

FEDERAL ENERGY REGULATORY COMMISSION  
WASHINGTON, DC 20426

OFFICE OF ENERGY MARKET REGULATION

PJM Interconnection, L.L.C.  
Docket Nos. ER19-210-000  
EL19-8-000

January 15, 2019

Wright & Talisman, P.C.  
1200 G Street, NW, Suite 600  
Washington, DC 20005

Attn: Paul M. Flynn, Esq.

Reference: Major Maintenance and Operating Costs Recovery

Dear Mr. Flynn:

On October 29, 2018, you filed, on behalf of PJM Interconnection, L.L.C. (PJM), revisions to Attachment DD of the PJM Open Access Transmission Tariff (Tariff) and Schedule 2 of the PJM Amended and Restated Operating Agreement (Operating Agreement) to eliminate a restriction that prevents sellers of energy from combined cycle (CC) and combustion turbine (CT) resources from including in their energy market offers certain maintenance costs.

Please be advised that PJM's submittals are deficient and that additional information is required to process the filings. Please provide responses to the following:

- 1) In the filing, PJM explains that "[t]hese revisions will not prohibit Generation Resources from continuing to recover major maintenance costs through the capacity market if they choose to do so, provided they are not also planning to recover the same costs in their energy market cost-based offers."<sup>1</sup> In its answer, PJM includes language that would "properly ensure that variable costs incurred as a result of energy production are included in the energy market rather than in the Avoidable Cost Rate component of capacity offers. At the same time, this will allow Market Sellers to continue to include costs that are not incurred as a result of energy production, and thus are treated by such Market Sellers as

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<sup>1</sup> PJM Transmittal in Docket No. ER19-210 at 21.

fixed costs, in the Avoidable Cost Rate.”<sup>2</sup>

- a) Please describe the process PJM uses to verify that major maintenance costs are not double-recovered through both the capacity market and energy market. Specifically, for the 953 resources<sup>3</sup> that are not required to submit supporting cost data for their capacity market offers because they elect the default offer cap (Net CONE of the zone in which the resource is located times the balancing ratio) for their Capacity Performance offers, do market sellers provide PJM a breakdown of capacity market cost data that includes a variable operations and maintenance line item?
  - b) Recognizing the wide range of possible major maintenance costs, which may differ by technology type, manufacturer, and vintage, please provide a detailed list of the costs, by resource type, that PJM proposes to allow a Market Seller to classify as major maintenance costs directly related to the production of energy. Please explain why each of these cost items is appropriately classified as energy-related.
  - c) Please provide an estimated range of the value for each of these costs (e.g., from historical data, manufacturer’s and/or PJM’s estimates, etc.).
  - d) Please clarify whether PJM proposes to allow all costs from FERC Accounts 512, 513, and 553 to be included as major maintenance costs recoverable in the energy market. If not, please explain which maintenance costs would not be permitted.
  - e) Please explain whether resources will have any discretion in determining which costs are variable and whether PJM will review these choices to determine whether the particular cost items are properly included in either market.
- 2) PJM states that during its annual review of variable operation and maintenance costs, it discovered that certain types of resources, such as steam and nuclear resources, were including major maintenance costs as part of their energy market offers.<sup>4</sup>
- a) Please provide the study that PJM references in its filing related to the “unit-specific Maintenance Adders in 2017.”<sup>5</sup>

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<sup>2</sup> PJM Answer at 6.

<sup>3</sup> Monitoring Analytics, LLC, Analysis of the 2021/2022 RPM Base Residual Auction: Revised, August 24, 2018, page 42, Table 6.

<sup>4</sup> PJM Transmittal in Docket No. EL19-8 at 12.

<sup>5</sup> PJM Transmittal in Docket No. EL19-8 at 12. To the extent that some of the  
(continued ...)

- b) Were all non-CC and CT resources including major maintenance costs in energy market offers? If not, please provide, for each resource type, how many of these resources and the percentage of the total number of each resource type that have been including major maintenance costs in energy market offers.
  - c) Please explain the analysis PJM conducted that resulted in it concluding that major maintenance costs for CT and CC resources should no longer be recoverable in the capacity market and instead are more appropriately included in the energy market.
- 3) PJM proposes to revise Operating Agreement, Schedule 2, section 1.1(a) by adding the term “Operating Costs” to the list of recoverable costs in the energy market.<sup>6</sup>
- a) In which market have resources historically recovered these operating costs?
  - b) Recognizing the wide range of possible major maintenance costs, which may differ by technology type, manufacturer, and vintage, please provide a detailed list of the costs, by resource type, that PJM proposes to allow a Market Seller to classify as operating costs directly related to the production of energy.
  - c) Are these operating costs based on a specific FERC Account?

This letter is issued pursuant to 18 C.F.R. § 375.307 (2018) and is interlocutory. This letter is not subject to rehearing under 18 C.F.R. § 385.713 (2018). A response to this letter must be filed with the Secretary of the Commission within 30 days of the date of this letter by making a deficiency filing in accordance with the Commission’s electronic tariff requirements. For your response, use Type of Filing Code 170 if your company is registered under program code “M” (Electric Market Based Rate Public Utilities) or Type of Filing Code 180 if your company is registered under program code “E” (Electric Traditional Cost of Service and Market Based Rates Public Utilities).<sup>7</sup>

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requested information may include Critical Energy/Electric Infrastructure Information or other privileged information, please submit a nonpublic version in addition to a public version for Commission review, in accordance with 18 C.F.R. § 388.112(c) (2018).

<sup>6</sup> PJM Transmittal in Docket No. EL19-8 at 20.

<sup>7</sup> The filing must include at least one tariff record to restart the statutory timeframe for Commission action even though a tariff revision might not otherwise be needed. *See generally Electronic Tariff Filings*, 130 FERC ¶ 61,047, at PP 3-8 (2010) (explaining that *(continued ...)*)

In addition, submit an electronic version of your response to Eric Icart at [Eric.Icart@ferc.gov](mailto:Eric.Icart@ferc.gov). The information requested in this letter order will constitute an amendment to your filing and a new filing date will be established.<sup>8</sup> A notice will be issued upon receipt of your filing.

Pending receipt of the above information, a filing date will not be assigned to your filing. Failure to respond to this letter order within the time period specified may result in a further order rejecting your filing.

Issued by: Kurt M. Longo, Director, Division of Electric Power Regulation – East

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the Commission uses the data elements resulting from the tariff filing process to establish statutory filing and other procedural dates).

<sup>8</sup> See *Duke Power Co.*, 57 FERC ¶ 61,215, at 61,713 (1991) (“the Commission will consider any amendment or supplemental filing filed after a utility’s initial filing . . . to establish a new filing date for the filing in question.”)