July 31, 2020

The Honorable Kimberly D. Bose
Secretary
Federal Energy Regulatory Commission
888 First Street, N.E. Room 1A
Washington, D.C. 20426

Re:   PJM Interconnection L.L.C., Docket No. ER19-2722-000
      RE: January 23, 2020 Order Holding Proceeding in Abeyance

Dear Secretary Bose,

On January 23, 2020, the Commission issued an order in the above-captioned proceeding, holding PJM’s pending fast-start pricing compliance filing in abeyance until July 31, 2020.1 The Commission noted that commenters in the proceeding had “identified that PJM currently computes dispatch instructions using a different market interval than it uses to calculate prices” and that “[b]ased on these comments, it appears that resources in PJM may be compensated with prices that do not correspond to their dispatch instructions, a pricing and dispatch misalignment.”2 The Commission stated that this pricing/dispatch misalignment “may occur because PJM uses different input data for calculating dispatch and pricing in a given interval,” and that “PJM appears to dispatch resources for a target interval that is roughly 10 minutes in the future, but immediately assign the prices associated with that future dispatch interval to the current interval.”3

Citing potential complications that this pricing/dispatch misalignment could create for

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2 Id. at P 30.
3 Id. (emphasis in original).
PJM’s implementation of fast-start pricing,4 and an ongoing PJM stakeholder process regarding five-minute dispatch and pricing, the Commission held this proceeding regarding PJM’s fast-start pricing compliance filing in abeyance until July 31, 2020 “to allow PJM and its stakeholders the opportunity to fully consider necessary changes to address PJM’s pricing and dispatch misalignment issue in conjunction with the compliance directives of the Order on Paper Hearing.”5

Today, PJM submitted in Docket No. ER20-2573-000 a Federal Power Act (“FPA”) Section 2056 filing proposing revisions to its Tariff and Operating Agreement that, if accepted, will resolve the “pricing and dispatch misalignment issue” identified in the January 23, 2020 Order. Specifically, under the reforms proposed today, PJM would eliminate the practice of assigning the prices associated with a future dispatch target interval to the current interval, and instead assign prices to the identical corresponding future target interval that PJM is dispatching to. This complete alignment will ensure that resources are compensated for the same dispatch and pricing interval, thereby addressing the Commission’s concerns that “[i]f fast-start resources dispatched in a given market interval could be compensated with a price from a different market interval, prices may not accurately reflect the marginal cost of serving load.” This alignment will

4 Id. at P 31 (“In the Order on Paper Hearing, the Commission directed PJM to alter its real-time energy market clearing process to consider fast-start resources in a way that is consistent with minimizing production costs. As part of this directive, the Commission required PJM to first execute a cost-minimizing dispatch run, followed by a pricing run where integer relaxation for fast-start resources allows them to set price. However, PJM may not be able to implement these separate dispatch and pricing runs in a way that is just and reasonable without first resolving the pricing and dispatch misalignment problem. If fast-start resources dispatched in a given market interval could be compensated with a price from a different market interval, prices may not accurately reflect the marginal cost of serving load. Moreover, implementing fast-start pricing as directed in the Order on Paper Hearing could exacerbate the pricing and dispatch misalignment issue because the lost opportunity cost payments directed in the Order on Paper Hearing may be calculated based on inaccurate prices and therefore, may not correctly compensate opportunity costs. In addition, implementing fast-start pricing could cause lost opportunity cost payments to be ineffective because they may not provide correct incentives to follow dispatch.”) (internal citations omitted).

5 Id. at P 32.

also, by extension, address the Commission’s concerns with respect to opportunity cost compensation for the same respective interval, and ensure that resource have appropriate incentives to follow PJM dispatch instructions. While PJM’s submission today in Docket No. ER20-2573-000 describes additional reforms that PJM has implemented and/or is currently analyzing, the proposed Tariff and Operating Agreement revisions will, in PJM’s view, fully address the concerns articulated by the Commission in the January 23, 2020 Order.

Accordingly, PJM respectfully requests that the Commission proceed to rule on PJM’s pending fast-start compliance filing in this proceeding as soon as possible.

Respectfully submitted,

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On behalf of
PJM Interconnection, L.L.C.
CERTIFICATE OF SERVICE

I hereby certify that I have this 31st day of July, 2020 caused a copy of the foregoing document to be served upon each person designated on the official service list compiled by the Secretary in this proceeding.

/s/ Lisa Romani
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