

# Proposal Re Gas Contingency Costs

Direct Energy

# History

- OC passed proposal to enable PJM to order generators to switch fuels or fuel sources under certain circumstances
- Issue then moved to MIC to address compensation at MIC on January 10, 2018
- MIC Special Sessions began addressing the issue on March 9, 2018
  - 10 meetings took place
- Consensus does not seem near
- Want to enable PJM to use this tool for Winter 2019

# Rationale for Proposal

- We are concerned that PJM would be taking over from the market the decision on how to operate a power plant
  - Original problem statement language:

In the event that PJM issues an Operating Instruction resulting from, either emergency conditions ***or conservative operations*** associated with gas-pipeline contingency analysis (PJM Operating Instruction), that instructs a generator to make certain operational changes, ***normally made at the discretion of the generation owner***
- Cannot challenge since OC passed it, but can make it work!

# Rationale for Proposal

- PJM essentially taking on the management responsibility without any accountability as to cost
- The whole premise of CP is that the generators will be there when needed so through penalties they themselves would be incentivized to ensure they have gas from operating pipeline
- Concerned that if PJM has information that is not available to the market regarding gas pipeline deliverability, there is larger problem of communications/transparency (except cyber security information)
- Generators should be compensated fully for following PJM dispatch orders

# Rationale for Proposal, continued

- At this point the MIC is struggling to identify costs that should be compensated
  - PJM and the IMM are not in agreement
- Have a history where there has been disagreements between PJM and the IMM
- Rather than have any attempt at cost recovery prolonged in process between PJM and IMM which is likely to be resolved at FERC, go directly to FERC
- This provides **all** parties the opportunity to review and comment on cost recovery claims with independent regulatory agency

# Proposed Language

- In the event that the Office of the Interconnection issues an Operating Instruction associated with gas infrastructure contingency analysis that instructs a Market Seller that is the Generator Owner/Operator of the resource subject to such instruction to make certain operational changes normally made at the discretion of the Market Seller, such Market Seller will be entitled to recovery, at a just and reasonable rate submitted for informational purposes to FERC, of the Market Seller's costs to follow such Operating Instructions. Such costs may include, but are not limited to, incremental costs, out-of-pocket costs, lost opportunity costs, and costs and penalties associated with fuel supply and fuel supply transportation, provided, however, return of or on capital costs shall not be included in this determination.
- The associated payments will be treated as Balancing Operating Reserves for reliability or deviation in accordance with Operating Agreement, section \_\_\_\_\_. The Market Seller is considered to be following PJM dispatch, during fuel/source switching, when following an Operating Instruction associated with gas infrastructure contingency analysis.