

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

PJM Interconnection, L.L.C.

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Docket No. EL14-37-000

ANSWER OF THE INDEPENDENT MARKET MONITOR FOR PJM

Pursuant to Rule 213 of the Commission’s Rules and Regulations,¹ Monitoring Analytics, LLC, acting in its capacity as the Independent Market Monitor for PJM² (“Market Monitor”), submits this answer to the motion submitted by the Financial Marketers Coalition (“Financial Marketers”) for clarification of the Commission’s refund notice dated August 29, 2014.³

I. ANSWER

Financial Marketers Coalition requests (at 3) “that the Commission clarify whether the September 8, 2014 refund effective date established in the August 29 Order applies to (A) only the applicability of the FTR Forfeiture Rule to UTC transactions, or (B) both the applicability of the FTR Forfeiture Rule to UTC transactions and the applicability of PJM’s uplift charges to UTC transactions” (emphasis in original).

¹ 18 CFR § 385.213 (2014).

² PJM Interconnection, L.L.C. (“PJM”) is a Commission-approved Regional Transmission Organization. Capitalized terms used herein and not otherwise defined have the meaning used in the PJM Open Access Transmission Tariff (“OATT”) or the PJM (“OA”).

³ See *PJM Interconnection, LLC*, 148 FERC ¶ 61,144 (2014) (“August 29th Order”); notice in the Federal Register establishing a refund date appeared September 8, 2014. 79 Fed. Reg. 53189 (September 8, 2014).

No clarification is necessary because the August 29 Order plainly includes the issue of uplift charges to UTC transactions within the scope of its section 206 investigation. Setting the issue of uplift charges to UTC transactions is timely and appropriate, and nothing has changed since the August 29 Order that would change this conclusion or provide a reason for the investigation not to proceed as contemplated by the Commission. Contrary to Financial Marketers' suggestion, no pattern of behavior in the markets since the August 29 Order issued provides any reason to change the refund date.

Financial Marketers have benefitted from the failure to address the uplift issue at least since September 17, 2010, when UTCs were relieved of the obligation to pay transmission charges and were not assigned appropriate uplift charges.⁴ It is ironic that the Financial Marketers, who have slowed the stakeholder process consideration of the uplift question, should now assert urgency. It is entirely appropriate that UTCs should face uplift charges and that UTCs should understand the exact date from which uplift charges will be assigned. For that reason, the section 206 investigation phase of this proceeding bears no resemblance to the Mid-Continent Independent System Operator (MISO) case cited by the Financial Marketers.⁵ In the MISO case, virtual traders did not know that certain uplift charges could retroactively apply.⁶

The issue in the MISO case was not about refunds under section 206 of the Federal Power Act. The MISO case concerned a proposal from MISO filed under section 205 of the Federal Power Act intended to revise its Transmission and Energy Markets Tariff (TEMT)

⁴ See *PJM Interconnection, L.L.C.*, 132 FERC ¶ 61,244 at P 1 (2010).

⁵ Financial Marketers at 10, citing *Midwest Indep. Trans. Sys. Op, Inc.*, 117 FERC ¶ 61,113 at P 95 (2006), *order on reh'g*, 118 FERC ¶ 61,212 at P 87-98 (2007), *appeals docketed*, Nos. 08-1002, et al. (D.C. Cir. 2008).

⁶ See 117 FERC ¶ 61,113.

in order to remedy going forward its faulty implementation of the tariff in the past.⁷ The issue about “refunds” in the language (at P 95) quoted by the Financial Marketers was whether the filed rate doctrine required MISO to retroactively rebill participants in accordance with the filed tariff.

The MISO case is analogous to the situation in PJM’s markets, where PJM has treated UTCs as virtual transactions since 2000, contrary to the filed tariff’s definition of UTCs as bilateral transactions.⁸ Retroactive rebilling related to PJM’s faulty implementation of its provisions for UTCs contrary to the filed rate is not now an issue in this proceeding. In this phase of the proceeding, the Commission has commenced a section 206 investigation of the PJM market rules. Section 206 of the Federal Power Act, unlike section 205, does permit the establishment of a refund date, which is now set at September 8, 2014.

