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May 18, 2016

The Honorable Kimberly D. Bose, Secretary
Federal Energy Regulatory Commission
888 First Street, N.E., Room 1A
Washington, D.C. 20426-0001

*Re: PJM Interconnection, L.L.C. Docket No. ER16- _____ -000
Wholesale Market Participation Agreement No. 4469; Queue No. AA1-106*

Dear Secretary Bose:

Pursuant to section 205 of the Federal Power Act (“FPA”),¹ and part 35 of the regulations of the Federal Energy Regulatory Commission (“Commission” or “FERC”),² PJM Interconnection, L.L.C. (“PJM”) submits for filing an executed Wholesale Market Participation Agreement (“WMPA” or “Agreement”) entered into among PJM, IMG Development, LLC (“Wholesale Market Participant” or “IMG”) and Pennsylvania Electric Company (“Transmission Owner” or “Penelec”) executed on May 3, 2016. PJM is submitting this Agreement for filing because the Wholesale Market Participant intends to engage in wholesale sales in the PJM markets from a generating facility connected to the Transmission Owner’s distribution facilities.

PJM requests an effective date of May 3, 2016 for this WMPA, which is designated as Service Agreement No. 4469,³ and attached to this filing. The WMPA will facilitate the Wholesale Market Participant’s intent to engage in jurisdictional wholesale transactions in the PJM markets, which will originate over Penelec’s non-jurisdictional distribution facilities.

¹ 16 U.S.C. § 824d (2006).

² 18 C.F.R. Part 35 (2014).

³ Because this WMPA being electronically filed with this transmittal letter contains electronic signatures and not the original signatures of the parties, a copy of the sheet(s) containing the original signatures is included as Attachment A to this transmittal letter.

I. BACKGROUND

On February 22, 2006, the Commission issued the GSG Order,⁴ which held that the interconnection of a generator to non-jurisdictional distribution facilities is not, in and of itself, action regulated by the FPA.⁵ The Commission further stated that the distribution facilities become FERC jurisdictional once a wholesale transaction occurs on the system. This action would, therefore, render any subsequent interconnection to the relevant distribution facilities Commission jurisdictional.

PJM routinely receives requests from generation developers seeking to interconnect at a distribution level, in order to participate in sales to the PJM markets. Where the relevant facilities are non-jurisdictional (because there exists no previously interconnected generator engaging in wholesale transactions), and, in light of the GSG Order, PJM developed the WMPA as a contractual means to address these requests and provide to all affected parties a process to enable PJM to properly track and study this category of generator interconnection, as well as to facilitate the generator's participation in PJM's organized wholesale markets. The WMPA also serves to establish important revenue and (if necessary) operational metering requirements in order to give PJM visibility to pay the generator for output and for potential operational security requirements. In rare instances, a non-jurisdictional interconnection could impact the integrated transmission system. The WMPA process allows PJM to ensure that this contingency is studied and corrected, if necessary.

At this time FERC has previously accepted a number of WMPAs in earlier filings

⁴ See *PJM Interconnection, L.L.C.*, 114 FERC ¶ 61,191 (2006) (“GSG Order”).

⁵ See *PJM Interconnection, L.L.C.*, 116 FERC ¶ 61,102 (2006) (Order Denying Rehearing and Clarification and noting the FPA denies the Commission jurisdiction “over facilities used in local distribution”). The Order denies the requests for rehearing filed on behalf of GSG, the American Wind Energy Association and Mendota Hills, LLC.

involving other participants. The instant filing is in the same form as the earlier submittals.⁶

II. THIS WMPA ESTABLISHES REASONABLE REQUIREMENTS TO ENABLE WHOLESALE TRANSACTIONS SUBJECT TO THE COMMISSION'S JURISDICTION.

The instant WMPA is filed pursuant to the Commission's jurisdiction under section 205 of the FPA and the Commission's independent jurisdictional authority over wholesale sales of electric energy and related products in PJM's markets. These transactions plainly constitute regulated wholesale transactions pursuant to section 201(b)(1) of the FPA.⁷ Under the FPA, the Commission has broad jurisdiction to regulate the wholesale sale of electricity in interstate commerce.⁸ As noted above, the transactions will originate over facilities that are not Commission jurisdictional, namely the distribution facilities. In such circumstances, the Commission parses the transaction so as to apply its jurisdiction to only those aspects of the transaction that are Commission jurisdictional. For example, the Commission applies this logic to determine jurisdiction over an interconnection on a facility used for both retail and wholesale transactions as discussed in Order No. 2003,⁹ by segregating the jurisdictional transaction from the retail sales. The Commission noted: "[W]here the 'distribution' facilities have a dual use, *i.e.*, the facilities are used for both wholesale sales and retail sales, the Final Rule applies to

⁶ See *PJM Interconnection, L.L.C.*, Docket Nos. ER12-2594-000; ER12-2610-000; ER12-2550-000; ER12-2409-000; ER12-2294-000; ER12-2421-000; ER12-2416-000; ER12-2174-000; ER12-2293-000; ER12-2155-000; ER12-2126-000; ER12-2128-000 and ER12-2143-000.

