

149 FERC ¶ 61,121
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Cheryl A. LaFleur, Chairman;
Philip D. Moeller, Tony Clark,
and Norman C. Bay.

PJM Interconnection, L.L.C.

Docket No. ER14-2883-000

ORDER ACCEPTING TARIFF REVISIONS

(Issued November 14, 2014)

1. On September 15, 2014, PJM Interconnection, L.L.C. (PJM) filed revisions to Schedule 6A of the PJM Open Access Transmission Tariff (Black Start Tariff).¹ In its revisions, PJM clarifies aspects of the Black Start Unit² compensation provisions and adds tariff provisions to accommodate a new category of Black Start Units that are selected through the Black Start Reliability Backstop process (Reliability Backstop Process).³ For the reasons discussed below, we accept PJM's proposed tariff revisions, effective November 15, 2014, as requested.

I. Background and Details of the Filing

2. All transmission customers are required to take Black Start Service⁴ pursuant to the terms of the Black Start Tariff, which sets forth the details for how generators will

¹ PJM Interconnection, L.L.C., Intra-PJM Tariffs, [OATT Schedule 6A, 8.0.0](#).

² A Black Start Unit is a generator capable of starting without an outside electrical supply or to continue operating at reduced levels when disconnected from the grid, and is needed for restoration of the transmission system in the event of a de-energizing event (e.g., a blackout).

³ See PJM Manual 36, Attachment A.1.3., "Reliability Backstop Option" at 70. <http://www.pjm.com/~media/documents/manuals/m36.ashx>.

⁴ Black Start Service is the capability of generating units to start without an outside electrical supply or the demonstrated ability of a generating unit with a high operating factor (subject to Transmission Provider concurrence) to automatically remain operating at reduced levels when disconnected from the grid. See PJM Interconnection,

(continued ...)

provide, and how users of the transmission system will obtain and pay for the service. Specifically, the Black Start Tariff contains annual Black Start Service revenue requirements for the PJM Region and sets forth cost recovery for Black Start Service providers. In the PJM Region, Black Start Service is compensated at the election of the Black Start Unit's owner, based on either: (1) a FERC-approved rate for the recovery of the cost of providing service; or (2) the Black Start Service formula rates⁵ set forth in the Black Start Tariff.⁶

A. Blackstart Compensation Revisions

3. PJM proposes to extend compensation to certain Black Start Units which are only Energy Generation Resources.⁷ Currently, all Black Start Units in PJM are Capacity Generation Resources, and are compensated, in part, based on the Black Start Unit's Installed Capacity (ICAP) values. However, PJM explains that, because Energy Generation Resources do not have ICAP values, such resources are excluded from being compensated under the Black Start Tariff. To remedy this, PJM proposes a revision to the Base Formula Rate⁸ under the Black Start Tariff to allow Energy Generation Resources to be compensated in a manner comparable to Capacity Generation Resources. Specifically, the revision expands the definition of Black Start Unit Capacity to allow

L.L.C., Intra-PJM Tariffs, [A-B, OATT Definitions – A - B, 2.0.0](#) (§1.3BB Black Start Service).

⁵ The formula rate for calculating a Black Start Service provider's annual Black Start Service revenue requirement, under paragraph 18 the Black Start Tariff is: $\{(Fixed\ Black\ Start\ Service\ Costs) + (Variable\ Black\ Start\ Service\ Costs) + (Training\ Costs) + (Fuel\ Storage\ Costs)\} * (1 + Z)$, where Z is equal to an incentive factor of ten percent.

⁶ PJM Interconnection, L.L.C., Intra-PJM Tariffs, [OATT Schedule 6A, 8.0.0](#) at P 17.

⁷ The PJM Open Access Transmission Tariff defines an Energy Resource as a "generating facility that is not a capacity resource." See PJM Interconnection, L.L.C., Intra-PJM Tariffs, [E-F, OATT Definitions – E - F, 3.0.0](#). Currently, there are no Energy Generation Resource Black Start Units in the PJM footprint.

⁸ The Base Formula Rate is a subcomponent of Fixed BSSC in the Black Start formula rate found in the Black Start Tariff.

Energy Generation Resources to base their capacity values on the MWs awarded to them in the Black Start request for proposal (RFP)⁹ process.¹⁰

4. PJM also seeks to allow Automatic Load Rejection (load rejection)¹¹ units, which provide Black Start Service pursuant to the Black Start Tariff, to seek recovery for incremental costs associated with complying with North American Electric Reliability Corporation (NERC) reliability standards compliance costs.¹² These NERC compliance costs are recoverable under the variable costs component of the Black Start Service formula rate. Currently, the Black Start Tariff assumes variable costs for load rejection units are zero. This zero variable costs assumption is based on the fact that load rejection units are on line continuously and thus, costs are recovered as fixed operation and maintenance costs, rather than being recovered as variable costs.¹³ However, in Docket No. ER09-730-000, PJM subsumed NERC compliance costs into variable Black Start Service costs, thus, inadvertently blocking load rejection units from recovering NERC compliance costs. To remedy this, PJM proposes to revise the Black Start Tariff in order to allow load rejection units to recover NERC compliance costs.