A. The August 29 Order Plainly Sets the Issue of Uplift Charges to UTC Transactions for Investigation Subject to Refunds If the Rules Are Determined to Be Unjust and Unreasonable or Unduly Discriminatory.

Financial Marketers (at 1) claim that the August 29 Order has “urgent need for clarification.” Financial Marketers (*id.*) “urge [] the Commission to expeditiously issue an order clarifying that it did not intend to apply the refund effective date to potential uplift allocations to UTCs.” The refund date established by the Commission plainly applies to uplift allocations to UTC and should stand.

The August 29 Order does not require clarification about whether uplift charges may apply to UTC transactions that occur on or after the refund date. The August 29 Order (at PP 13–14) explicitly includes the issue within the scope of its investigation:

⁷ *Id.* at PP 2–5.

⁸ The Market Monitor explained how UTCs were included in the PJM market design without any legal/regulatory process in its earlier pleadings in this docket. *See* Comments of the Independent Market Monitor for PJM, Docket No. ER13-1654-000 (July 1, 2013) at 2–9; Answer and Motion to Leave for Answer of the Independent Market Monitor for PJM, Docket No. ER13-1654-000 (August 2, 2013) *passim*.

PJM states that both INCs and DEC and UTC transactions affect uplift; however, only INCs and DECs are currently subject to uplift charges.[n20: We note that, contrary to its initial statements in its June 10 Filing, PJM’s February 14, 2014 Informational Filing states that UTC transactions affect unit commitment and dispatch.] Since PJM now proposes to treat UTCs as virtual transactions, this section 206 proceeding should also examine how uplift is, or should be, allocated to all virtual transactions...

...In order to explore fully the issues related to UTC transactions and uplift as discussed above, we direct Commission staff to convene a technical conference.

The August 29th Order was equally clear where it indicated the Commission’s intent to establish a refund date “at the earliest date allowed by section 206.”⁹ The Commission issued notice of a refund date, which was established with its publication in the Federal Register on September 8, 2014.¹⁰ The notice establishing a refund refers to the Commission’s “investigation into the justness and reasonableness of provisions in PJM Interconnection, L.L.C.’s (PJM) Open Access Transmission Tariff and Operating Agreement relating to Up-to Congestion transactions,” and makes no exception for the Commission’s investigation of the rules for allocating uplift to UTCs.¹¹

Allowing for refunds in this case is particularly important because, unlike most Commission investigations of market rules, the rules for UTCs in PJM, including the rules coordinating virtual UTCs with the rest of the PJM market design, have never received comprehensive review and approval under Section 205 of the Federal Power Act. The UTC rules instead evolved without being filed and without an opportunity for the usual

⁹ See August 29th Order at P 15, citing *Idaho Power Company*, 145 FERC ¶ 61,122 (2013); *Canal Electric Co.*, 46 FERC ¶ 61,153, *order on reh’g*, 47 FERC ¶ 61,275 (1989).

¹⁰ *PJM Interconnection, L.L.C.*, Notice of Institution of Section 206 Proceeding and Refund Effective Date, Docket No. EL14-37-000 (August 29, 2014); 79 Fed. Reg. 53189.

¹¹ *Id.*

regulatory oversight by the Commission.¹² Under the circumstances, the Commission could have chosen to apply a significantly earlier refund date to the uplift rules applicable to UTCs.

B. No Pattern of Behavior in the Markets Since the August 29th Order Issued Provides Any Reason to Change the Refund Date.

1. Changes in UTC activity are reflective of more level playing field.

As noted by the Financial Marketers (at 4) in their September 24, 2014 motion, UTC activity has dropped off significantly since the September 8, 2014, potential uplift charge effective date. The Market Monitor has long posited that the significant and ever increasing volumes of UTCs in PJM market were due to the preferential treatment accorded UTCs with respect to uplift charges relative to every other transaction type, including INCs and DEC, rather than to the inherent value of the UTC as a day ahead transaction instrument. UTCs, unlike every other transaction type or position in PJM's market, are currently not subject to uplift charges. UTCs do pay administrative fees of around \$0.02 a MWH. The September 8, 2014, refund date potentially changes that and has clarified that UTCs may be placed on a level playing field with other virtual transactions (INC and DEC) as a transaction type. Exposure to uplift charges will mean that all virtual transactions (INC, DEC and UTC) will need to account for uplift when making decisions. The logical result would be a significant reduction in submitted and cleared UTC bids. It is also to be expected that there will be a slight increase in INC and DEC bid activity but not a simple

