

153 FERC ¶ 61,209  
UNITED STATES OF AMERICA  
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Norman C. Bay, Chairman;  
Cheryl A. LaFleur, Tony Clark,  
and Colette D. Honorable.

PJM Interconnection, L.L.C.

Docket Nos. ER15-2260-001  
EL14-24-000

ORDER ACCEPTING PROPOSED TARIFF RECORDS

(Issued November 19, 2015)

1. By order issued March 20, 2014,<sup>1</sup> the Commission instituted an inquiry pursuant to section 206 of the Federal Power Act (FPA)<sup>2</sup> in Docket No. EL14-24-000 to ensure that PJM Interconnection, L.L.C.'s (PJM) scheduling, particularly its day-ahead scheduling practices, correlate with revisions to the natural gas scheduling practices ultimately adopted by the Commission in Order No. 809.<sup>3</sup> On July 23, 2015, as amended on August 7, 2015, PJM proposed revisions, under section 205 of the FPA,<sup>4</sup> to the PJM Open Access Transmission Tariff (Tariff) and Amended and Restated Operating Agreement of PJM Interconnection, L.L.C. (Operating Agreement) to meet the 206 Order's directives.

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<sup>1</sup> *Cal. Indep. Sys. Operator Corp.*, 146 FERC ¶ 61,202 (2014) (206 Order). The 206 Order applied to all six jurisdictional independent system operators (ISO) and regional transmission organizations (RTO), assigning separate docket numbers to each ISO or RTO. This order only relates to PJM.

<sup>2</sup> 16 U.S.C. § 824e (2012).

<sup>3</sup> *Coordination of the Scheduling Processes of Interstate Natural Gas Pipelines and Public Utilities*, Order No. 809, 80 Fed. Reg. 23,198 (Apr. 24, 2015), FERC Stats. & Regs. ¶ 31,368 (2015) (cross-referenced at 151 FERC ¶ 61,049 (2015)), *order on clarification*, 152 FERC ¶ 61,095, *order on reh'g*, 152 FERC ¶ 61,212 (2015), *order on clarification*, 153 FERC ¶ 61,049 (2015).

<sup>4</sup> 16 U.S.C. § 824d (2012).

2. In this order, the Commission accepts PJM's proposed tariff records, to become effective March 31, 2016, as requested, and finds that these proposed revisions better align PJM's scheduling with that of the natural gas industry as discussed in the 206 Order.

### **I. Background**

3. Since 1996, the Commission has adopted regulations to standardize the business practices and communication methodologies of interstate natural gas pipelines to create a more integrated and efficient pipeline grid. These regulations were promulgated in the Order No. 587 series of orders,<sup>5</sup> wherein the Commission incorporated by reference into the Commission's regulations standards for interstate natural gas pipeline business practices and electronic communications developed and adopted by the North American Energy Standards Board (NAESB) Wholesale Gas Quadrant (WGQ). The NAESB WGQ standards, including the standard nationwide nomination timeline, were developed to improve the speed and efficiency with which shippers can transact business across interconnecting pipelines.

4. The NAESB WGQ standards provide a minimum number of nomination opportunities for natural gas shippers to schedule service for the Gas Day, which starts at 9:00 a.m. Central Clock Time (CCT):<sup>6</sup> (a) the Timely Nomination Cycle, which occurs the day before the operating day on which the gas will flow (Gas Day); (b) the Evening Nomination Cycle, which occurs late in the day prior to gas flow and allows shippers to modify their Timely Nomination Cycle schedules; and (c) two intra-day nominations (three after implementation of Order No. 809) that occur during the Gas Day. The Commission meanwhile has accepted regional variations in the development of wholesale electric industry scheduling practices.

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<sup>5</sup> This series of orders began with the Commission's issuance of *Standards for Business Practices of Interstate Natural Gas Pipelines*, Order No. 587, FERC Stats. & Regs. ¶ 31,038 (1996). The most recent order in this series is Order No. 587-W, issued on October 15, 2015, wherein the Commission incorporated by reference the Version 3.0 WGQ Business Practice Standards. *Standards for Business Practices of Interstate Natural Gas Pipelines*, Order No. 587-W, 80 Fed. Reg. 67,302 (Nov. 2, 2015), 153 FERC ¶ 61,061 (2015).

<sup>6</sup> See NAESB WGQ Standards 1.3.2. NAESB's standards in general make reference to CCT, which refers to the actual time in the Central Time Zone, reflecting Central Standard Time or Daylight Savings Time, whichever is applicable.