⁷ Specifically, the FPA applies "to the transmission of electric energy in interstate commerce and to the sale of electric energy at wholesale in interstate commerce." 16 U.S.C. § 824(b)(1) (*emphasis added*).

⁸ See 16 U.S.C. § 824(d) ("Unless the Commission otherwise orders, no change shall be made by any public utility in any such rates, charges, classification, or service, or in any rule, regulation, or contract relating thereto, except after sixty days' notice to the Commission and to the public").

⁹ See *Detroit Edison Co. v. FERC*, 334 F.3d 48, 51 (D.C. Cir. 2003) (explaining that the Commission has jurisdiction "over all wholesale service," including wholesale transactions that occur over "local distribution" facilities); See also, *PJM Interconnection, L.L.C.*, 116 FERC ¶ 61,102 (July 31, 2006) at P 22. ("Because no wholesale transaction is being conducted on ComEd's distribution facilities, we find there is no Commission-jurisdictional use of the facilities" Hence, a wholesale transaction would be a jurisdictional use.).

interconnections to these facilities only for the purpose of making sales of electric energy for resale in interstate commerce.”¹⁰ The Commission bifurcates the use of the facility and applies its jurisdiction only to the applicable transaction, the wholesale sale. Here, the generator’s use of, and taking of service over, the distribution facilities does not diminish the Commission’s independent jurisdiction to regulate the generator’s sale of energy and related products in PJM’s organized wholesale markets.

This logic is consistently applied in other areas of Commission jurisdiction as well. For example, the Commission applied similar reasoning when it determined it has jurisdiction to require transmission service over non-jurisdictional local distribution facilities in *Tex-La Electric Cooperative of Texas, Inc.*¹¹ The Commission noted that it retained authority to order transmission service pursuant to section 211 of the FPA regardless of any local distribution function of the facilities involved and “. . . transmission *services* may encompass the use of *facilities* that in other contexts would be classified as distribution facilities.”¹² Similarly, in *Laguna Irrigation District*, the Commission noted that wholesale customers should be allowed the protection of section 210 of the FPA based merely on the label attached to the facilities to which they interconnect.¹³

Accordingly, since the WMPA addresses the terms and conditions necessary for the generator to make wholesale sales in the PJM markets, PJM applies the same reasoning as detailed above and believes that an agreement enabling such sales (the WMPA) similarly falls within the Commission’s jurisdiction.

¹⁰ Order No. 2003 at P804; *Accord* Order No. 2003-C at P 53.

¹¹ *Tex-La Electric Cooperative of Texas, Inc.*, 67 FERC ¶ 61,019, *final order*, 69 FERC ¶ 61,269 (1994) (“*Tex-La Electric Cooperative*”); *See Laguna Irrigation District*, 95 FERC ¶ 61,305 (2001), *aff’d sub nom. Pacific Gas & Electric Co. v. FERC*, 44 Fed. Appx. 170 (9th Cir. 2002) (“*Laguna Irrigation*”).

¹² *Tex-La Electric Cooperative of Texas, Inc.*, 67 FERC ¶ at 61,056 n. 36 (emphasis in original).

¹³ *Laguna Irrigation, supra*.

Should the Commission disagree and decide not to exercise its jurisdiction over the WMPA, PJM will, nonetheless, require execution of the WMPA by similarly-situated generators and transmission owners as a matter of contract. The matters addressed by the WMPA are essential to preserve the continued integrity of PJM's functions as a grid operator and market administrator; and, as such, are properly deemed reasonable conditions of entry, like other RTO membership requirements, for a generator electing to participate in PJM's voluntary markets.

