



PJM Interconnection, L.L.C.
2750 Monroe Boulevard
Audubon, PA 19403

Thomas DeVita
Senior Counsel
T: (610) 635-3042 | F: (610) 666-8211
Thomas.DeVita@pjm.com

June 10, 2021

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. EL21-____-000
Section 206 Filing to Establish Refund Effective Date and Motion to Hold
Hearing in Abeyance*

Dear Secretary Bose:

Pursuant to section 206 of the Federal Power Act (“FPA”),¹ and Rule 206 of the Federal Energy Regulatory Commission’s (“FERC” or the “Commission”) Rules of Practice and Procedure,² PJM Interconnection, L.L.C. (“PJM”) hereby identifies an unjust and unreasonable aspect of the formula for determining the Regulation market performance-clearing price (“RMPCP”) credit, as stated in PJM Open Access Transmission Tariff (“Tariff”), Attachment K-Appendix, section 3.2.2(g) and the Amended and Restated Operating Agreement of PJM Interconnection, L.L.C. (“Operating Agreement”), Schedule 1, section 3.2.2(g).³ Specifically, under certain, rare circumstances, one input into the specified formula—“mileage ratio”—can result in a zero in the denominator, creating an undefined value and making determination of the

¹ 16 U.S.C. § 824e.

² 18 C.F.R. § 385.206.

³ Terms not otherwise defined herein shall have the same meaning as set forth in the Tariff and Operating Agreement. Tariff, Attachment K-Appendix and Operating Agreement, Schedule 1 and are identical. For convenience, where PJM refers herein to proposed revisions to Tariff, Attachment K-Appendix, those references also are intended to encompass the identical, parallel proposed revisions to the corresponding provisions of Operating Agreement, Schedule 1.

clearing price credits for all resources that provided Regulation in the relevant settlement interval indeterminate.

While PJM is currently working with stakeholders⁴ to identify a solution for PJM to propose through an FPA section 205 filing,⁵ for the purpose of protecting the market and Market Participants, PJM submits this filing to establish a refund effective date for the replacement calculation. PJM anticipates that the FPA section 205 filing will supply the replacement rate. Accordingly, PJM, pursuant to FPA section 206(b),⁶ requests an effective date of June 10, 2021, the date of this filing, to ensure the earliest possible refund effective date. PJM also requests that the Commission hold the associated hearing procedures under FPA section 206 in abeyance for a period ending the date that the Commission rules on PJM's forthcoming FPA section 205 filing to propose a just and reasonable replacement rate.

I. BACKGROUND

The PJM Regulation market utilizes two automatic generator control signals: RegA (traditional) and RegD (dynamic). Regulation resources can follow a signal based on the resource's limitations and business practices. As set forth in Tariff, Attachment K-Appendix, section 3.2.2(g), owners of Regulation resources that actively follow PJM's Regulation signals are credited for Regulation performance:

by multiplying the assigned [megawatts ("MW")] by the Regulation market performance-clearing price, *by the ratio between the requested mileage for the Regulation dispatch signal assigned to the Regulation*

⁴ This work is currently being conducted at the PJM Market Implementation Committee. *See Market Implementation Committee*, PJM Interconnection, L.L.C., <https://www.pjm.com/committees-and-groups/committees/mic> (last visited June 9, 2021).

⁵ 16 U.S.C. § 824d.

⁶ 16 U.S.C. § 824e(b).

resource and the Regulation dispatch signal assigned to traditional resources, and by the Regulation resource’s accuracy score calculated in accordance with subsection (k) of this section.⁷

In practice, PJM calculates the RMPCP credit for each resource by multiplying each Regulation increment in MWs during the five-minute interval by the RMPCP for that interval, by the applicable hourly mileage ratio (the italicized clause above), and by the resource’s actual performance score for that five-minute interval. The result is then divided by 12 to determine the five-minute settlement interval RMPCP credit.⁸

The “mileage ratio” component of the equation above is *the* issue in this filing. Mileage “is the summation of movement requested by the regulation control signal a resource is following [RegA or RegD].”⁹ Regulation mileage measures the amount of “movement” of the RegA and RegD signals and is used as a component of calculating the RMPCP credit for each Regulation Zone.¹⁰ Accordingly, the mileage ratio is determined by comparing the movement of the signal the Regulation resource is following—whether RegA or RegD—against how much the RegA signal moved. Expressed formulaically, mileage ratio is $[(\text{RegA or RegD}) / \text{RegA}]$. In other words, regardless of which Regulation signal a resource is following (RegA or RegD), the mileage ratio component of the RMPCP credit utilizes as the denominator RegA hourly mileage (i.e., the “Regulation dispatch signal assigned to traditional resources”).¹¹

⁷ Tariff, Attachment K-Appendix, section 3.2.2(g) (emphasis added); Operating Agreement, Schedule 1, section 3.2.2(g) (emphasis added).