5. The differences between the day-ahead nationwide natural gas scheduling timeline and the day-ahead regional organized electricity market scheduling timelines can create complications for interstate natural gas pipelines and electric transmission operators in coordinating the scheduling of the two industries. The Timely Nomination Cycle is the most liquid time to acquire both natural gas supply and pipeline transportation capacity. During that cycle, all of a natural gas pipeline's scheduling nomination priorities are in effect: primary firm nominations<sup>7</sup> have priority over secondary firm nominations,<sup>8</sup> and secondary firm nominations have priority over interruptible nominations.<sup>9</sup> Under Commission policy and pipeline tariffs, once firm transportation is scheduled, including secondary firm nominations, it cannot be displaced, or bumped, by another firm or interruptible nomination for that Gas Day.<sup>10</sup>

6. As detailed below, day-ahead electric generation commitments generally occur after the Timely Nomination Cycle. Typically, a natural gas-fired generator must either submit its nomination for natural gas transportation services before it knows when and how much electricity it will be committed to produce the next day, or it must wait until it receives its day-ahead commitment to nominate natural gas transportation services, with the risk that during some periods natural gas supply and transportation capacity may not be available or economical, given the ISO and RTO day-ahead market clearing price. If a natural gas-fired generator acquires natural gas supply and transportation prior to learning whether it is dispatched, it runs the risk of having to sell off excess natural gas supply and pipeline transportation capacity during the less liquid Evening or intraday Nomination Cycles to the extent its bid does not clear the day-ahead market. If the natural gas-fired generator waits to acquire natural gas supply and pipeline transportation until its bid clears the day-ahead market, it would be doing so during the less liquid Evening or

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<sup>7</sup> Primary firm nominations are nominations of firm transportation from a primary receipt point to a primary delivery point. Order No. 809, FERC Stats. & Regs. ¶ 31,368 at P 72.

<sup>8</sup> Secondary firm nominations are firm nominations that include at least one secondary point. *Id.* P 72 n.134.

<sup>9</sup> Interruptible nominations are nominations for service that is "subject to a prior claim by another customer or another class of service and receives a lower priority than such other classes of service." 18 C.F.R. § 284.9(a)(3) (2015).

<sup>10</sup> See Order No. 809, FERC Stats. & Regs. ¶ 31,368 at PP 73, 75.

intraday Nomination Cycles, where the generator may be unable to acquire pipeline transportation capacity if the pipeline is fully scheduled. While during many periods of the year, natural gas-fired generators may be able to obtain natural gas supply and pipeline transportation throughout the day, their ability to procure natural gas supply and pipeline transportation in the most liquid Timely Nomination Cycle may be critical to their ability to provide service during periods when the pipeline is constrained.

7. After the day-ahead electric dispatch schedule is set, ISOs and RTOs also conduct reliability assessments to assess whether they have sufficient generation committed to meet expected load for the following electric operating day. If the day-ahead electric dispatch schedule does not appear adequate to meet load, the ISO or RTO may schedule additional units to be ready during real time. Each ISO and RTO establishes its own timing for the day-ahead schedule and reliability unit commitment. As with the Timely Nomination Cycle, if the ISOs and RTOs do not announce commitments of these generators prior to the Evening Nomination Cycle, those generators might have difficulty obtaining natural gas supply at reasonable prices and scheduling pipeline transportation service using only the intraday nomination cycles.

8. The following table shows each ISO's and RTO's existing day-ahead scheduling timeline:

**Table 1 – ISO and RTO Day-Ahead Scheduling**

<b>ISO or RTO</b>	<b>Time for Bid Submission (CCT)</b>	<b>Time for Publication of Day-Ahead Commitment Bids (CCT)</b>	<b>Notification of Reliability Unit Assessment (CCT)</b>
<b>California Independent System Operator Corporation (CAISO)</b>	12:00 p.m.	3:00 p.m.	3:00 p.m.
<b>ISO New England Inc. (ISO-NE)</b>	9:00 a.m.	12:30 p.m.	4:00 p.m.
<b>PJM</b>	11:00 a.m.	3:00 p.m.	7:00 p.m.
<b>Midcontinent Independent System Operator, Inc. (MISO)</b>	10:00 a.m. (during period of the year not covered by Daylight Savings Time) 11:00 a.m. (during period of the year	2:00 p.m. (during period of the year not covered by Daylight Savings Time) 3:00 p.m. (during	7:00 p.m. (during period of the year not covered by Daylight Savings Time) 8:00 p.m. (during period of the year

<b>ISO or RTO</b>	<b>Time for Bid Submission (CCT)</b>	<b>Time for Publication of Day-Ahead Commitment Bids (CCT)</b>	<b>Notification of Reliability Unit Assessment (CCT)</b>
	covered by Daylight Savings Time)	period of the year covered by Daylight Savings Time)	covered by Daylight Savings Time)
<b>New York Independent System Operator, Inc. (NYISO)</b>	4:00 a.m.	10:00 a.m.	10:00 a.m.
<b>Southwest Power Pool, Inc. (SPP)</b>	11:00 a.m.	4:00 p.m.	8:00 p.m.

Under existing day-ahead timelines, all ISOs and RTOs (except NYISO) post successful economic dispatch bids *after* the current nomination deadline for the Timely Nomination Cycle at 11:30 a.m. CCT, and MISO and SPP post successful initial reliability unit commitments *after* the current nomination deadline for the Evening Nomination Cycle at 6:00 p.m. CCT.