5. In addition, PJM proposes to revise the Black Start Tariff to expand the kinds of fuel types Black Start Units can seek for fuel storage cost recovery.¹⁴ Specifically, PJM will allow for the compensation of Black Start Units that use liquefied natural gas,

⁹ The RFP process is outlined in PJM Manual 14D, Section 10: Black Start Generation Procurement. See <http://www.pjm.com/~media/documents/manuals/m14D.ashx>.

¹⁰ PJM Transmittal at 3.

¹¹ These units provide Black Start Service by automatically disconnecting themselves from the electrical grid during a disturbance, while remaining operational with the ability to quickly reconnect to aid in faster restoration.

¹² NERC Compliance Costs include any additional capital improvements necessary to ensure compliance with relevant reliability standards that are solely related to the provision of Black Start Service that would otherwise not be required but for the provision of Black Start Service.

¹³ PJM Transmittal at 4.

¹⁴ PJM Transmittal at 5.

propane or oil as a fuel source.¹⁵ PJM explains that this provision is necessary because there are now more fuel options available in the PJM Region. PJM expects that allowing more fuel types to be eligible for storage cost compensation will attract a greater variety of Black Start Units to the PJM Region.¹⁶ PJM also proposes revisions to the Black Start Tariff to clarify the terms under which a Black Start Unit may become eligible to recover the Minimum Tank Suction Level¹⁷ costs under the fuel storage costs. Specifically, PJM proposes to clarify that when two or more Black Start Units use the same tank, only one of the units be eligible to use the Minimum Tank Suction Level value in its fuel storage cost calculation.

6. PJM also seeks to realign the formal compensation cost review process with the RTO-wide Black Start Service RFP process.¹⁸ The current review process for Black Start Service compensation is two years. However, PJM proposes to extend this period to five years in order to align the review process with the five-year RFP timeline. PJM explains that, although the formal review process would be extended, PJM or its members may “initiate a review of the Black Start Service compensation cost components at any time.”¹⁹

B. Accommodating the Reliability Backstop Process

7. Under the current Black Start Tariff and associated manuals, if there is inadequate response to PJM’s Black Start RFP process, there is no further recourse for obtaining Black Start Units to provide Black Start Service in PJM.²⁰ Due to this vulnerability, PJM has developed a Reliability Backstop Process. The Reliability Backstop Process would be triggered in the event of: (1) a black start generation shortage in a transmission zone;

¹⁵ Currently, only Black Start Units that use oil as a fuel source are compensated for fuel storage costs.

¹⁶ PJM Transmittal at 5.

¹⁷ The Minimum Tank Suction Level is a portion of unused oil stored in tanks, necessary for fuel pumps to function properly, when Black Start Unit is not equipped with direct current pumps. These costs are recoverable under the fuel storage component of the Black Start Service formula rate.

¹⁸ PJM Transmittal at 7.

¹⁹ PJM Transmittal at 6.

²⁰ PJM Transmittal at 7.

(2) two failed RFPs which could either be in the form of two failed incremental RFPs or one RTO-wide and one incremental RFP; (3) no cross-zonal solutions available; and (4) no Regional Transmission Enhancement Plan transmission solutions available.²¹

8. In the event the Reliability Backstop Process is triggered, PJM explains that it would achieve the necessary Black Start Unit generation through an incremental reliability backstop RFP in which the Transmission Owner would provide a Black Start Service proposal. Specifically, such a proposal would include provision of Black Start Service by a Black Start Unit that could be owned by the Transmission Owner, by a generation-owning affiliate of the Transmission Owner or by contracting with a third-party generation-owning company.²²

9. PJM proposes to compensate any Black Start Unit procured through the Reliability Backstop Process, which is owned by a Transmission Owner, under that Transmission Owner's annual revenue requirement or through some other cost recovery mechanism which has been filed and accepted by the Commission.²³ PJM states that the Transmission Owner should seek cost-recovery through a section 205 filing, submitted to the Commission, to recover capital costs, ongoing operation and maintenance costs, depreciation and fuel as a transmission asset. PJM also states that for those Black Start Units procured through the Reliability Backstop Process, which are either owned by a generation-owning affiliate of the Transmission Owner, or contracted through a third-party generation-owning company, costs should be recovered under the Black Start Tariff.

II. Notice and Responsive Pleadings

10. Notice of PJM's filing was published in the Federal Register, 79 Fed. Reg. 56,796 (2014), with interventions and protests due on or before October 6, 2014. Timely motions to intervene were filed by NRG Companies, PSEG Companies, Dominion Resources Services, Inc., American Municipal Power, Inc., Exelon Corporation, PPL Electric Utilities Corporation, et al., and The Dayton Power and Light Company. The Delaware Public Service Commission (Delaware PSC) filed a notice of intervention and comments.