⁸ See PJM Interconnection, L.L.C., *Manual 28: Operating Agreement Accounting*, § 4.2 (rev. 84, Dec. 17, 2020), <https://pjm.com/-/media/documents/manuals/m28.ashx>.

⁹ See PJM Interconnection, L.L.C., *Manual 11: Energy & Ancillary Services Market Operations*, § 3.2.7.3 (rev. 113, Mar. 29, 2021), <https://pjm.com/-/media/documents/manuals/m11.ashx>.

¹⁰ See *id.*

¹¹ Tariff, Attachment K-Appendix, section 3.2.2(g); Operating Agreement, Schedule 1, section 3.2.2(g).

PJM has recently observed that the RegA signal can be flat, or “pegged,” for extended periods, meaning the signal stays either full raise or full lower and does not move. When this occurs for a full hour, the RegA value in the denominator of the mileage ratio is “0,” which produces an undefined number (i.e., $0/0 = \text{undefined}$ for RegA mileage ratio; $1/0 = \text{undefined}$ for RegD mileage ratio). This undefined number, in turn, results in an undefinable RMPCP credit for the applicable settlement interval. Instances of the RegA signal pegging for protracted periods are rare, but can happen. Indeed, PJM recently identified an instance in which the RegA signal pegged for more than one hour, resulting in a non-real mileage ratio value for that interval.¹²

II. THE CURRENT REGULATION MILEAGE RATIO CAN PRODUCE AN UNJUST AND UNREASONABLE RATE AND MUST BE REPLACED.

Resources should be provided credits for providing Regulation in accordance with the applicable clearing price. It is unjust and unreasonable for the circumstance to arise in which the Regulation clearing price is above \$0.00 and resources fail to receive RMPCP credits because the mileage ratio was mathematically undefinable. Accordingly, the calculation of the RMPCP credit as set forth in the Tariff and Operating Agreement is unjust and unreasonable and must be replaced with a just and reasonable rate.

When the Commission finds that existing tariff terms are unjust, unreasonable, or unduly discriminatory under FPA section 206, it must establish the just and reasonable terms needed to replace the terms and conditions it found unlawful.¹³ PJM and its stakeholders are currently engaged in work focused on identifying a just and reasonable

¹² However, for other reasons, the applicable clearing price was \$0.00 during the time the RegA was pegged at zero, so no party was denied RMPCP credits as a result of the mileage ratio being undefined, because the credits would have been \$0 regardless of whether the RegA hourly mileage had been a real value.

¹³ See 16 U.S.C. § 824e.

replacement for the current mileage ratio calculation.¹⁴ The stakeholder process is expected to conclude on or before October 1, 2021. Thereafter, PJM will file pursuant to its authority under FPA section 205, the just and reasonable replacement rate.¹⁵

III. REFUND EFFECTIVE DATE AND MOTION TO HOLD HEARING IN ABEYANCE

PJM respectfully requests that the Commission set a refund effective date of June 10, 2021, the date of this filing, to provide for the earliest possible refund effective date for the forthcoming just and reasonable replacement rate. Such a refund effective date will allow for the replacement rate to be used in place of the current mileage ratio, to the extent that the mileage ratio is undefined and a seller is due RMPCP credits.

Granting the requested refund effective date will not retroactively increase the rates charged to customers for Regulation service.¹⁶ This is because under the replacement solutions being contemplated by PJM and its stakeholders, regulation market clearing prices and rates paid by customers for Regulation service under the Tariff will remain unchanged. Rather, the sole purpose of the refund effective date and the forthcoming replacement rate is to *credit* the amounts owed to Market Sellers for providing Regulation service, where the amounts cannot otherwise be determined under the current crediting mechanism. Thus, the establishment of a refund effective date will allow for the *allocation* of amounts *already collected* once the Commission approves a

¹⁴ See PJM Interconnection, L.L.C., *Undefined Regulation Mileage Ratio Calculation, Issue Charge* (May 13, 2021), <https://pjm.com/-/media/committees-groups/committees/mic/2021/20210513/20210513-item-04c-regulation-mileage-ratio-calculation-issue-charge.ashx>.

