UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

Calpine Energy Services, L.P.,

Docket No. ER15-376-000

MOTION TO INTERVENE AND COMMENTS OF
PJМ INTERCONNECTION, L.L.C.


I. MOTION TO INTERVENE

PJМ is a Commission-established Independent System Operator and Regional Transmission Organization.¹ PJМ is a transmission provider under, and the administrator of, the PJМ Open Access Transmission Tariff (“Tariff”) and the Amended and Restated Operating Agreement of PJМ Interconnection, LLC (“Operating Agreement”), operates energy and capacity markets, plans regional transmission expansion improvements to maintain grid reliability and relieve congestion, and conducts the day-to-day operations of the Transmission System² in the PJМ Region. On November 12, 2014, Calpine filed a petition with the Commission in the above-captioned proceeding³ requesting limited waiver of certain provisions


² All capitalized terms that are not otherwise defined herein shall have the same meaning as they are defined in the Tariff or Operating Agreement.

of section 1.10.2(d) of Attachment K-Appendix of the Tariff\(^4\) and any other applicable Tariff provisions in order to recover approximately $3.3 million in gas balancing costs.\(^5\) As the administrator of the Tariff and Operating Agreement, PJM has an independent interest in this proceeding that no other party can adequately represent, and PJM should be granted intervener status. See 18 C.F.R. § 385.214(b)(2).

II. CORRESPONDENCE AND COMMUNICATIONS

PJM designates the following persons to receive all notices and communications regarding this proceeding:

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III. Comments

PJM generally supports Calpine’s request for limited waiver under the specific facts and circumstances at issue in this proceeding. Admittedly, there is no Tariff or Operating Agreement provision that permits recovery of gas balancing costs. While the gas balancing losses Calpine experienced are generally a routine cost of doing business for generators under normal operations that are not recoverable under the Tariff or Operating Agreement, the extreme system conditions, current gas market rules and price volatility of the gas markets in late January 2014 resulted in Calpine incurring extraordinary losses. Not allowing Calpine to recover these costs would result in an inequitable and confiscatory outcome. PJM will not opine on the justness and reasonableness of the specific costs for which Calpine seeks

\(^4\) Attachment K-Appendix of the Tariff is identical to Schedule 1 of the Operating Agreement. Where PJM refers herein to provisions of Attachment K-Appendix of the Tariff, those references also are intended to encompass the parallel provisions of Schedule 1 of the Operating Agreement.

\(^5\) See Waiver Request at 1. “Gas balancing” costs occur when Generation Owners procure excess gas they did not use to operate their units as they originally anticipated.
compensation. However, as a matter of policy, PJM believes it is appropriate and equitable for Calpine to be made whole for reasonable unrecovered fuel costs incurred during the cold weather events of late January 2014, equal to its verifiable actual gas costs, minus any offsetting revenues received from the subsequent sale of that gas, given the operational challenges of illiquid gas markets, the extraordinarily high price of gas, existing pipeline rules, lack of transparency of the gas market, and lack of coordination between the gas and electric markets.\(^6\) PJM’s position in this matter is further influenced by the Commission Staff’s finding of no evidence of widespread or systemic market manipulation by gas marketers during January 2014.\(^7\)

Duke Energy Corporation (“Duke”) and Old Dominion Electric Cooperative (“ODEC”) requested waiver of various Tariff and Operating Agreement provisions and asked to be compensated for gas balancing costs due to factual situations that were somewhat similar to what Calpine experienced in January 2014.\(^8\) Throughout 2014, PJM’s stakeholders have examined a host of issues related to gas-electric coordination and fuel security, including whether changes were needed to PJM’s governing documents to allow for recovery of gas balancing costs. At present, PJM’s stakeholders have not endorsed any rule changes related to recovery of gas balancing losses. This is because PJM’s stakeholders and PJM are awaiting


Commission action on the previously submitted waiver requests of Duke and ODEC before re-examining whether changes are needed to PJM’s governing documents to allow for recovery of gas balancing costs.

In the meantime, PJM supports Calpine’s waiver request so that Calpine may be compensated for its actual unrecovered fuel costs, to the extent the Commission deems those costs to be just and reasonable, for several reasons. First, and most importantly, PJM needs to be able to rely on the owners and operators of generation resources in the PJM Region to comply with PJM’s dispatch instructions, particularly when PJM is experiencing emergency conditions. PJM fears that if generation owners and operators incur extraordinary losses due to the combination of current gas market rules, the disconnect between the gas and electric markets, and price volatility in the gas markets, they may hesitate to comply with PJM’s dispatch instructions. PJM cannot sustain long term reliable operations if generation owners and operators hesitate to comply with dispatch instructions because they fear they will incur costs they cannot recover under the Tariff or Operating Agreement.

Second, given the extraordinary nature and the specific facts and circumstances under which Calpine incurred the costs in question, for the sole purpose of granting its waiver request, PJM supports Calpine’s requested waiver to the extent necessary to compensate Calpine for the amount of its verifiable actual gas and other costs deemed reasonable by the Commission under the facts and circumstances of this case, minus any offsetting revenues received from the subsequent sale of that gas.

Last, PJM agrees with Calpine that its waiver satisfies the Commission’s standard for granting waiver in this case.⁹

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⁹ See Waiver Request at 11-14.
IV. CONCLUSION

PJM respectfully requests that the Commission (1) grant PJM’s motion to intervene in this proceeding and (2) consider PJM’s comments herein.

Respectfully submitted,

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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 in this proceeding.

Dated at Audubon, PA, this 17th day of December, 2014.

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