9. As part of its efforts to coordinate the scheduling practices of the wholesale natural gas and electric industries, and as relevant here, on March 20, 2014, the Commission concurrently issued: (1) a notice of proposed rulemaking in Docket No. RM14-2-000, proposing changes to the scheduling practices of the wholesale natural gas industry;<sup>11</sup> and (2) the 206 Order. In the NOPR, the Commission proposed, among other things, to move the Timely Nomination Cycle from 11:30 a.m. CCT to 1:00 p.m. CCT. The Commission proposed this change in order to provide the ISOs and RTOs with additional time in which to post results of their day-ahead markets so that gas-fired generators will know their day-ahead commitments for the following electric operating day in time to submit nominations for pipeline capacity during the Timely Nomination Cycle, the most liquid nomination cycle.

10. The 206 Order directed each ISO and RTO, within 90 days of the issuance of a final rule in Docket No. RM14-2-000, either “(1) to make a filing that proposes tariff changes to adjust the time at which the results of its day-ahead energy market and

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<sup>11</sup> *Coordination of the Scheduling Processes of Interstate Natural Gas Pipelines and Public Utilities*, 146 FERC ¶ 61,201 (2014) (NOPR).

reliability unit commitment process (or equivalent) are posted to a time that is sufficiently in advance of the Timely and Evening Nomination Cycles, respectively, to allow gas-fired generators to procure natural gas supply and pipeline transportation capacity to serve their obligations, or (2) to show cause why such changes are not necessary.”<sup>12</sup> The Commission directed each ISO and RTO to “explain how its proposed modifications are sufficient for gas-fired generators to secure natural gas pipeline capacity prior to the Timely and Evening Nomination Cycles.”<sup>13</sup>

11. On April 16, 2015, the Commission issued the final rule in Docket No. RM14-2-000, Order No. 809, which amended the Commission’s regulations to incorporate by reference NAESB’s revised standards that changed the nationwide Timely Nomination Cycle nomination deadline from 11:30 a.m. CCT to 1:00 p.m. CCT and revised the intraday nomination timeline, to include adding an additional intraday scheduling opportunity during the Gas Day.<sup>14</sup> The large majority of commenters supported moving the start time for the Timely Nomination Cycle from 11:30 a.m. CCT to 1:00 p.m. CCT, including commenters that did not generally support NAESB’s revised intraday nomination timeline.<sup>15</sup> Many commenters to the NOPR stated that moving the Timely Nomination Cycle nomination deadline to 1:00 p.m. CCT would provide generators more time to acquire natural gas supply and pipeline transportation capacity after learning their electric dispatch obligations, provided changes are made to the ISO and RTO scheduling processes.<sup>16</sup> The Commission agreed with these commenters finding that moving the close of the Timely Nomination Cycle from 11:30 a.m. CCT to 1:00 p.m. CCT “will provide generators more time to acquire natural gas supply and pipeline transportation after learning their electric dispatch obligations, *provided changes are made to the ISO and RTO scheduling processes.*”<sup>17</sup>

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<sup>12</sup> 206 Order, 146 FERC ¶ 61,202 at P 19.

<sup>13</sup> *Id.*

<sup>14</sup> Order No. 809, FERC Stats. & Regs. ¶ 31,368 at PP 1, 168. Although the NOPR proposed moving the start of the Gas Day from 9:00 a.m. CCT to 4:00 a.m. CCT, the Commission declined to adopt that proposal. *Id.* PP 3, 13.

<sup>15</sup> *Id.* P 84.

<sup>16</sup> *Id.*

<sup>17</sup> *Id.* P 87 (emphasis added).

12. The following table shows the current NAESB gas nomination timeline and the revised NAESB gas nomination timeline accepted in Order No. 809 and effective April 1, 2016:<sup>18</sup>

**Table 2 – Current and Revised NAESB Natural Gas Nomination Cycles**

Time Shifts -- All times CCT		Current NAESB Standards	Revised NAESB Standards
<b>Timely</b>	Nomination Deadline	11:30 AM	1:00 PM
<b>Evening</b>	Nomination Deadline	6:00 PM	6:00 PM
<b>Intraday 1</b>	Nomination Deadline	10:00 AM	10:00 AM
	IT Bump Rights	bumpable	bumpable
<b>Intraday 2</b>	Nomination Deadline	5:00 PM	2:30 PM
	IT Bump Rights	no bump	bumpable
<b>Intraday 3</b>	Nomination Deadline		7:00 PM
	IT Bump Rights		no bump

## II. PJM's Filing

13. On July 23, 2015, as amended on August 7, 2015, PJM filed revised tariff records to adjust the time at which PJM communicates the results of its Day-ahead Energy Market and reliability assessment commitment to market participants.<sup>19</sup> PJM requests an effective date of March 31, 2016 for the Tariff and Operating Agreement revisions proposed in its filing.<sup>20</sup>

<sup>18</sup> See *id.* at app. (emphasis added). See also *Coordination of the Scheduling Processes of Interstate Natural Gas Pipelines and Public Utilities*, 152 FERC ¶ 61,095 (clarifying that the new day-ahead nomination timelines will apply as of March 31, 2016 for those nominations that will become effective April 1, 2016).

