UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

	)		
PJM Interconnection, L.L.C.	)	Docket Nos.	ER15-623-000
	)		EL15-29-000
	)		(not consolidated)

MOTION TO INTERVENE AND COMMENTS
OF EQUIPOWER RESOURCES CORP.

Pursuant to Rules 211 and 214 of the Rules of Practice and Procedure of the Federal Energy Regulatory Commission ("FERC" or the "Commission"),[1] EquiPower Resources Corp. ("EquiPower") hereby submits this motion to intervene and comments with respect to PJM Interconnection, L.L.C.'s ("PJM") December 12, 2014 filings proposing significant reforms to its Reliability Pricing Market ("RPM") and related rules in the PJM Open Access Transmission Tariff ("Tariff") and the Amended and Restated Operating Agreement ("Operating Agreement") in Docket No. ER15-623-000 and Docket No. EL15-29-000 (collectively, the "CP Proposal") to create two capacity products—a base capacity product ("BC") and a capacity performance product ("CP").[2] While EquiPower applauds PJM's sense of urgency in dealing with reliability issues following the polar vortex winter of 2013/14, the manner in which the reforms are being proposed is rushed and will produce unintended adverse consequences absent Commission action.

I. MOTION TO INTERVENE

EquiPower, through its subsidiaries and affiliates, owns and operates a generation fleet of approximately 8,500 MW, including more than 3,600 MW consisting of coal, oil, and gas

---

[1] 18 C.F.R. §§ 385.211, 385.214 (2014).

[2] Unless otherwise indicated, all capitalized terms used herein have the same meaning as provided in the PJM Tariff or the CP Proposal.

generation located in the PJM balancing authority area.[3] EquiPower has a considerable interest in the CP Proposal being implemented in a manner that increases the likelihood of achieving its objectives. EquiPower and its public utility affiliates may be directly affected by the outcome of these proceedings, and no other party can adequately protect their interests. As such, EquiPower respectfully requests that the Commission grant this motion to intervene.

II. COMMUNICATIONS

The persons to whom correspondence, pleadings and other materials regarding this proceeding should be addressed and whose names are to be placed on the Commission's official service list on behalf of EquiPower are designated as follows:

Donna M. Poresky Senior Vice President and General Counsel EquiPower Resources Corp. 100 Constitution Plaza, 10th Floor Hartford, CT 06103 Tel: (860) 656-0814 dporesky@eqpwr.com	James A. Ginnetti Senior Vice President, External Affairs and Markets EquiPower Resources Corp. 100 Constitution Plaza, 10th Floor Hartford, CT 06103 Tel: (860) 656-0822 jginnetti@eqpwr.com

III. COMMENTS

A. PJM's Rushed Implementation Is Inefficient And Will Lead To Adverse Unintended Consequences Unless PJM Implements A Floor Price For BC Resources

PJM's timeline seeking to have the CP Proposal in place by the 2015 Base Residual Auction ("BRA") this May is aggressive. The PJM Tariff and Operating Agreement provisions needed to implement the CP Proposal were not filed with the Commission until December 12, 2014, and comments were not due until January 20, 2015. Yet generator owners were required to submit requests for exception to offer as CP resources and detailed cost data

---

3 EquiPower indirectly owns and operates Liberty Electric Power LLC, Kincaid Generation LLC, 50% of Elwood Energy LLC and Richland-Stryker Generation LLC.

related to offer caps with PJM and the Independent Market Monitor ("IMM") by January 11, 2015.

This timing has not provided anywhere near sufficient time for generator owners and operators to evaluate and develop project improvements, conduct necessary technical, environmental, and economic analyses to determine the feasibility and cost of such potential improvements or pursue other potential alternatives to increase fuel supply stability and flexibility in order to provide CP. Such work must be completed in order for generator owners to prepare and submit data and offers that are accurate. Since PJM is seeking to increase the level of operational availability of its fleet of generators, it must provide owners and operators adequate time to develop, engineer and implement the wide range of potential necessary improvements or alternative arrangements (*e.g.*, installing freeze protection, purchasing products to provide more secure, flexible gas delivery where available, permitting and building additional fuel interconnections, permitting and installing dual fuel capability, etc.). The requirements for providing CP are especially challenging for units that have historically operated as peakers, since they must have increased dispatch flexibility (*e.g.*, available on one hour notice around the clock) beyond the improved cold weather reliability expected of traditional base load resources. These flexibility requirements can only be met through more involved unit upgrades and/or coordinated development of new flexible fuel supply products with individual gas pipelines or local distribution companies. Generator owners and operators could not reasonably be expected to complete the requisite analyses prior to the January 11 deadline (*i.e.*, in less than a month over the holidays) required to appropriately reflect the risks and rewards associated with this drastic modification to the obligations expected of resources participating in capacity market for the May 2015 BRA.

