

**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

PJM Interconnection, L.L.C.

)

Docket No. ER20-1870-000

**REQUEST OF PJM INTERCONNECTION, L.L.C.
FOR SHORTENED COMMENT PERIOD AND EXPEDITED CONSIDERATION
OF PROSPECTIVE WAIVER OF TARIFF PROVISIONS TO UPDATE THE
LOAD FORECASTS FOR UPCOMING SECOND INCREMENTAL AUCTION**

Pursuant to Rule 207(a)((5) of the Federal Energy Regulatory Commission’s (“Commission”) Rules of Practice and Procedure,¹ PJM Interconnection, L.L.C. (“PJM”) respectfully requests a one-time, prospective waiver (“Waiver Request”) of the requirements of PJM Open Access Transmission Tariff (“Tariff”), Attachment DD, section, 5.10(e) to allow PJM to post a revised updated PJM Region Peak Load Forecast² before the Second Incremental Auction (“IA”) for the 2021/2022 Delivery Year,³ to reflect a substantial change (as a result of the current pandemic) in the economic forecast relied on by the load forecast. This Waiver Request is necessitated by the need to ensure a more accurate load forecast for use in the upcoming 2021/2022 IA given the major forecasted economic consequences of the COVID-19 pandemic and their impact on forecast PJM Region load levels during the 2021/2022 Delivery Year.

¹ 18 C.F.R. § 385.207(a)(5).

² Capitalized terms not defined in this pleading have the meaning contained in, as applicable, the Tariff, the Amended and Restated Operating Agreement of PJM Interconnection, L.L.C., or the Reliability Assurance Agreement Among Load Serving Entities in the PJM Region.

³ Tariff, Attachment DD, section 5.10(e).

Because PJM timely posted before February 1, 2020, the updated PJM Region Peak Load Forecast for the 2021/2022 Delivery Year, PJM is presently in compliance with Tariff, Attachment DD, section 5.10(e).⁴ By this filing, PJM seeks a prospective waiver of section 5.10(e) to permit PJM (following grant of the waiver request) to replace the now-outdated load forecast with a revised forecast that reflects the unprecedented change in forecast economic conditions for 2021. PJM shows below that this request satisfies the Commission's standards for a tariff waiver.

PJM also seeks expedited consideration of this Waiver Request. The Second IA for the 2020/2021 Delivery Year is scheduled to open on July 6, 2020,⁵ so PJM and Market Participants need to know in advance of that date, i.e., some reasonable amount of time before July 6, which load forecast PJM will be allowed to use in that auction. To cite just one example, whether or not the updated load forecast is used will greatly affect the quantity of previously committed capacity PJM must offer to release under Tariff, Attachment DD, section 5.4(c)(3). As that release offer significantly affects the supply/demand balance in the action, knowing that release quantity in advance could significantly affect the offers and bids of auction participants. Therefore, to provide clarity and certainty to Market Participants determining their bids and offers into the Second IA,

PJM respectfully requests that the Commission act on this waiver filing by no later

⁴ PJM Interconnection, L.L.C., *PJM Load Forecast Report* (Jan. 2020), <https://www.pjm.com/-/media/library/reports-notice/load-forecast/2020-load-report.ashx?la=en> (“2020 Peak Load Forecast Report”).

⁵ See PJM Interconnection, L.L.C., *RPM Auction Schedule*, <https://pjm.com/-/media/markets-ops/rpm/rpm-auction-info/rpm-auction-schedule.ashx?la=en> (go to the first tab labeled “2021–2022 2IA” and navigate to Column E labeled “Date” and Row 36).

than June 15, 2020, which is only three weeks before the start of the auction. PJM appreciates the challenges of expedited action, but this issue has developed quickly. PJM received the updated economic forecast last month, initially calculated its impact on the load forecast, and presented this concern to stakeholders, many of whom encouraged PJM to seek necessary approvals to use the updated forecast. Expedited action on this filing also is consistent with the Commission’s policy statement on prioritization of filings prompted by COVID-19 impacts.⁶