<sup>19</sup> Unless otherwise defined herein, all capitalized terms shall have the meanings ascribed to them in the Operating Agreement, Tariff, and the Reliability Assurance Agreement Among Load Serving Entities in the PJM Region, as applicable.

<sup>20</sup> *Coordination of the Scheduling Processes of Interstate Natural Gas Pipelines and Public Utilities*, 152 FERC ¶ 61,095 (holding that the new day-ahead nomination cycles (Timely and Evening Nomination Cycles) adopted in Order No. 809 will apply as of March 31, 2016 for those nominations that will become effective April 1, 2016;

(continued...)

**A. Revisions to Deadlines for PJM Day-Ahead Energy Market**

14. PJM proposes to revise the following: (1) section 1.10.8(b) of the Operating Agreement, Schedule 1,<sup>21</sup> to modify the deadline for posting the results of PJM's Day-ahead Energy Market from 4:00 p.m. Eastern Prevailing Time (EPT) to 1:30 p.m. EPT, or as soon as practicable thereafter; and (2) section 1.10.1A of the Operating Agreement, Schedule 1, to modify the deadline for submitting bids and offers for the Day-ahead Energy Market from 12:00 p.m. EPT to 10:30 a.m. EPT. PJM states that it is shortening the window for clearing the Day-ahead Energy Market from four hours to three hours to implement the new time of 1:30 p.m. EPT for posting the results of the Day-ahead Energy Market. PJM states that, while it expects to be able to meet the 1:30 p.m. EPT posting time in the vast majority of instances, there may be situations where PJM is unable to post by 1:30 p.m. EPT due to unforeseen issues that may occur during the shortened clearing window. Therefore, PJM proposes to include the language "or as soon as practicable thereafter" to provide PJM the ability to post as soon as practicable after 1:30 p.m. EPT if such situations occur.<sup>22</sup>

15. PJM also proposes to revise Operating Agreement, Schedule 1, section 1.10.6A. PJM states that, under this section, its members may elect to "buy-through" PJM congestion for their transactions that use PJM as a flow path, but not the contract path, when PJM otherwise would have curtailed such transactions by implementing the North American Electric Reliability Corporation (NERC) transmission loading relief (TLR) procedures. PJM states that, currently, a PJM member must notify PJM that it elects this option by 12:00 p.m. EPT of the day before the operating day. PJM proposes to modify this time to 10:30 a.m. EPT to align with the deadline for submitting bids and offers for the Day-ahead Energy Market.

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otherwise, the intraday nomination timelines on March 31, 2016 will follow the existing timeline).

<sup>21</sup> PJM states that where it refers to provisions in Schedule 1 of the Operating Agreement, those references also are intended to encompass the identical, parallel provisions in Attachment K-Appendix of the Tariff.

<sup>22</sup> PJM states that, while the deadline for posting the results will be 1:30 p.m. EPT, there may be instances where PJM can clear the market prior to such time. In those instances, PJM plans to post the results of the Day-ahead Energy Market as soon as possible—but no earlier than 12:00 p.m. EPT—to provide additional time to generator owners to allow gas-fired generators to procure natural gas supply and interstate pipeline transportation capacity to serve their obligations. PJM Transmittal at n.12.

16. PJM also proposes to revise section 3.2.3(n) of Schedule 1 of the Operating Agreement to update two references associated with the deadline for submitting bids and offers in the Day-ahead Energy Market. PJM states that, under Schedule 1, section 3.2.3(n) of the Operating Agreement limits a market seller's operating reserves credits in the Day-ahead Energy Market in anticipation of maximum generation conditions. PJM states that one factor in determining the limit is whether PJM issues a notice of maximum generation conditions before or after the currently-effective 12:00 p.m. EPT deadline for submitting bids and offers in the Day-ahead Energy Market. PJM proposes to revise the references to 12:00 p.m. EPT to be 10:30 a.m. EPT in section 3.2.3(n) of Schedule 1 of the Operating Agreement to coincide with the proposed time for submitting bids and offers in the Day-ahead Energy Market.

17. PJM states that, in consultation with its stakeholders, it developed these deadlines to address stakeholder concerns that a sufficient balance exist between: (1) providing natural gas-fired generators with sufficient time to procure natural gas supply and pipeline transportation capacity to serve their obligations; and (2) ensuring the deadline to submit bids and offers is as late in the day as possible to allow sufficient price discovery in the natural gas market prior to the requirement for natural gas-fired generators to submit their offers into the PJM Day-ahead Energy Market.