¹² The Market Monitor explained how UTCs were included in the PJM market design without any legal/regulatory process in its earlier pleadings in this docket. See Comments of the Independent Market Monitor for PJM, Docket No. ER13-1654-000 (July 1, 2013) at 2-9; Answer and Motion to Leave for Answer of the Independent Market Monitor for PJM, Docket No. ER13-1654-000 (August 2, 2013) *passim*. Under the filed rate doctrine, the Commission (or a court) potentially could order refunds for the entire history of UTCs. See, e.g., *Arkansas Louisiana Gas Co. v. Hall*, 453 U.S. 571, 577 (1981) (filed rate doctrine only bars retroactive changes to "properly filed" rates.).

shift of UTC activity to INCs and DECs, as the very high volume of speculative, low margin UTC transactions are not profitable after accounting for appropriate uplift charges.

Table 1 shows the changes in UTC, INC and DEC activity from the three week period prior to the uplift refund effective date, August 16, 2014, through September 7, 2014, (pre-refund period); and from the three week period after the uplift refund effective date, September 8, 2014 through September 30, 2014, (post-refund period).

From the pre-refund period to the post-refund period there was a 79.2 percent reduction in the number of UTC bids submitted, a 78.1 percent reduction in UTC bid MW, a 77.7 percent reduction in the number of UTC bids cleared, and a 79.8 percent reduction in UTC bid MW cleared.

From the pre-refund period to the post-refund period, submitted INC bids were up by 28.2 percent, submitted INC MW bid were up by 11.9 percent, INC cleared bids were up by 12.9 percent, and INC cleared MW were up by 8.1 percent.

From the pre-refund period to the post-refund period, submitted DEC bids were up by 2.7 percent, submitted DEC MW bid were down by 5.1 percent, DEC bids cleared were up by 6.8 percent and DEC cleared MW were down by 6.6 percent.

As shown in Table 1, despite a significant reduction in UTC activity, UTC bid and bid MW volume in the post-refund period still greatly exceeds the bid and MW volume of INCs and DECs. The activity in the post-refund period is consistent with what would be expected were UTCs to pay uplift like all other virtual transactions.