To facilitate expedited Commission action, **PJM asks that the Commission shorten the deadline for comments and interventions concerning this filing to ten days, i.e., June 1, 2020.**

I. BACKGROUND

Tariff, Attachment DD, section 5.10(e) requires PJM to “establish the updated PJM Region Peak Load Forecast for a Delivery Year in accordance with the PJM Manuals by February 1, prior to the conduct of the First, Second, and Third Incremental Auction for such Delivery Year.”⁷ PJM complied with this requirement and posted the updated PJM

⁶ See, e.g., *Coronavirus Update: FERC Announces Point of Contact on Pandemic Response*, Federal Energy Regulatory Commission (Mar. 19, 2020), <https://ferc.gov/media/news-releases/2020/2020-1/03-19-20.asp#.Xnud3ohKjD4>; *FERC, NERC Provide Industry Guidance to Ensure Grid Reliability Amid Potential Coronavirus Impacts*, Federal Energy Regulatory Commission (Mar. 18, 2020), <https://ferc.gov/media/news-releases/2020/2020-1/03-18-20.asp#.XnueXohKjD4>; *FERC Coronavirus Update: March Meeting Canceled, Staff Telework Encouraged, Building Closed to Public*, Federal Energy Regulatory Commission (Mar. 13, 2020), <https://ferc.gov/media/news-releases/2020/2020-1/03-13-20.asp#.Xnuek4hKjD4>.

⁷ Tariff, Attachment DD, section 5.10(e).

Region Peak Load Forecast on its website on December 30, 2019.⁸ PJM's load forecast included as an input an economic model prepared by Moody's Analytics, released in September 2019.⁹

Moody's Analytics provides PJM monthly updates to its economic forecast for the United States as a whole, and for select metropolitan areas in the PJM Region. The March 2020 forecast update was the first to include estimated pandemic effects, including reducing the U.S real Gross Domestic Product ("GDP") forecast for the third quarter (i.e., July-September) of 2021 by 3.2%, relative to Moody's September 2019 forecast, which PJM used for the January 2020 load forecast.¹⁰ The April update was even worse, forecasting that third-quarter 2021 real GDP would be 7.1% lower than assumed in PJM's current load forecast for the 2021 summer peak.¹¹

In light of such trends, stakeholders expressed to PJM interest in an updated load forecast. PJM presented to the Planning Committee an initial recalculation on the load forecast showing a reduction of approximately percent.¹² PJM is now in the process of

⁸ See PJM Interconnection, L.L.C., *Load Forecast Development Process*, <https://www.pjm.com/planning/resource-adequacy-planning/load-forecast-dev-process.aspx> (last visited May 20, 2020) (showing the 2020 Load Forecast with a posting date of "12.30.19"); see generally 2020 Peak Load Forecast Report.

⁹ *Id.* at 1.

¹⁰ PJM Interconnection, L.L.C., *Update of COVID-19 Load Impacts*, at 8 (May 12, 2020), <https://pjm.com/-/media/committees-groups/committees/pc/2020/20200512/20200512-item-16-covid-19-load-impact-update.ashx> ("COVID-19 Load Impacts Update") (3.2% = 1.00 minus the ratio of the March GDP forecast index value to the September GDP forecast index value).

¹¹ *Id.* (7.1% = 1.00 minus the ratio of the April GDP forecast index value to the September GDP forecast index value).

¹² *Id.* at 9.

refining that forecast revision; indications from that effort are that the load reduction will be greater than one percent. Consequently, as matters presently stand, PJM will conduct in July the Second IA for the 2021/2022 Delivery Year using a load forecast that is now known to be significantly overstated. **PJM stresses that it is in the nature of forecasts to change, and an auction parameter update close to the auction presents a risk of unsettling Market Participant expectations.** Indeed, the Tariff provides for load forecast updates no later than February 1 precisely to provide ample notice to prospective auction participants. In this case, however, PJM views a 7.1% drop in forecast GDP, and associated significant decrease in the forecast summer peak, as too large to ignore.

