

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

PJM Interconnection, L.L.C.)

Docket No. ER18-1730-000

PROTEST OF AMERICAN MUNICIPAL POWER, INC.

On June 1, 2018, pursuant to Federal Power Act (“FPA”) section 205,¹ PJM Interconnection, L.L.C. (“PJM”) filed revisions to the PJM Open Access Transmission Tariff (“PJM Tariff”) and the Amended and Restated Operating Agreement of PJM Interconnection, L.L.C. (“Operating Agreement”) that PJM stated were intended to, *inter alia*, charge or credit pseudo-tied generators for balancing congestion associated with market-to-market coordination performed by PJM and Midcontinent Independent System Operator, Inc. (“MISO”) pursuant to the RTOs’ Joint Operating Agreement (“JOA”).² The Commission established June 22, 2018, as the deadline for comments on and protests of PJM’s filing. Pursuant to Rule 211 of the Commission’s Rules of Practice and Procedure,³ American Municipal Power, Inc. (“AMP”), on behalf of itself and its members, hereby protests PJM’s filing.⁴

PJM and MISO have, for many months, promised the Commission that this filing would be made and that it would resolve the issues raised in a series of complaints filed against the RTOs. These complaints pertain to overlapping and unauthorized charges for congestion the RTOs assessed against generators that are pseudo-tied from the MISO Balancing Authority Area

¹ 16 U.S.C. § 824d.

² PJM, Filing at 1 (Jun. 1, 2018).

³ 18 C.F.R § 385.211.

⁴ AMP filed its doc-less intervention in this proceeding on June 19, 2018.

(“BAA”) into the PJM BAA.⁵ PJM has previously promised that the instant filing would “establish and clarify appropriate congestion charges, congestion rebates, and scheduling and submission requirements for pseudo-tied resources between MISO and PJM.”⁶ Instead of resolving these issues, however, PJM’s filing perpetuates the unauthorized and overlapping congestion charges assessed against pseudo-tied generators. Accordingly, AMP respectfully requests that the Commission reject PJM’s filing and order PJM to submit, by July 31, 2018, a filing that resolves the acknowledged problem of overlapping and unauthorized congestion charges and provides a remedy for past overcharges.

I. PROTEST

PJM’s filing contains three principal changes to PJM’s Tariff and Operating Agreement. The first of these is an option available to generators pseudo-tied out of PJM into MISO that allows the generator to have its schedule automatically cut in the event congestion costs exceed a limit set by the exporting generator. Second, the filing includes a mechanism intended to ensure that importing pseudo-tied generators are charged for incremental congestion costs associated with real-time pseudo-tied generator output that deviates from day-ahead scheduled volumes; PJM also proposes to make credits available when these deviations result in lower congestion costs. Finally, PJM proposes assessing administrative charges against generators exporting from PJM into MISO.

None of these revisions address the subject matter of the pseudo-tie complaints in any meaningful way. The proposed schedule-cutting option only applies to pseudo-tied generators

⁵ See Tilton Energy LLC, Complaint, Docket No. EL16-108-000 (filed Aug. 25, 2016); AMP, Complaint, Docket No. EL17-29-000 (filed Dec. 19, 2016); NIMPA, Complaint, Docket No. EL17-31-000 (filed Dec. 21, 2016); AMP, Complaint, Docket No. EL17-37-000 (filed Jan. 9, 2017); Dynegy, Complaint, Docket No. EL17-54-000 (filed Mar. 8, 2017).

⁶ RTOs September 25, 2017 Fourth Status Report, Docket No. EL16-108-000 *et al.*, at 4.

that are exporting out of PJM into MISO, but all of the complainants have interests in MISO generators that are importing into PJM from MISO and these generators, therefore, are not eligible to use the proposed option. Similarly, the proposed additional administrative charge applies only to exporting generators and, as an additional charge, does not in any way address the overlapping and unauthorized congestion charges identified in the complaints. The balancing congestion charge and credit mechanism applies to importing pseudo-tied generators, but merely provides a volumetric true-up of the overlapping and unauthorized charges based on real-time deviations from day-ahead volumes, rather than eliminating those charges. Each of these proposed revisions is discussed in more detail below.