#### **B. Revisions to Deadlines for Reliability Assessment Commitment**

18. PJM proposes to revise the Tariff and Operating Agreement to: (1) modify the period of the PJM reliability assessment commitment during which generators may adjust their bids, also referred to as the rebidding period, which is currently between 4:00 p.m. EPT and 6:00 p.m. EPT, to occur between the time PJM posts the results of the Day-ahead Energy Market (i.e., approximately 12:00 p.m. EPT to 1:30 p.m. EPT) until 2:15 p.m. EPT; and (2) add a deadline of 6:30 p.m. EPT for communicating the results of the reliability assessment commitment. PJM states that, currently, it generally communicates such results by 8:00 p.m. EPT. PJM states that, similar to the time between the proposed deadline of 1:30 p.m. EPT for posting the Day-Ahead Energy Market results and the revised nomination deadline of 2:00 p.m. EPT for the Timely Nomination Cycle adopted in Order No. 809 and effective April 1, 2016, natural gas-fired generator owners receiving a reliability commitment will have a minimum of 30 minutes between the proposed deadline for notification of the reliability assessment commitment and the nomination deadline for the Evening Nomination Cycle to procure natural gas supply and interstate pipeline transportation capacity.

19. PJM states that it intends to reduce the timeframe of the rebidding period from the current two hours to 45 minutes. PJM states that this change is intended to allow PJM to conduct a reliability analysis prior to 3:00 p.m. EPT. PJM states that this will enable reliability commitments of natural gas-fired generators that are necessary for the remainder of the current gas day, which ends at 10:00 a.m. EPT the following morning,

to nominate deliveries on the interstate pipelines by the revised 3:30 p.m. EPT deadline for the Intraday 2 Nomination Cycle adopted in Order No. 809 and effective April 1, 2016. PJM states that communication of intra-gas day commitments prior to 3:30 p.m. EPT is important to owners of natural gas-fired generators because in the revised Intraday 2 Nomination Cycle, firm transportation holders maintain their scheduling priority over Interruptible Transportation.

20. PJM also proposes to revise the Tariff and Operating Agreement to clarify that, while PJM will communicate the results of the reliability assessment commitment by 6:30 p.m. EPT, PJM may commit additional resources after 6:30 p.m. EPT as system conditions require.

21. A summary of PJM's proposed changes is set forth in the table below.

**Table 3 – PJM's Current and Proposed Day-ahead Schedule**

	<b>Current</b>	<b>Proposed</b>
<b>Close of PJM Day-Ahead Market</b>	12:00 p.m. EPT	10:30 a.m. EPT
<b>Publication of Day-Ahead Market Results</b>	4:00 p.m. EPT	1:30 p.m. EPT (or as soon as practicable thereafter, however PJM will not post the information earlier than 12:00 p.m. EPT)
<b>Rebidding Period</b>	4:00 p.m. EPT to 6:00 p.m. EPT	Time between the Publication of Results of Day-ahead Energy Market (approx. 12:00 p.m. EPT to 1:30 p.m. EPT) until 2:15 p.m. EPT
<b>Notification of Reliability Assessment Commitment</b>	8:00 p.m. EPT	6:30 p.m. EPT

### **III. Notices, Interventions, and Pleadings**

22. Notice of the 206 Order was published in the *Federal Register*, 79 Fed. Reg. 16,791 (2014). Motions to intervene or notices of intervention were filed by AEP Generation Resources Inc., Algonquin Gas Transmission, LLC, America's Natural Gas Alliance, American Electric Power Service Corporation, American Gas Association, American Municipal Power, Inc., American Public Power Association, Arizona Public Service Company, Atlantic Grid Holdings LLC, Atmos Energy Corporation, Atmos

Energy Marketing LLC and Trans Louisiana Gas Pipeline, Inc., Atmos Pipeline Texas, BG Energy Merchants, LLC, Big Sandy Pipeline, LLC, Calpine Corporation, Central Kentucky Transmission Company, Chesapeake Utilities Corporation, Columbia Gas Transmission, LLC, Columbia Gulf Transmission, LLC, Crossroads Pipeline Company, Office of the People's Counsel of the District of Columbia, Delaware Division of the Public Advocate, Delaware Public Service Commission, Dominion Resources Services, Inc. (Dominion), DTE Gas Company, Duke Energy Corporation, Duke Energy Carolinas, LLC, Duke Energy Florida, Inc., Duke Energy Progress, Inc., Duquesne Light Company, Duquesne Power, LLC, Dynegy Marketing and Trade, LLC, East Tennessee Natural Gas, LLC, Eastern Shore Natural Gas Company, Edison Electric Institute, Electric Power Supply Association (EPSA), Electricity Consumers Resource Council, Essential Power,<sup>23</sup> Exelon Corporation (Exelon), Gulfstream Natural Gas System, L.L.C., Interstate Natural Gas Association of America, Macquarie Energy LLC, Maritimes & Northeast Pipeline, L.L.C., Maryland Office of People's Counsel, Maryland Public Service Commission, Mississippi Public Service Commission, Monitoring Analytics, LLC, acting in its capacity as the Independent Market Monitor for PJM, Morgan Stanley Capital Group Inc., National Fuel Gas Distribution Corporation, National Grid Gas Delivery Companies, National Rural Electric Cooperative Association, Natural Gas Supply Association (NGSA), New England States Committee on Electricity, New York State Electric & Gas Corporation and Rochester Gas and Electric Corporation, New York Transmission Owners, Northern Indiana Public Service Company, NRG Companies I,<sup>24</sup> Old Dominion Electric Cooperative, Pacific Gas and Electric Company, Panda Power Funds, Pennsylvania Office of Consumer Advocate, PJM Industrial Customer Coalition,

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<sup>23</sup> Essential Power includes Essential Power, LLC, Essential Power Massachusetts, LLC, Essential Power Newington, LLC, Essential Power OPP, LLC, and Essential Power Rock Springs, LLC.