¹⁵ See 16 U.S.C. § 824d.

¹⁶ See *City of Anaheim v. FERC*, 558 F.3d 521, 523-25 (D.C. Cir. 2009) (the Commission may not retroactively increase rates paid by customers pursuant to its FPA section 206(b) authority).

replacement rate, and will not result in any increase in charges to customers. Such action is squarely within the Commission's authority under FPA section 206.¹⁷

In finding the current rate unjust and unreasonable and approving the requested refund effective date, PJM further requests that the Commission hold the associated hearing procedures under FPA section 206 in abeyance for a period ending the date that the Commission rules on PJM's forthcoming FPA section 205 filing to propose a just and reasonable replacement rate.¹⁸ The requested abeyance will avoid duplicative efforts before the Commission and in the ongoing PJM stakeholder process to determine the just and reasonable replacement rate for the mileage ratio component of the calculation under Tariff, Attachment K-Appendix, section 3.2.2(g).

IV. COMMUNICATIONS

The following individuals are designated for inclusion on the official service list in this proceeding and for receipt of any communications regarding this filing:

Craig Glazer
Vice President – Federal Government
Policy
PJM Interconnection, L.L.C.
1200 G Street, N.W.
Suite 600
Washington, D.C. 20005
(202) 202-423-4743
Craig.Glazer@pjm.com

Thomas DeVita
Senior Counsel
PJM Interconnection, L.L.C.
2750 Monroe Blvd.
Audubon, PA 19403
(610) 635-3042 (phone)
(610) 666-8211 (fax)
Thomas.DeVita@pjm.com

¹⁷ See, e.g., *Verso Corp. v. FERC*, 898 F.3d 1, 11-12 (D.C. Cir. 2018) (upholding reallocation of costs where the aggregated rate remained the same); *Calpine Corp. v. PJM Interconnection, L.L.C.*, 171 FERC ¶ 61,035, at P 59 (granting refund effective date under FPA section 206 does not make replacement rate effective retroactively), *order on compliance, granting waiver request, addressing arguments raised on rehearing, & setting aside prior order, in part*, 173 FERC ¶ 61,061 (2020).

¹⁸ 18 C.F.R. § 385.212.

Paul M. Flynn
Ryan J. Collins
Elizabeth P. Trinkle
Wright & Talisman, P.C.
1200 G Street, N.W., Suite 600
Washington, D.C. 20005
(202) 393-1200 (phone)
(202) 393-1240 (fax)
flynn@wrightlaw.com
collins@wrightlaw.com
trinkle@wrightlaw.com

V. COMPLIANCE WITH RULE 206

In compliance with Rule 206 of the Commission's Rules of Practice and Procedure,¹⁹ PJM provides the following additional information:

A. Identification and Explanation of the Action/Inaction Violating Applicable Statutory and Regulatory Requirements (Rules 206(b)(1) and (b)(2))

This issue is addressed in Section II above.

B. Financial Impacts (Rules 206(b)(3) and (b)(4))

As discussed above, resources should be provided credits for providing Regulation in accordance with the applicable clearing price. When the RegA signal is pegged for a full hour, the RegA value in the denominator of the mileage ratio is "0," which produces an undefined number which, in turn, results in an undefinable RMPCP credit for the applicable settlement interval.

C. Operational or Non-Financial Impacts (Rule 206(b)(5))

There are no operational impacts associated with the Tariff and Operating Agreement provisions at issue in this filing.

¹⁹ 18 C.F.R. § 385.206.

D. Related Proceedings (Rule 206(b)(6))

There issues presented in this filing are not pending in any existing Commission proceeding or a proceeding in any other forum.

E. Relief Requested (Rule 206(b)(7))

PJM's requested relief is discussed in Section III above.

F. Supporting Documents (Rule 206(b)(8))

There are no supporting documents applicable to this filing.

G. Informal Dispute Resolution Procedures Used and Alternative Dispute Resolution (Rule 206(b)(9))

This requirement is not applicable to this filing.

H. Notice (Rule 206(b)(10))

PJM has appended a form of notice of this filing for publication in the Federal Register in accordance with the specifications in section 385.203(d) of the Commission's rules.

I. Request for Fast Track Processing (Rule 206(b)(11))

PJM does not request fast track processing for this filing.

