capabilities. The Market Monitor raised concerns that some entities could use the additional flexibility afforded by these changes to exercise market power. I take those concerns seriously.
3. I support these changes because we have recently required PJM to include in its tariff a provision that would require Market Sellers to submit accurate ramp rates.¹ I believe this addresses the Market Monitor's concern ensuring that generators provide achievable and accurate ramp rates based on their actual physical capability. Even so, I urge PJM and its stakeholders to consider whether ramp rates should be subject to parameter mitigation to more effectively protect the market against the potential exercise of market power.

For these reasons, I respectfully concur.

Richard Glick
Commissioner

¹ *PJM Interconnection, L.L.C.*, 171 FERC ¶ 61,153, at P 271 & n.582 (2020) (citing proposed Operating Agreement, Schedule 1, § 1.7.19 and noting the filing pending in this docket).