Without adequate time to adapt, clean and efficient gas-only peaking units, which are critical to system reliability (especially in the summer) and heavily dependent on capacity revenues in order to stay online, may have been forced to seek an exception to the must offer requirement for CP. If significant amounts of generation capacity, including traditional peaking capacity, sought an exception simply because adequate time was not permitted for them to become able to make the representations that PJM is seeking when a CP offer is made, there could be a glut of BC resources (and a dearth of CP resources) that could result in extremely low clearing price for BC resources for the 2018/19 Delivery Year. These very low prices could force peaking generators into financial distress and potentially premature retirement, which could lead to reliability issues for PJM, particularly given the demonstrated need for these gas-only generators—especially during the summer peaks and in order to provide ramping capability required to support increasing amounts of intermittent renewable resources and the region's environmental objectives.

EquiPower is particularly concerned that unintended consequences could extend into the summer months as peaking units try to manage compliance with CP and are faced with potentially inadequate revenues from BC.[4] As such, the Commission should direct PJM to institute a floor price for BC resources for the 2015 BRA for the 2018/19 Delivery Year. This floor price should be set at a value equal to the average clearing prices in each LDA for the last three BRAs. Such a floor price will ensure that resources that can qualify for CP once solutions are developed (but did not have adequate time to develop such solutions prior to January 11,

---

[4] Note that peaking units that have historically been needed for reliability in the summer months that expect only to receive BC revenues in the 2018/19 Delivery Year (because their owners cannot convert them to CP resources) are now precluded from seeking to deactivate and not participate in the capacity market for such year because they would have had to obtain approval from PJM in 2014.

2015) to collect sufficient revenues to remain in the market until they have enough time to find a way to qualify.[5] Absent such a protection, EquiPower is concerned that PJM will be uneconomically and inefficiently pushing generation capacity out of the market in this rush to implementation.

B. The CP Proposal Includes Certain Key Features That The Commission Should Approve

1. The CP Proposal Appropriately Allocates Risk Between Generators And PJM

One of the strengths of PJM's CP is that it does not penalize generators for following PJM's operating directives, including not being dispatched, or taking a PJM-approved planned or maintenance outage. These causes are more within the control of PJM than the generator, and the CP Proposal appropriately does not penalize generators for reductions in output which PJM can, but the generators cannot, control. FERC should accept this feature of the CP Proposal as just and reasonable and not unduly discriminatory or preferential.

2. The CP Proposal Recognizes The Importance of Business Judgment Of Risk

Another strength of the CP Proposal is the ability of generator owners to offer into the market at up to a level of the Net Cost of New Entry ("Net CONE") without having offers reviewed or adjusted by the IMM. This should allow generators to reflect their long-run marginal cost, including a return on invested capital and appropriate risk factors, while competing with existing and new generators to clear in the market. In contrast, under ISO-NE's Pay for Performance capacity market rules, the ISO-NE Internal Market Monitor reviews offers

---

[5] To the extent that the Commission seeks to approve the CP Proposal with changes, generator owners and operators must be given an opportunity to supplement or revise data, information or requests already provided to PJM and the IMM in order to reflect such changes to the market design. Given the complexity of this market, even small design changes can have major impacts on expected risks and returns, and, as such, market participants must be given adequate notice and opportunity to supplement or revise information or requests previously provided.

above a level of approximately 35% of Net CONE, which can greatly increase the likelihood of the market monitor substituting its view of the risks of participating in the capacity market for the view of the generator owner who is in a far better position to assess the specific business risk associated with its own assets. The Commission should make it clear in approving the CP Proposal that all generator offers at or below Net CONE will be exempt from review and adjustment by the PJM IMM.

C. PJM Should Be Directed To Recalculate Net CONE

Given that generator owners will be able to offer up to Net CONE, as set forth in the CP Proposal, PJM must recalculate the existing level of Net CONE to recognize the additional increase in capital investment needed to become a CP resource and the increased risk that generators face in providing the CP product. Without Net CONE representing accurate cost of entry into the market, suppressed capacity prices are inevitable and thereby increase market inefficiency and degrade reliability. PJM must ensure that Net CONE captures all costs, especially a risk premium that reflects potential penalty payments, needed to become a CP resource.

IV. CONCLUSION

For the foregoing reasons, EquiPower respectfully requests that the Commission (i) grant its motion to intervene, (ii) direct PJM to institute a floor price for BC resources for the 2015 BRA for the 2018/19 Delivery Year equal to the average clearing prices in each LDA in the last three BRAs, (iii) approve the elements of the CP Proposal that do not penalize generators for following PJM dispatch instructions, including not being dispatched, or taking a PJM-approved planned or maintenance outage and that exempt offers at or below Net CONE from IMM review, (iv) clarify that all generation offers at or below Net CONE will be exempt from review and adjustment by the IMM and (v) direct PJM to recalculate Net CONE recognizing the costs necessary to be a CP resource, including the risk premium for participating in a CP capacity market.

Respectfully submitted,

/s/ James A. Ginnetti

James A. Ginnetti
Senior Vice President
EquiPower Resources Corp.
100 Constitution Plaza, 10th Floor
Hartford, CT 06103

Dated: January 20, 2015

Certificate of Service

I hereby certify that I have this day served the foregoing document upon each person designated on the official service list compiled by the Secretary of the Commission in this proceeding.

Dated at Washington, DC this 20th day of January, 2015.

/s/ Geneva Dixon

Geneva Dixon
555 Eleventh Street, NW
Suite 1000
Washington, DC 20004
(202) 637-2200

Document Content(s)