<sup>24</sup> NRG Companies I include NRG Power Marketing LLC, GenOn Energy Management, LLC, Conemaugh Power LLC, GenOn MidAtlantic, LLC, Indian River Power LLC, Keystone Power LLC, NRG Chalk Point, LLC, NRG Energy Center Dover LLC, NRG Energy Center Paxton LLC, NRG Power Midwest, LP, NRG REMA, LLC, NRG Rockford LLC, NRG Rockford II LLC, NRG Wholesale Generation LP, Vienna Power LLC and Energy Curtailment Services, Inc.

PJM Power Providers Group (P3), PPL PJM Companies,<sup>25</sup> PSEG Companies,<sup>26</sup> Public Utilities Commission of The State of California, Puget Sound Energy, Inc., Repsol Energy North America Corporation, Southeast Supply Header, LLC, Southern California Generation Coalition, Southern Company Services, Inc., Southern Maryland Electric Cooperative, Inc., Tennessee Valley Authority, Texas Eastern Transmission, LP, Wabash Valley Power Association, Inc., Western Power Trading Forum, and Vitol Inc.

23. Notice of PJM's filing, as amended, was published in the *Federal Register*, 80 Fed. Reg. 48,852 (2015), with interventions and protests due on or before August 28, 2015. Timely motions to intervene were filed by America's Natural Gas Alliance, American Electric Power Service Corporation, Delaware Division of the Public Advocate, Dominion, EPSA, Exelon, Interstate Natural Gas Association of America, National Fuel Gas Distribution Corporation, NGSA, NextEra Energy Resources, LLC, NRG Companies II,<sup>27</sup> Panda Power Funds, P3, PSEG Companies, and Vitol Inc. Duke Energy Corporation, American Gas Association, Wabash Valley Power Association, Inc., Old Dominion Electric Cooperative, and Southern Maryland Electric Cooperative, Inc. each filed a motion to intervene out-of-time.

24. Dominion, NRG Companies II, NGSA, EPSA and P3 (jointly, EPSA/P3), and Puget Sound Energy, Inc. each filed comments, while Exelon and PSEG Companies (jointly, Exelon/PSEG) filed a protest. On September 14, 2015, PJM filed an answer to the joint protest filed by Exelon/PSEG and the joint comments filed by EPSA/P3.

NRG Companies II and Dominion state that PJM's proposed schedule provides natural gas-fired generators a meaningful level of price discovery prior to submitting bids into the market at 10:30 a.m. EPT, as well as an opportunity to nominate gas prior to the Timely Nomination Cycle nomination deadline at 2:00 p.m. EPT.<sup>28</sup> NRG Companies II

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<sup>25</sup> PPL PJM Companies include PPL Electric Utilities Corporation, PPL EnergyPlus, LLC, PPL Brunner Island, LLC, PPL Holtwood, LLC, PPL Ironwood, LLC, PPL Martins Creek, LLC, PPL Montour, LLC, PPL Susquehanna, LLC, Lower Mount Bethel Energy, LLC, PPL New Jersey Solar, LLC, PPL New Jersey Biogas, LLC, and PPL Renewable Energy, LLC.

<sup>26</sup> PSEG Companies include Public Service Electric and Gas Company, PSEG Power LLC, and PSEG Energy Resources & Trade LLC.

<sup>27</sup> NRG Companies II are NRG Power Marketing LLC and GenOn Energy Management, LLC.

<sup>28</sup> NRG Companies II Comments at 7.

state that, because PJM's proposed 10:30 a.m. EPT deadline for the submission of day-ahead offers and bids is after the time fixed-price natural gas has started trading (i.e., 10:00 a.m. EPT), natural gas-fired generators will have more knowledge of the likely price of gas. Dominion also states that PJM should attempt to post the Day-ahead Energy Market results as early as possible, before 1:30 p.m. EPT if practicable, so that natural gas-fired generators truly have sufficient time to take advantage of the Timely Nomination Cycle.<sup>29</sup>

25. NGSAs supports regional variation in responding to the 206 Order, but urges the Commission and ISOs and RTOs to consider revising scheduling timelines in the future should pipeline capacity become constrained, particularly as states move to implement the Clean Power Plan.<sup>30</sup>