²¹ PJM Manual 14D Section 10.3.1 (Triggers for Reliability Backstop RFP).

²² PJM Transmittal at 8.

²³ PJM Transmittal at 9.

A. Comments

11. Delaware PSC asserts that it takes no position on the specific revisions proposed by PJM regarding Black Start Unit compensation and the revenue requirements for a category of Black Start Units that are procured through a new Reliability Back Stop Process. Instead, Delaware PSC's comments are focused on the process proposed by PJM for the procurement of the new Black Start Reliability Backstop category of Black Start Units.

12. Delaware PSC suggests that the Commission include in any final Commission determination of PJM's proposed revisions for its new category of Black Start Units, the importance of PJM discussing its reliability backstop intentions with affected states, prior to triggering the reliability backstop.²⁴ Delaware PSC asserts that state participation is both contemplated in PJM's description²⁵ of the Reliability Backstop Process and in PJM's new Manual 14 revisions²⁶ which were endorsed by the Markets and Reliability Committee meeting on July 31, 2014.²⁷ Moreover, Delaware PSC asserts that the inclusion of affected states in the Reliability Backstop Process was the result of the PJM stakeholder process and is of great importance in a final Commission determination.

13. Delaware PSC also suggests that the Commission note in its final determination that the section 205 filing requirement, filed as part of a Transmission Owner seeking cost recovery for a Black Start Unit procured through the Reliability Backstop Process, be filed as a separate 205 filing from that Transmission Owner's annual revenue requirement update filing.²⁸ Delaware PSC asserts that the section 205 requirement for compensation under the Reliability Backstop Process would ensure that the Commission and all other interested parties can identify any issues with black start cost recovery through a transmission tariff as well as provide a period for review of the facts and circumstances of such cost recovery filing.

²⁴ Comments of the Delaware PSC at 2-3.

²⁵ Comments of the Delaware PSC at 3 (citing PJM Transmittal at 8).

²⁶ See <http://www.pjm.com/~media/committees-groups/committees/mrc/20140731/20140731-item-03-srstf-phase-2-proposal-proposed-manual-14d-revisions-redline.ashx>.

²⁷ Comments of the Delaware PSC at 3.

²⁸ Comments of the Delaware PSC at 4-5.

14. Delaware PSC requests clarification on the process the Commission expects Transmission Owners to follow when classifying generation assets acquired by a Transmission Owner to fulfill black start requirements under the Uniform System of Accounts.²⁹ Specifically, Delaware PSC requests the Commission clarify whether such generation units should be re-functionalized from a production function to a transmission function. Delaware PSC suggests that any process identified by the Commission for addressing how the re-functionalization of costs from production to transmission functions should provide for participation of interested parties.

III. Discussion

A. Procedural Matters

15. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure,³⁰ the notice of intervention and timely, unopposed motions to intervene serve to make the entities that filed them parties to this proceeding.

B. Substantive Matters

16. We will accept PJM's proposed tariff revisions. As PJM explains, its proposed revisions should allow for greater clarity of several aspects of the Black Start Unit compensation process and accommodate the new category of Black Start Units that are selected through the new Reliability Backstop Process. We will therefore accept the revisions, effective November 15, 2014, as requested.

17. Delaware PSC suggests that affected states should be included in the discussions identifying issues regarding the need to trigger the Reliability Backstop Process. However, in its filing, PJM has already indicated that its intention is to include states in discussions before triggering the reliability backstop.³¹

18. Delaware PSC also seeks to clarify that the section 205 filing contemplated in PJM's proposal to compensate Black Start Units procured by the Transmission Owner for the Reliability Backstop Process be done as a separate section 205 filing rather than as part of a Transmission Owner's annual update to its revenue requirement. We agree. Section 6A of PJM's proposed tariff revisions requires that a Transmission Owner make

²⁹ Comments of the Delaware PSC at 6.

³⁰ 18 C.F.R. § 385.214 (2014).

³¹ PJM Transmittal at 8.

a section 205 filing,³² and an annual formula rate informational filing is not a section 205 filing. A formula rate update involves updating costs, not providing for an additional item to be included in the formula.

19. With regard to Delaware PSC's request to clarify the process a Transmission Owner would follow for obtaining Commission approval to re-functionalize costs related to black start units as transmission rather than generation, we believe that because no such re-functionalization proposal is before us here, the clarification Delaware PSC requests is premature. We note, however, that a Transmission Owner could seek Commission approval for re-functionalization as part of its section 205 filing seeking cost recovery for its Black Start Unit procured by the Transmission Owner for the Reliability Backstop Process, or, to the extent approved for cost recovery, in a separate accounting filing.

The Commission orders:

PJM's proposed revisions are hereby accepted, effective November 15, 2014, as requested, as discussed in the body of this order.

By the Commission.

(S E A L)

Nathaniel J. Davis, Sr.,
Deputy Secretary.

³² See Section 6A of PJM's Black Start Tariff.