A. The Schedule-Cutting Option Demonstrates the Proper Use of Interface Pricing Points Under PJM's Tariff, Consistent with AMP's Complaint in Docket No. EL17-37-000, but is Ineffective and Discriminatory.

As noted above, PJM's proposed schedule-cutting option only applies to PJM generators that are exporting into MISO, so this proposal does not in any way address the subject matter of the complaints pending against the RTOs, which relate to pseudo-ties into PJM from MISO. PJM's filing does not explain the origin of this proposal or why the proposal is limited only to exporting pseudo-ties and does not apply to importing pseudo-ties. In this sense it is discriminatory and, in the absence of an explanation, it appears to be unduly discriminatory against importing pseudo-tied generators.

While the ability to cut schedules based on real-time congestion prices may offer these exporting generators some relief from congestion charges, PJM's filing does not address, however, the potential consequences of these schedule cuts in relation to transactions sinking in MISO. These could include any non-performance penalties that MISO might assess. In this light, PJM's proposal appears to be an uncoordinated, unduly discriminatory, and inadequate measure to address the risk of volatile congestion costs that pseudo-tied generators face.

In any event, PJM’s scheduling-cutting proposal does demonstrate the proper use of interface pricing points under PJM’s tariff. PJM refers to these export transactions using the newly-defined term “Day-Ahead Pseudo-Tie Transaction.”⁷ PJM’s proposed definition states that “‘Day-Ahead Pseudo-Tie Transaction’ shall mean a transaction scheduled in the Day-ahead Energy Market to the PJM-MISO interface from a generator within the PJM balancing authority area that Pseudo-Ties into the MISO balancing authority area.”⁸ PJM’s filing describes the schedule-cutting option as “allow[ing] each market participant with a pseudo-tie generator from PJM to MISO to submit a day-ahead bid associated with a real-time physical transaction that specifies the maximum amount a market participant will pay for congestion between the source (*i.e.*, the pseudo-tie generator) and sink of the transaction (*i.e.*, the PJM-MISO interface)”⁹

PJM’s filing demonstrates that PJM only charges exporting generators for congestion costs related to congestion that arises within PJM. PJM’s approach to exports contrasts with the approach PJM applies to MISO generators that import into PJM using pseudo-ties, in which case PJM assesses congestion charges from the generator in MISO all the way to the sink in PJM, including charges for congestion costs arising wholly within MISO. There is no reasonable explanation for this discriminatory difference and, as a result, it is unduly discriminatory.

PJM’s approach to charging pseudo-tied exports out of PJM is consistent with the Tariff, which limits these charges to congestion costs arising within PJM. This is the same approach that the Tariff requires to be applied to importing generators, notwithstanding PJM’s contrary

⁷ Filing at 3.

⁸ Filing, proposed Tariff revisions, section 1, Definitions.

⁹ Filing at 2.

practices.¹⁰ Section 2.1 of Schedule 1 of the PJM Operating Agreement requires PJM to calculate LMP using prices within PJM or at Interface Pricing Points. Section 2.6A of Schedule 1 of the Operating Agreement provides for the possibility that other pricing methodologies may apply, but only in the event the pseudo-tied resource agrees. Section 5.1.4 of Schedule 1 of the Operating Agreement specifically prescribes the use of relevant Interface Pricing Points in calculating the congestion charges applicable to both imports and exports. These provisions preclude PJM from unilaterally electing to charge generators for congestion arising in MISO.

B. The Balancing Congestion Charge and Credit Mechanism Merely Provides a True-up of the Overlapping and Unauthorized Charges, Based on Real-Time Deviations From Day-Ahead Volumes, Rather Than Eliminating Those Charges.

PJM's proposed balancing congestion charge and credit mechanism does not eliminate overlapping and unauthorized congestion charges or provide for any "rebates," refunds or other monetary relief, either prospectively or with respect to past double-charges. Instead, PJM's proposal provides a narrowly focused true-up mechanism, the value of which appears to be insignificant, if not nonexistent. The proposal depends on perpetuating PJM's practice of assessing pseudo-tied imports with charges for congestion costs arising in MISO, in violation of PJM's filed Tariff and Operating Agreement provisions, and PJM has not proposed any revisions to its Tariff or Operating Agreement that would permit PJM to assess charges for such external congestion costs. The Commission should not accept PJM's instant proposal because it depends on continuation of these unlawful practices.