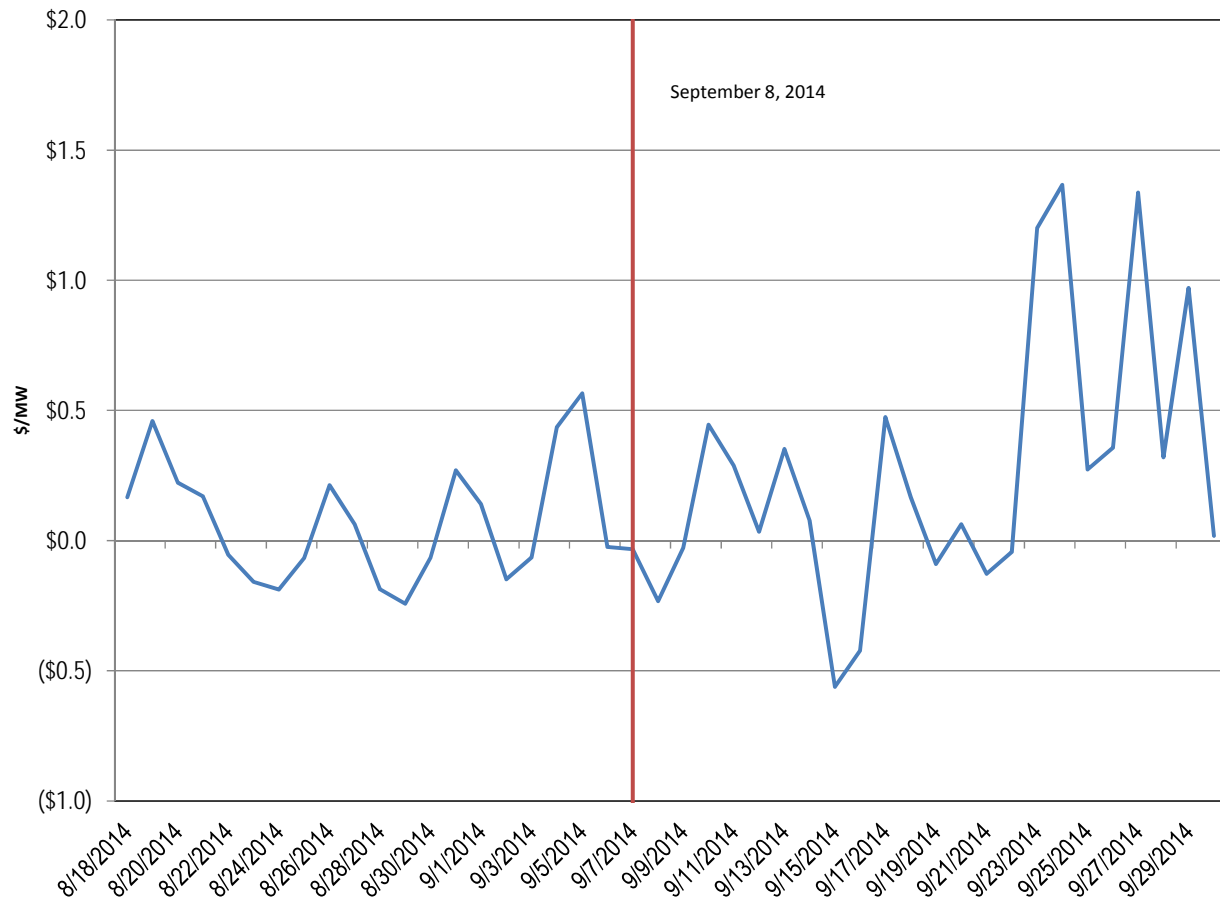
Table 1 Virtual Activity pre and post September 7, 2014: August 16 - September 7 versus September 8 – September 30

Up-to Congestion				
Date	Average Cleared MW	Average Submitted MW	Average Cleared Volume	Average Submitted Volume
August 16 - September 7	1,626,461	5,350,100	73,546	189,724
September 8 - September 30	328,041	1,173,770	16,425	39,429
Percentage Change	-79.8%	-78.1%	-77.7%	-79.2%
Increment Offers				
Date	Average Cleared MW	Average Submitted MW	Average Cleared Volume	Average Submitted Volume
August 16 - September 7	76,874	110,411	1,521	7,076
September 8 - September 30	83,114	123,523	1,718	9,072
Percentage Change	8.1%	11.9%	12.9%	28.2%
Decrement Bids				
Date	Average Cleared MW	Average Submitted MW	Average Cleared Volume	Average Submitted Volume
August 16 - September 7	171,432	213,060	4,273	9,300
September 8 - September 30	160,095	202,201	4,564	9,547
Percentage Change	-6.6%	-5.1%	6.8%	2.7%

While UTC activity has been reduced, the UTC product continues to be extensively used in PJM and continues to be used more than INCs and DECs.

UTC activity has shifted to more profitable locations. There was an increase in the average profit per UTC MW in the post-refund period Figure 1 shows average daily UTC profit per MW for the pre-refund and post-refund periods. The average profit per UTC MW in the pre-refund period was \$0.07 per MW. The average profit per UTC MW in the post-refund period was \$0.27 per MW.

Figure 1 Average daily UTC profit per MW: August 16, 2014 through September 30, 2014



2. Evidence is consistent with allocation of uplift to UTCs

The Financial Marketers argue (at 5) that “[i]f UTCs did cause an increase in the balancing operating reserve rate, one would expect that a massive decrease in UTC volumes would show at least some decrease in the balancing operating reserve rate.” The Financial Marketers claim (at 5) that, “PJM’s balancing operating rate has not decreased in the period since September 8.” The Financial Marketers presented PJM’s estimated east and west operating reserve rate for deviations for the August 15 through September 7 period

and the September 8 through September 15 period in a figure (at 5) and suggest that the figure provides evidence of a lack of change in the rates.¹³

Uplift has been referred to in the PJM market as operating reserves or operating reserve charges and credits. The Market Monitor continues to recommend the use of the term uplift for clarity. The balancing operating reserve rate is one part of uplift charges. The balancing operating reserve rate is equal to total deviation related uplift credits divided by total deviations in the region. The balancing operating reserve rate is therefore a function of total uplift credits and total deviations.