26. EPSA/P3 and Exelon/PSEG support a bid and offer submission deadline of 11:00 a.m. EPT, as opposed to 10:30 a.m. EPT, as proposed by PJM. EPSA/P3 largely support PJM's proposed revision to change its Day-ahead Energy Market timeline,<sup>31</sup> but EPSA/P3 would like PJM to strive to shorten further the duration of the window for clearing the Day-ahead Energy Market so that the deadline for submitting bids and offers for the Day-ahead Energy Market may be moved to 11:00 a.m. EPT or later, with results posted by PJM by 1:30 p.m. EPT. EPSA/P3 state that, based on the Intercontinental Exchange, Inc. (ICE) natural gas activity, Next-day Fixed Price bid/offer activity is most liquid through 11:00 a.m. EPT and this is particularly true in winter when nearly a third of Next-day Fixed Price bid/offer transactions occur after 10:30 a.m. EPT.<sup>32</sup> They state that natural gas-fired generators may not have sufficient gas market information when preparing their Day-ahead Energy Market offers for submission to PJM by 10:30 a.m. EPT and would benefit greatly by an offer/bid deadline that is later than 10:30 a.m. EPT. EPSA/P3 state that a two-and-one-half hour clearing window should be sufficient given that PJM has stated it will have new software in place to assist with clearing Day-ahead Energy Market offers and bids, and PJM will otherwise have operational experience with the proposed new clearing window.<sup>33</sup> Accordingly, EPSA/P3 urge the Commission to set

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<sup>29</sup> Dominion Comments at 4-5.

<sup>30</sup> NGSAs Comments at 6-7.

<sup>31</sup> EPSA/P3 Comments at 6.

<sup>32</sup> *Id.* at 7-9.

<sup>33</sup> *Id.* at 3, 9 (citing EPSA/P3 cite: Special Sessions of the PJM Markets and Reliability Committee – Gas/Electric Market Timeline Alignment: May 6, 2015,

a specific time period of one year, after which PJM will be required to reevaluate and assess its capabilities to process offers and bids in less than three hours, to allow natural gas-fired generators to utilize the natural gas markets during the most liquid and transparent period of the day.<sup>34</sup>

27. Exelon/PSEG urge the Commission to reject PJM's proposed filing and to require PJM to modify the deadline for submitting bids and offers for the Day-ahead Energy Market to 11:00 a.m. EPT.<sup>35</sup> Exelon/PSEG state that PJM's proposed changes have the potential to impact reliability and to result in higher prices by requiring generators offering natural gas-fired units into the Day-ahead Energy Market using gas price inputs obtained during an illiquid period in the gas day and where there is decreased load forecast accuracy.<sup>36</sup> Exelon/PSEG state that the current gas market does not reach high liquidity levels until after 9:00 a.m. Eastern Standard Time (EST) on normal trading days and not until much later in the morning during critical periods.<sup>37</sup> Exelon/PSEG also point to ISO-NE's changes to its day-ahead trading schedule as evidence that peak gas trading volume and maximum liquidity may not move earlier as a result of PJM's proposed energy market changes.

28. In the alternative, Exelon/PSEG request that the Commission delay implementation of PJM's proposed changes until PJM can reduce the window for clearing the market.<sup>38</sup> Exelon/PSEG argue that PJM should delay the effective date of the proposed changes until November 1, 2016—the proposed implementation of the Commission-directed market enhancements related to hourly reoffers—which will alleviate some of the timing issues created by PJM's proposed schedule.<sup>39</sup>

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<http://www.pjm.com/~media/committees-groups/committees/mrc/20150528/20150528-draft-minutes-20150506.ashx>; June 10, 2015, <http://www.pjm.com/~media/committees-groups/committees/mrc/20150723/20150723-item-01-draft-minutes-mrc-20150610.ashx>).

<sup>34</sup> EPSA/P3 Comments at 10.

<sup>35</sup> Exelon/PSEG Comments at 2.

<sup>36</sup> *Id.* at 6.

<sup>37</sup> *Id.* at 8.

<sup>38</sup> *Id.* at 2, 9.

<sup>39</sup> *Id.* at 2, 10. Citing *Duke Energy Corp., et al.*, 151 FERC ¶ 61,206, at P 73 (2015), Exelon/PSEG state that on June 9, 2015 the Commission directed PJM to allow

(continued...)

29. In its answer, PJM contends that the Commission should reject the requests in the Exelon/PSEG protest and EPSA/P3 comments as they are impermissible collateral attacks on the 206 Order and Order No. 809. PJM states that the sole issue in reviewing PJM's filing is whether it satisfied the Commission's directives in Order No. 809 and the 206 Order, which PJM contends it does. PJM contends that the appropriate procedural juncture at which Exelon/PSEG should have raised these concerns and requested an 11:00 a.m. EPT bidding deadline is in comments and on rehearing in the Order No. 809 rulemaking proceeding.

30. PJM states that Exelon/PSEG's request for an 11:00 a.m. EPT bidding deadline while maintaining a 1:30 p.m. EPT deadline for posting the results of the Day-ahead Energy Market is infeasible at this time. PJM states that three hours is the minimum time in which it can clear its market. PJM states that, in its stakeholder process, it originally proposed a revised bidding deadline of 9:30 a.m. EPT and a posting deadline of 1:30 p.m. EPT for the Day-ahead Energy Market (i.e., a four-hour clearing window). PJM states that, due to a stakeholder liquidity concerns and a lack of stakeholder support for a 9:30 a.m. EPT deadline for submitting bids and offers, PJM analyzed its clearing process and determined it could reduce the time required to clear its Day-ahead Energy Market to three hours, and no less, with significant software and hardware upgrades. PJM states that further reducing the time required to clear the Day-ahead Energy Market to less than three hours is unreasonable and not feasible at this time. PJM states that it appreciates the value of reducing the clearing time of its Day-ahead Energy Market and will continue to analyze options to reduce further the time required to clear the Day-ahead Energy Market. PJM argues, however, that the Commission should accept PJM's proposed 10:30 a.m. EPT deadline for Day-ahead Energy Market bids and offers as just and reasonable and allow the continuing PJM and industry-wide efforts to establish when such advances are feasible.