III. THE WMPA APPLIES TO WHOLESALE SALES ONLY.

PJM submitted the WMPA for filing because the WMPA is a form of agreement not presently contained in either the PJM Open Access Transmission Tariff ("PJM Tariff") or the PJM Operating Agreement. The WMPA applies only to wholesale transactions and is not intended to govern the actual physical interconnection of a generating facility to the distribution system. Therefore, it is immaterial whether the WMPA concerns a new interconnection to a distribution system or a pre-existing interconnection on a distribution system where the pre-existing generator subsequently elects to participate in the PJM markets. The WMPA will be initiated for the purpose of facilitating the wholesale sale and not the interconnection. To date, generator market participants connecting to the distribution system have been receptive to the use of the WMPA as a means to facilitate future sales into the PJM markets and to support the state interconnection processes as well. Further, the WMPA allows a vehicle for PJM to examine the potential reliability impacts the interconnection may have on the grid.

As the GSG Order directs,¹⁴ interconnection to the distribution system is not FERC jurisdictional until wholesale sales begin on the system. Hence, the PJM Tariff would not apply to govern the terms and conditions of the physical interconnection, including the attachment of

¹⁴ See GSG Order at P 14.

facilities and terms of use and charges for distribution service needed to afford the generator access to the PJM Transmission System. Again, PJM's interest is to ensure sufficient visibility, and where necessary, control over generation that is participating as a Market Seller under the PJM Operating Agreement.¹⁵

IV. THE WMPA DIFFERS FROM THE ISA IN NUMEROUS IMPORTANT ASPECTS.

The WMPA is designed to have a similar format to the PJM Interconnection Service Agreement ("ISA") in order to provide a manageable and familiar document for the participants. Unlike the ISA, however, the WMPA does not address matters involving the actual physical interconnection of the generator to the distribution system or any terms, conditions or charges related to any service provided by the distribution system to the generator. The WMPA contains many provisions also typically found in an ISA that govern the relationship between the generator and PJM. These provisions establish reasonable and necessary standards and qualifications, such as revenue quality metering, both to enable the generator to participate as a Market Seller¹⁶ in PJM's market and to allow PJM's system operations the necessary visibility to the generator for reliability purposes. However, the WMPA is not an ISA and is not intended as a substitute for an interconnection agreement between the owners of the interconnecting physical facilities.

More specifically, the WMPA differs from the ISA in several key respects. First, the WMPA does not contain any reference to attachment facilities necessary for the interconnection. The WMPA also does not reference network upgrades for the interconnection to the distribution facility. In limited circumstances, the Feasibility Study and/or the System Impact Study may

¹⁵ See Amended and Restated Operating Agreement of PJM Interconnection, L.L.C. ("PJM Operating Agreement"), Schedule 1.

¹⁶ See *Market Seller* defined in the PJM Operating Agreement at § 1.23.

conclude that there is a significant impact to other jurisdictional interconnections that are located on the nearest transmission system, or a possible impact to facilities that are located on a nearby Commission-jurisdictional distribution facility. If this were the case, the interconnecting generator could be required to fund network upgrades on the corresponding jurisdictional systems only. In the event additional upgrades were needed, the WMPA contains proposed language concerning “Responsibility for Network or Local Upgrades” in Article 3 of the WMPA. At the discretion of the Parties, they may simply mark this section as “not applicable” or delete the section from the WMPA in its entirety when this contract language is inapplicable (as it will be in the majority of cases).

Generally, the WMPA does not contain security requirements (with the limited exception as explained above), or construction requirements. The WMPA also makes no reference to reactive power requirements and construction of transmission owner interconnection facilities. These are the key components of the ISA that are not included in the WMPA because these ISA components are not relevant to the wholesale transactions.

V. WAIVER AND EFFECTIVE DATE

PJM requests that the Commission grant any and all waivers of the Commission’s rules and regulations that are necessary for acceptance of this filing and the enclosed WMPA. Additionally, PJM requests a waiver of the Commission’s 60-day prior notice requirement to allow an effective date of May 3, 2016 for the WMPA, as set forth in § 1.1 thereof. Waiver is appropriate because the WMPA is being filed within thirty (30) days of its requested effective date. *See Prior Notice and Filing Requirements Under Part II of the Federal Power Act*, 64 FERC ¶ 61,139 at 61,983-84 (1993).

VI. DOCUMENTS ENCLOSED

PJM encloses the following:

1. This Transmittal Letter;
2. WMPA - Service Agreement No. 4469; and
3. Attachment A: Copy of sheets containing original signatures.

VII. SERVICE

Copies of this filing have been served upon IMG and Penelec at the addresses listed below, as well as on the state utility regulatory commissions within the PJM region.

VIII. CORRESPONDENCES AND COMMUNICATIONS

All notices, communications or correspondences addressed to PJM regarding this matter should be directed to, and PJM requests that the Secretary include on the Commission's official service list, the following:

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Respectfully submitted,



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All state utility regulatory commissions within the PJM Region