PJM proposes to "charge or credit market participants for deviations between day-ahead schedules and real-time generation from the market participant's pseudo-tie generator within

¹⁰ See, e.g., AMP, Motion for Summary Disposition, Docket No. EL17-37-000, at 12-15 (filed Apr. 24, 2018); AMP, Complaint, Docket No. EL17-37-000, at 13-15 (filed Jan. 9, 2017).

MISO to the PJM-MISO interface for transmission congestion resulting from market-to-market coordination.”¹¹ PJM states that this will provide generators with “more incentive to follow dispatch because market participants for such generators will be paid real-time prices for any generation that exceeds their day-ahead scheduled amounts and will pay for any generation deficit below their day-ahead scheduled amounts.”¹² PJM argues that this “will also result in the more comparable treatment of pseudo-tie generators into PJM with generators located in PJM by consistently charging congestion for the overlap portion of the pseudo-tie path.”¹³

PJM’s proposal completely fails to respond to the issues raised in the complaints presented by the generators pseudo-tied from MISO into PJM. The concerns the complainants raised regarding dispatch signals involved the fact that PJM’s dispatch is based on an LMP that does not include congestion charges assessed by MISO, even though PJM purports to be dispatching the pseudo-tied generators based on a nodal LMP corresponding to the generator’s bus-bar in MISO.¹⁴ As a result, generators that follow PJM’s dispatch are compensated at a price level that is inconsistent with the dispatch, which is inefficient and unduly discriminatory. PJM’s proposal provides a volumetric true-up between day-ahead and real-time, but does nothing to address the issues of inefficient and unduly discriminatory dispatch inherent in PJM’s current pricing practices, which will persist under the proposal.

¹¹ Filing at 6.

¹² *Id.* at 4-5.

¹³ *Id.* at 5.

¹⁴ *See, e.g.*, AMP, Complaint, Docket No. EL17-37, at 18-19 (filed Jan. 9, 2017) (“impacts resulting from PJM’s current practices include (i) distorting price signals that determine offer behavior, and (ii) skewing the cost data used by PJM system operators to commit and dispatch AMP’s share of Prairie State, thereby causing a less efficient use of generating resources.”).

PJM has not provided any evidence or even alleged that there is a tangible problem with pseudo-tied generators failing to follow its dispatch. PJM's comparability argument fails because generators located in PJM are paid the same price at which they are dispatched and external generators are not. Accordingly, PJM's balancing congestion charge and credit mechanism is unsupported.

C. PJM's Proposed Assessment of Administrative Charges Against Pseudo-Tie Transactions May Be Duplicative.

PJM proposes to assess administrative charges against Day-Ahead Pseudo-Tie Transactions, which appear to involve only exports from PJM into MISO. As a result, these new charges should not apply to pseudo-tied imports, such as AMP's share of its Prairie State resource in MISO. AMP already pays administrative charges assessed by PJM that are intended to recover PJM's energy market operations costs. Any attempt to assess such an additional administrative charge against pseudo-tied resources importing into PJM would result in further unjust, unreasonable and unduly discriminatory double-charging.

II. CONCLUSION

WHEREFORE, for the foregoing reasons, AMP respectfully requests that the Commission: (i) reject PJM's filing; (ii) order PJM to submit, by July 31, 2018, a filing that resolves the acknowledged problem of overlapping and unauthorized congestion charges and provides a remedy for past overcharges, with a proposed effective date of October 1, 2018; and (iii) grant such further relief as the Commission may deem appropriate.

Respectfully submitted,

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Dated: June 22, 2018

CERTIFICATE OF SERVICE

I hereby certify that I have on this date caused a copy of the foregoing document to be served on each person included on the official service list maintained for this proceeding by the Commission's Secretary, by electronic mail or such other means as a party may have requested, in accordance with Rule 2010 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.2010.

Dated at Washington, D.C., this 22nd day of June, 2018.

By: /s/ Emily A. Ray
Emily A. Ray