Given this sudden and significant change in the PJM Region Peak Load Forecast, and in response to requests from stakeholders, PJM requests a one-time prospective waiver of Tariff, Attachment DD, section 5.10(e) to permit use of an updated 2021 summer peak load forecast in the Second IA for the 2021/2022 Delivery Year, to align the auction parameters with currently expected conditions.¹³

II. WAIVER REQUEST

Under established Commission precedent, the Commission will grant waiver of tariff provisions where: (1) the applicant acted in good faith; (2) the waiver is of limited scope; (3) the waiver addresses a concrete problem; and (4) the waiver does not have undesirable consequences, such as harm to third parties.¹⁴ The Commission has previously

¹³ PJM notes that no waiver is needed for the Third IA, which will be conducted after the next regular load forecast update. As to the BRA for the 2022-2023 Delivery Year, PJM already has pending a waiver request in Docket No. EL16-49-000 for that auction which, if granted, would also effectively allow PJM to reflect an updated load forecast in that auction as well.

¹⁴ *Sierra Pac. Power Co.*, 170 FERC ¶ 61,236, at P 10 (2020) (“*Sierra Pacific*”) (order granting waiver of in-person meeting requirements in response to COVID-19);

granted tariff waiver requests in emergency or exigent circumstances,¹⁵ as well as to address inefficient market outcomes.¹⁶ This one-time, prospective Waiver Request would serve to update a key auction parameter that has changed suddenly and significantly since it was posted per the Tariff deadline, to avoid basing the auction on a load forecast now widely recognized to be outdated as not reflecting the longer term economic downturn derived from the COVID-19 pandemic. Obviously, no PJM stakeholder, let alone national economic forecasters anticipated the pandemic and its impact back in December 2019.

The Waiver Request satisfies all four of the Commission’s criteria. First, the Waiver Request is being submitted in good faith. As noted above, PJM fully complied with the posting requirements of Tariff, Attachment DD, section 5.10(e) on December 30, 2019, well ahead of the February 1, 2020 deadline. Accordingly, this Waiver Request is not being submitted out of necessity for compliance with the Tariff, but to proactively and prospectively respond to the unanticipated, rapid reduction in 2021 economic forecasting

Midcontinent Indep. Sys. Operator, Inc., 154 FERC ¶ 61,059, at P 13 (2016) (citing waiver standards and allowing tariff waiver to implement equitable relief in light of certain tariff provisions).

¹⁵ *Sierra Pacific* at PP 10-11; *see PJM Interconnection, L.L.C.*, 146 FERC ¶ 61,041, at P 5 (order granting waiver to allow entities whose bids exceed the market clearing price to receive make-whole payments to address concerns arising from “sustained extreme weather currently being experienced in the PJM Region and [to] maintain confidence in market operations”), *order on reh’g*, 149 FERC ¶ 61,059 (2014); *see also Midcontinent Indep. Sys. Operator, Inc.*, 165 FERC ¶ 61,135, at PP 14-15 (2018) (order granting price cap waiver to address similar price cap concerns); *N.Y. Indep. Sys. Operator, Inc.*, 162 FERC ¶ 61,018, at PP 12-13 (2018) (allowing New York Independent System Operator, Inc. to consider offers that exceed tariff cap for demonstrable costs to address weather and market conditions, and noting the Commission has allowed similar waivers to address exigent circumstances).

¹⁶ *ISO New Eng., Inc.*, 170 FERC ¶ 61,188, at P 14 (2020) (allowing waiver of de-list bid submittal deadline to prevent unfair and inefficient market outcomes).

since the 2020 Peak Load Forecast Report was published. As noted above, no national economic forecaster let alone PJM member anticipated back in December the breadth of the pandemic and its devastating economic impact on the nation. The reduction in 2021 economic forecasting has resulted in significant changes to the PJM Region Peak Load Forecast, as discussed above.¹⁷ Given these significant impacts, the Waiver Request is being made in good faith.