31. PJM argues that Exelon/PSEG's request for a delay until additional rules are implemented also amounts to a collateral attack on Order No. 809 and should be rejected for reasons similar to those stated above. PJM also argues that EPSA/P3's request goes beyond the scope of the Commission's compliance directive to PJM, which PJM has satisfied. PJM argues that the Commission should reject any additional requirement and allow the on-going PJM and industrywide efforts discussed above to dictate when such advances are feasible. Notwithstanding the foregoing, PJM states that it will continue to

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market participants to submit Day-ahead offers that vary by hour and to update their offers in Real-Time by November 1, 2015 or to explain why such changes are not necessary. Exelon/PSEG state that on July 10, 2015, PJM filed a report noting that it would be unable to implement changes to allow hourly offers until November 1, 2016.

update stakeholders regarding its ability to clear the Day-ahead Energy Market in less than three hours following a reasonable period of experience operating under the reduced clearing window.

#### **IV. Discussion**

##### **A. Procedural Matters**

32. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2015), the notices of intervention and timely, unopposed motions to intervene serve to make the entities that filed them parties to this proceeding.

33. Pursuant to Rule 214(d) of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214(d) (2015), the Commission will grant the late-filed motions to intervene of Duke Energy Corporation, American Gas Association, Wabash Valley Power Association, Inc., Old Dominion Electric Cooperative, and Southern Maryland Electric Cooperative, Inc. given their interest in the proceeding, the early stage of the proceeding, and the absence of undue prejudice or delay.

34. Rule 213(a)(2) of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.213(a)(2) (2015), prohibits an answer to a protest unless otherwise ordered by the decisional authority. We will accept PJM's answer because it has provided information that assisted us in our decision-making process.

##### **B. Commission Determination**

35. The Commission accepts PJM's proposed tariff records, effective March 31, 2016, as requested. Consistent with the 206 Order, PJM's proposed times for posting the results of its day-ahead energy market and reliability assessment are sufficiently in advance of the Timely and Evening Nomination Cycles to allow natural gas-fired generators to procure natural gas supply and pipeline transportation to serve their obligations.

36. Contrary to protest arguments, we find just and reasonable PJM's proposal to require bids to be submitted by 10:30 a.m. EPT. PJM's proposal will provide natural gas-fired generators with the ability to know their natural gas supply and pipeline transportation needs in advance of the Timely Nomination Cycle, which was one of the goals of the changes to the natural gas scheduling timeline in Order No. 809.<sup>40</sup> Requiring

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<sup>40</sup> See Order No. 809, FERC Stats. & Regs. ¶ 31,368 at P 24 ("Moving the Timely Nomination Cycle to an hour and a half later will allow electric transmission operators additional time to complete their day-ahead scheduling sufficiently before the Timely

(continued...)

PJM to change its bid and offer deadline to 11:00 a.m. EPT, as proposed by EPSA/P3 and Exelon/PSEG, would require either posting Day-ahead Energy Market results later in the day or shortening the proposed three hour clearing window. Posting the Day-ahead Energy Market results later in the day would prevent natural gas-fired generators from being able to nominate gas at the Timely Nomination Cycle. In addition, there is insufficient evidence to indicate that PJM has the current capability to shorten its clearing window further. We also note that PJM's proposed schedule reflects the option with the highest overall stakeholder support. The Commission, however, recognizes the benefits that could accrue from a shorter clearing window and encourages PJM to continue work with its stakeholders, in an effort to improve market efficiency, to develop means to reduce its clearing window further and to allow market participants to submit bids reflecting increased fuel price certainty.

The Commission orders:

PJM's proposed tariff records are hereby accepted, to become effective March 31, 2016, as discussed in the body of this order.

By the Commission.

( S E A L )

Nathaniel J. Davis, Sr.,  
Deputy Secretary.

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Nomination Cycle deadline, so that gas-fired generators receive electric market dispatch instructions prior to the deadline for acquiring pipeline capacity in the Timely Nomination Cycle.”); *see also* 206 Order, 146 FERC ¶ 61,202 at P 16 (describing the purpose of allowing natural gas-fired generators to participate in the Timely Nomination Cycle as “forward[ing] the objective of minimizing situations in which gas-fired generators, particularly those that opt to procure natural gas supply and transportation after the day-ahead electricity market results are posted, are unable to procure sufficient resources to fulfill their electricity market commitments and to contribute to reliable system operation.”).