Uplift is allocated to transactions in the PJM market (other than UTCs) based on whether there is an impact on unit commitment, unit dispatch and prices. Both the Market Monitor and PJM have conducted studies that clearly indicate that UTCs, like any other day ahead injection and/or withdrawal (load, generation, INCs, DEC)s affect unit commitment, unit dispatch and system prices.¹⁴ UTCs' demonstrated impact on unit commitment, unit dispatch and system prices has been the basis of the Market Monitor's recommendation that UTCs be allocated uplift charges just like other virtuals. The Market Monitor recommends that UTCs be allocated balancing uplift charges that are allocated to deviations, with charges accruing to the injection MW and the withdrawal MW.

There is no basis for Financial Marketers' assertion that the uplift rates charged to deviations have remained unchanged as UTC activity was reduced during the post-refund period. Further, there is no basis for the underlying assertion that total uplift charges remained unchanged during the post-refund period relative to the pre-refund period. In addition, there is no basis for the underlying assertion that total deviations (differences

¹³ The rates posted by PJM are estimates and are subject to change until settlement data is finalized.

¹⁴ 2014 State of the PJM Market, Volume II, Section 4, "Energy Uplift" (August 14, 2014).

IMM MC Webinar presentation of June 24, 2013.

between participant non-UTC day ahead and real time market positions) remained unchanged during the post-refund period.

a. Total daily average balancing uplift charges decreased from the pre-refund period to the post-refund period

There is no basis in the data for the assertion that total uplift charges remained unchanged during the post-refund period relative to the pre-refund period. There is no basis in the data for the assertion that UTCs do not affect total uplift charges. The data indicate that there was a 32.8 percent reduction in daily average total balancing operating reserve charges between the pre-refund and post-refund periods (Table 2).

Table 2 Daily Average Total Balancing Uplift charges: pre-refund and post refund periods

Period	Daily Average Total Balancing Uplift Charges (dollars)
Aug15-Sep07	\$471,337.26
Sep08-Sep15	\$316,603.35
Difference	(\$154,733.92)
Difference (%)	(32.8%)

The reduction in total balancing operating reserve charges between the periods was comprised of decreases in RTO and East related balancing charges and a smaller, increase in West related balancing charges (see Table 3).

Table 3 Components of daily average balancing operating reserve charges: August 15 – September 7, 2014; versus September 8 – September 15, 2014

Period	Daily Average Reliability Balancing Charges (dollars)	Daily Average East Reliability Balancing Charges (dollars)	Daily Average West Reliability Balancing Charges (dollars)	Daily Average RTO Deviation Balancing Charges (dollars)	Daily Average East Deviation Balancing Charges (dollars)	Daily Average West Deviation Balancing Charges (dollars)	Daily Average LOC (dollars)	Daily Other Uplift Charges (dollars)	Daily Average Total Balancing Uplift Charges (dollars)
Aug15-Sep07	\$64,621.46	\$19,560.80	\$0.00	\$110,755.73	\$20,967.43	\$5,127.95	\$248,230.20	\$2,073.69	\$471,337.26
Sep08-Sep15	\$29,302.45	\$276.92	\$458.65	\$27,100.50	\$5,012.90	\$82,138.81	\$171,697.23	\$615.89	\$316,603.35
Difference	(\$35,319.01)	(\$19,283.88)	\$458.65	(\$83,655.23)	(\$15,954.53)	\$77,010.86	(\$76,532.97)	(\$1,457.80)	(\$154,733.92)
Difference (%)	(\$0.55)	(\$0.99)	NA	(\$0.76)	(\$0.76)	\$15.02	(\$0.31)	(\$0.70)	(\$0.33)

b. Total daily average deviations decreased from the pre-refund period to the post-refund period