Second, the Waiver Request is of limited scope. PJM seeks a one-time waiver to update the 2021 summer peak load forecast for use in the July 2020 Second IA for the 2021/2022 Delivery Year. Because PJM has already held the Base Residual Auction and First IA for the 2021/2022 Delivery Year, capacity commitment levels, clearing prices, and zonal capacity prices are already largely set for that Delivery Year. Therefore, the updated forecast will primarily affect only those parties newly releasing or taking on capacity commitments in the IA.

Third, the Waiver Request addresses a concrete problem—the fact that the PJM Region 2021 summer peak load forecast posted in December 2019 has changed significantly in response to the economic impacts of COVID-19. PJM does not make this waiver request lightly. As noted above, forecasts inherently change over time, and Market Participants should have ample advance notice of key auction parameters—as section 5.10(e) establishes—to plan their auction participation strategies and objectives. Waiver is warranted in this unique case, however, to address sudden and unprecedented changes resulting from the severe adverse economic impacts of the novel coronavirus pandemic that no one anticipated at the time the original forecast was prepared. All PJM load

¹⁷ COVID-19 Load Impacts Update at 9.

forecasts rely on economic forecasts for that relevant Delivery Year as a key input.¹⁸ The very same economic forecast PJM used to develop the previously posted 2021 summer peak load forecast has now been revised down dramatically.¹⁹ These sudden, large, recent changes to a key input to the PJM Region Peak Load Forecast, when coupled with the unforeseeable nature of this change, support an update to the forecast to account for the changes, and thus ground the Second IA for the 2021/2022 Delivery Year in parameters that are closer to what is now expected for 2021 summer peak loads.

Fourth, granting the Waiver Request will not have undesirable consequences, such as harm to third parties. The change to the PJM Region Peak Load Forecast will only update the load forecast to better align it with currently expected conditions, in light of the large intervening adverse change in economic forecasts due to COVID-19. As to each Market Participant, the only “consequence” is that the load forecast will be more accurate, which is not “undesirable.” And the same updated load forecast will be used for all Market Participants in the Second IA for the 2021/2022 Delivery Year. The possibility that any particular Market Participant could have a more favorable auction result from using incorrect, outdated forecasts, relative to using more accurate updated forecasts, is not an “undesirable consequence” that requires denial of the requested waiver. And while reduced

¹⁸ See PJM Interconnection, L.L.C., *Manual 19: Load Forecasting and Analysis*, § 3.1 (rev. 34, Dec. 5, 2019), <https://pjm.com/-/media/documents/manuals/m19.ashx> (stating that the PJM load forecast model is dependent on “anticipated economic growth”).

¹⁹ See COVID-19 Load Impacts Update at 8.

notice of the load forecast can be an issue for prospective auction participants, PJM has been transparent with stakeholders as expected conditions have changed rapidly.²⁰

PJM's prospective, one-time Waiver Request therefore satisfies all four elements for waiver of the Tariff, and PJM asks that the Commission to grant the Waiver Request.

III. COMMUNICATIONS

Correspondence and communications with respect to this filing should be sent to, and PJM requests the Secretary to include on the official service list, the following:²¹

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²⁰ PJM notes that it will post on June 5, 2020 (before the requested Commission action date on this Waiver Request) a set of auction parameters based on the updated load forecast. That posting is intended to provide specific concrete notice to auction participants concerning the load forecast change, but will make clear that those parameters are subject to Commission grant of this waiver request.

²¹ To the extent necessary, PJM requests waiver of Rule 203(b)(3) of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.203(b)(3), to permit all of the persons listed to be placed on the official service list for this proceeding.

IV. CONCLUSION

For the reasons specified above, PJM respectfully requests that the Commission grant this request for prospective waiver of Tariff, Attachment DD, section 5.10(e), to permit PJM to use a revised load forecast in the July 2020 Second IA for the 2020/2021 Delivery Year. PJM asks the Commission to issue its order on this request as soon as possible, but no later than June 15, 2020, and to shorten the comment and intervention deadline to ten days, to facilitate expedited Commission action.

Respectfully submitted,

/s/ Paul M. Flynn

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