J. Service (Rule 206(c))

PJM has served a copy of this filing on all PJM members and on all state utility regulatory commissions in the PJM Region by posting this filing electronically. In accordance with the Commission's regulations,²⁰ PJM will post a copy of this filing to the FERC filings section of its internet site, located at the following link: <https://www.pjm.com/library/filing-order.aspx> with a specific link to the newly-filed

²⁰ See 18 C.F.R. §§ 35.2(e), 385.2010(f)(3).

document, and will send an e-mail on the same date as this filing to all PJM members and all state utility regulatory commissions in the PJM Region alerting them that this filing has been made by PJM and is available by following such link. PJM also serves the parties listed on the Commission's official service list for this docket. If the document is not immediately available by using the referenced link, the document will be available through the referenced link within 24 hours of the filing. Also, a copy of this filing will be available on the FERC's eLibrary website located at the following link: <https://www.ferc.gov/ferc-online/elibrary> in accordance with the Commission's regulations and Order No. 714.

VI. CONCLUSION

Accordingly, PJM respectfully requests that the Commission: (1) find PJM's Operating Agreement, Schedule 1 and Tariff, Attachment K-Appendix to be unjust and unreasonable, as discussed in this filing; (2) establish a refund effective date of June 10, 2021; and (3) hold the associated hearing procedures under FPA section 206 in abeyance for a period ending the date that the Commission rules on PJM's forthcoming FPA section 205 filing to propose a just and reasonable replacement rate.

Respectfully submitted,

/s/ Thomas DeVita

Thomas DeVita
Senior Counsel
PJM Interconnection, L.L.C.
2750 Monroe Blvd.
Audubon, PA 19403
(610) 635-3042 (phone)
(610) 666-8211 (fax)
Thomas.DeVita@pjm.com

Craig Glazer
Vice President – Federal Government Policy
PJM Interconnection, L.L.C.
1200 G Street, N.W., Suite 600
Washington, D.C. 20005
(202) 202-423-4743
Craig.Glazer@pjm.com

Paul M. Flynn
Ryan J. Collins
Elizabeth P. Trinkle
Wright & Talisman, P.C.
1200 G Street, N.W., Suite 600
Washington, D.C. 20005
(202) 393-1200 (phone)
(202) 393-1240 (fax)
flynn@wrightlaw.com
collins@wrightlaw.com
trinkle@wrightlaw.com

On behalf of
PJM Interconnection, L.L.C.

June 10, 2021

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

PJM Interconnection, L.L.C.

)

Docket No. EL21-__-000

NOTICE OF FILING

()

Take notice that on June 10, 2021, PJM Interconnection, L.L.C. (“PJM”) made a filing pursuant to section 206 of the Federal Power Act (“FPA”) identifying an unjust and unreasonable aspect of the formula for determining the Regulation market performance-clearing price credit, as stated in PJM Open Access Transmission Tariff Attachment K-Appendix, section 3.2.2(g) and the Amended and Restated Operating Agreement of PJM Interconnection, L.L.C., Schedule 1, section 3.2.2(g). PJM submitted this filing to establish a refund effective date for the replacement calculation of the formula, which is currently under development in the PJM stakeholder process. The replacement calculation will then be submitted to the Commission by PJM pursuant to FPA section 205. PJM further requests that the Commission hold hearing procedures in this proceeding in abeyance to accommodate PJM’s forthcoming FPA section 205 filing.

Any person desiring to intervene or to protest this filing must file in accordance with Rules 211 and 214 of the Commission’s Rules of Practice and Procedure, (18 C.F.R. §§ 385.211 and 385.214). Protests will be considered by the Commission in determining the appropriate action to be taken, but will not serve to make protestants parties to the proceeding. Any person wishing to become a party must file a notice of intervention or motion to intervene, as appropriate. The Respondent’s answer and all interventions, or protests must be filed on or before the comment date. The Respondent’s answer, motions to intervene, and protests must be served on the Complainants.

The Commission encourages electronic submission of protests and interventions in lieu of paper using the “eFiling” link at <http://www.ferc.gov>. Persons unable to file electronically should submit an original and 14 copies of the protest or intervention to the Federal Energy Regulatory Commission, 888 First Street, N.E., Washington, D.C. 20426.

This filing is accessible on-line at <http://www.ferc.gov>, using the “eLibrary” link and is available for review in the Commission’s Public Reference Room in Washington, D.C. There is an “eSubscription” link on the web site that enables subscribers to receive email notification when a document is added to a subscribed docket(s). For assistance with any FERC Online service, please email FERCOnlineSupport@ferc.gov, or call (866) 208-3676 (toll free). For TTY, call (202) 502-8659.

Comment Date: 5:00 pm Eastern Time on (insert date).

Kimberly D. Bose
Secretary