

## **Alert** | Energy & Natural Resources



April 2020

### **FERC Puts PJM’s Minimum Run-Time Proposal on Hold**

On April 10, 2020, the Federal Energy Regulatory Commission (FERC) issued an order (April Order) on PJM Interconnection, LLC’s (PJM) proposal for minimum run-time requirements for capacity storage resources. The April Order relates to Order No. 841 from December 2018, which opened energy markets to energy storage, and a FERC order from October 2019, where PJM obtained FERC’s green light to implement its energy storage proposals in compliance with Order No. 841, but also instituted an investigation under section 206 of the Federal Power Act to examine whether PJM’s proposed minimum run-time requirements for capacity storage resources are unjust, unreasonable, or unduly discriminatory as applied to capacity storage resources. In the same proceeding, FERC directed PJM to submit tariff provisions reflecting its minimum run-time rules applicable to all resources. These developments are covered in the prior GT Alert, [“Thumbs Up for Energy Storage: FERC Approves PJM and SPP Proposals Implementing Order No. 841.”](#)

In the April Order, FERC instituted paper hearings to determine the justness and reasonableness of PJM’s proposed minimum run-time requirements for all resources, and is holding the consolidated proceedings in abeyance through Oct. 30, 2020. If PJM files its new methodology for determining the capability of all resource types for capacity resource qualification purposes by Oct. 30, the consolidated proceedings will be held in further abeyance until FERC takes action on the filing. If PJM does not submit such a filing by Oct. 30, then the paper hearing will resume, and PJM will have to make its initial brief by such date.

PJM requested FERC to hold in abeyance its proceeding establishing minimum-run time requirements for all resources until early 2021, so it could pursue certain fundamental reforms to its capacity market, including an effective load carrying capability (ELCC) construct for calculating the capability of resources in the PJM Reliability Pricing Model. The ELCC construct could deal with the issues FERC identified on PJM's existing rules for capacity storage resources and eliminate the need for those proceedings. FERC expressed concern regarding the way PJM determines the capability for all resource types in the capacity market as unclear, and may be unjust and unreasonable and unduly discriminatory. Therefore, FERC's hearing would be expanded to analyze how PJM determines the capabilities of all resources. Holding the proceeding in abeyance would give PJM and stakeholders time to consider a method or methodologies to apply to all resource types, while allowing for such rules to become effective before the next capacity auction. The April Order does not require that PJM change its current practice before the resolution of the proceeding.

Commissioner Richard Glick dissented, stating that FERC should hold PJM's proceedings in abeyance through early 2021. Glick argued that because the proceedings are now consolidated, PJM will be required to determine the capacity capability of all resource types for capacity market qualification purposes. Such an effort requires substantial time and resources by PJM and its stakeholders. He noted that on April 7, 2020 PJM started a [taskforce](#) to look into an ELCC construct, and that FERC truncated the requested abeyance period without significant discussion or accounting for the ongoing Coronavirus Disease 2019 (COVID-19) emergency and related social distancing measures that may impact stakeholder discussions. Furthermore, Glick states that because PJM's 2019 Base Residual Auction will likely run at the earliest in 2021, PJM should receive some deference on the time needed "to do justice to this important task."

### Technical Conference on Hybrid Resources

On April 7, 2020, FERC announced it will hold a technical conference to discuss technical and market issues prompted by growing interest in hybrid resources, defined as projects that are comprised of more than one resource type at the same plant location. The technical conference will focus more on generation resources and electric storage resources paired together as hybrid resources. The event will take place on July 23, 2020 in FERC's headquarters and the attendance may be in person or via teleconference.

[Registration](#) is now open.

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