143 FERC ¶ 61,177
FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, D.C. 20426

May 29, 2013

In Reply Refer To:
PJM Interconnection, L.L.C.
Docket No. ER13-1200-000

Jacqulynn B. Hugee
Assistant General Counsel – Markets
PJM Interconnection, L.L.C.
955 Jefferson Avenue
Norristown, PA 19403

Dear Ms. Hugee:

1. On March 29, 2013, PJM Interconnection, L.L.C. (PJM) filed revisions to Attachment K-Appendix of the PJM Open Access Transmission Tariff (Tariff) and Schedule 1 of the Amended and Restated PJM Operating Agreement (Operating Agreement). PJM states that it is proposing these revisions to, *inter alia*, clarify the amount of lost opportunity costs that a market seller is entitled to receive when it reduces its energy output according to PJM dispatch instructions in order to maintain reliable operation of the system. PJM also proposes to put market sellers on notice that PJM may reduce their compensation levels if their generating units are not operated in a manner consistent with the requirements of the Tariff, Operating Agreement and PJM Manuals. As discussed below, we accept in part and reject in part the proposed revisions.

2. PJM argues that these revisions should act as a deterrent against, and ensure that the market seller is not rewarded for, operating its generating unit at an inappropriately high megawatt output level that might have a negative impact on system reliability. PJM explains that, when the megawatt output of a generating unit is above its Maximum Facility Output[1] when PJM asks the market seller to suspend the output of the unit due to

[1] The Maximum Facility Output is the "maximum (not nominal) net electrical power output in megawatts, specified in the Interconnection Agreement, after supply of any parasitic or host facility loads, that a Generation Interconnection Customer's Customer Facility is expected to produced, provided that the Maximum Facility Output

(continued...)

a transmission constraint, and the constraint was caused by the market seller's operating of the unit at a megawatt output that is higher than the level at which the unit was studied by PJM for stability to ensure reliability of the system, under the current Tariff the market seller is not penalized but rewarded with a payment of lost opportunity costs. Accordingly, PJM proposes to revise section 3.2.3 and section 3.2.3B of Attachment K-Appendix of the Tariff and Schedule 1 of the Operating Agreement to specify that lost opportunity cost compensation shall be limited to the lesser of the unit's highest incremental megawatt output level that it can achieve following economic dispatch, i.e. Economic Maximum[2] or its Maximum Facility Output. PJM also proposes revisions to the definition of Economic Minimum and a minor clarification to section 1.10.1(d) of Attachment K-Appendix of the Tariff and Schedule 1 of the Operating Agreement to make clear that the reference to how scheduling is to be conducted "as specified below" is to section 1.10.1A of Schedule 1 of the Operating Agreement. PJM requests Commission action by May 29, 2013 with an effective date of June 1, 2013.

3. Finally, PJM also proposes to add section 3.1.1 to the Tariff and Operating Agreement, which states that "resources must operate pursuant to the applicable requirements of the Tariff, Operating Agreement and PJM Manuals, and in particular within reliability limits and in compliance with dispatch instructions, as determined by the Office of the Interconnection, to be eligible to receive the full entitlement of all potential sources of revenue for their output of energy or the reduction thereof at the direction of the Office of the Interconnection." PJM contends that this revision puts market sellers on notice that PJM may reduce compensation levels if their generating units are not operated in a manner consistent with the requirements of the Tariff, Operating Agreement and PJM Manuals. PJM contends that, while it must still file a waiver request seeking approval to reduce the amount of compensation that must be paid to the market seller, market sellers can no longer prevent such waiver on the grounds of lack of notice. PJM argues that this addresses the Commission's concern in a prior order that allowing PJM to reduce the amount of compensation paid to a market seller by

---

shall not exceed the output of the proposed Customer Facility that Transmission Provider utilized in the System Impact Study." PJM Tariff, Part I, Definitions, section 1.18A.03, Maximum Facility Output (2.0.0).

[2] PJM proposes to define "Economic Maximum" as "the highest incremental MW output level, submitted to PJM market systems by a Market Participant, that a unit can achieve while following economic dispatch." Proposed PJM Tariff, Attachment K-Appendix, section 1.3.2A.02; Proposed PJM Operating Agreement, Schedule 1, section 1.3.2A.02.

granting waiver would unreasonably upset the balance of expectations of the parties to the Tariff.[3]

4. Notice of PJM's filing issued with comments, protests, and interventions due on or before April 19, 2013. Exelon Corporation and American Electric Power Service Corporation each filed a motion to intervene. No comments or protests were filed. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2012), the timely, unopposed motions to intervene serve to make the entities that filed them parties to this proceeding.

5. We accept PJM's proposed revisions to sections 3.2.3 and 3.2.3B, which limit lost opportunity cost compensation to the lesser of a unit's Economic Maximum or Maximum Facility Output. These revisions should help to deter market sellers from operating their generating units at a megawatt output level that might have a negative impact on system reliability. We also accept PJM's proposed definitions of Economic Maximum and Economic Minimum in sections 1.3.2A.01 and 1.3.2A.02 and PJM's minor clarification to section 1.19.1(d) of Attachment K-Appendix and Schedule 1 of the Operating Agreement.

6. However, we reject PJM's proposed section 3.1.1. PJM represents that this section is intended to give market sellers notice that PJM may reduce the compensation that they are entitled to receive under the Tariff. We find that this provision as drafted fails to give market sellers adequate notice because PJM has failed to provide any detail or tariff language describing the specific circumstances under which compensation would be reduced or how the compensation would be reduced. Furthermore, PJM has not shown that it is just and reasonable for PJM to have the discretion to reset compensation levels retroactively when neither the particular circumstances that would trigger PJM's actions nor the financial consequences are specified in the tariff.

[3] *PJM Interconnection, L.L.C.*, 136 FERC ¶ 61,006, at P 19 (2011).

7. Finally, the proposed revisions contain sections of italicized text in which the italics designate revisions pending before the Commission in other proceedings. We direct PJM to refile these sections to remove the italics after resolution of those relevant proceedings.

By direction of the Commission.

Kimberly D. Bose,
Secretary.