There is no basis for the assertion that total deviations (differences between participant non-UTC day ahead and real time market positions) remained unchanged during the post-refund period relative to the pre-refund period. There is no basis for the assertion that UTCs do not affect unit commitment, dispatch or price. The data indicate that average daily total deviations decreased during the post-refund period relative to the pre-refund period. There was a 9.5 percent reduction in RTO deviations, a 4.1 percent reduction in East deviations, and a 14.5 percent reduction in West deviations between the pre-refund and post refund periods. The decrease in deviations in the post refund period relative to the pre-refund period shows that the reduction in UTCs corresponded with fewer differences between participant non-UTC day ahead and real time market positions. UTCs are not assigned deviations under the current market rules.

Table 4 Deviations by region: August 15 – September 7, 2014; versus September 8 – September 15, 2014

Period	RTO Deviations (MWh)	East Deviations (MWh)	West Deviations (MWh)
Aug15-Sep07	369,725	176,952	188,721
Sep08-Sep15	334,632	169,660	161,439
Difference	(35,092)	(7,292)	(27,282)
Difference (%)	(9.5%)	(4.1%)	(14.5%)

c. Average daily deviation rates changed from the post-refund period to the pre-refund period

The data do not support the assertion that operating rates have not changed from the pre-refund period to the post-refund period. Any conclusions based on changes in rates rather than changes in total uplift must carefully account for changes in total uplift and total deviations. Analysis of the average regional deviation (RTO, West and East) rates for the two periods (see Table 5) indicates that the daily average RTO balancing rate and the daily average East balancing rate fell and the daily average West balancing rate increased between the pre-refund and post-refund periods. The total daily average deviation rate (RTO rate plus region rate) paid by East deviations fell by \$0.458 (-44.0 percent) and the total daily average deviation rate paid by West deviations increased by \$0.105 (10.8 percent) between the two periods. The daily average RTO balancing rate and the daily average East balancing rate fell due to a reduction in total related balancing charges and a smaller reduction in related deviations. The daily average West balancing rate increased between the pre-refund and post-refund periods due to an increase in total related balancing charges and a larger decrease in deviations.

Table 5 Balancing Uplift Rates: pre-refund and post refund periods

Period	Average Daily RTO Balancing Reliability Rate	Average Daily RTO Balancing Deviation Rate	Average Daily East Balancing Reliability Rate	Average Daily East Balancing Deviation Rate	Average Daily West Balancing Reliability Rate	Average Daily West Balancing Deviation Rate	Average Daily Rate paid by any East Deviation	Average Daily Rate paid by any West Deviation
Aug15-Sep07	\$0.027	\$0.944	\$0.016	\$0.096	\$0.000	\$0.028	\$1.040	\$0.972
Sep08-Sep15	\$0.014	\$0.555	\$0.000	\$0.027	\$0.000	\$0.522	\$0.582	\$1.077
Difference	(\$0.013)	(\$0.389)	(\$0.016)	(\$0.069)	\$0.000	\$0.494	(\$0.458)	\$0.105
Difference (%)	(49.4%)	(41.2%)	(98.4%)	(71.5%)	NA	1,749.5%	(44.0%)	10.8%

3. The decrease in UTC volume has not affected price convergence in PJM

The Financial Marketers assert (at 6) that the “decrease in these transactions’ volume will have significant, negative impacts on price convergence.” The Financial Marketers assert (at 6) that “PJM’s Day Ahead prices, as compared to Real Time, are showing

significantly more divergence since September 8, 2014, than on comparable days prior to that date.” The Financial Marketers’ provide a chart (at 6) which they state “clearly demonstrates that the price spreads have been higher, showing a greater amount of price divergence, during the period following September 8.”

The Financial Marketers’ assumption that UTCs have had a positive impact on price convergence is not supported. There is no evidence prior to September 8, 2014, that UTC activity contributed to point specific price convergence between PJM’s day ahead and real time markets. There is no evidence that day ahead and real time prices are showing more divergence in the post-refund period.

The Financial Marketers’ chart (at 6) purports to compare the price spread between the Day-Ahead and Real-Time on “(a) the three days immediately following the refund effective date, September 8-10, 2014,” and “twenty (20) like days prior to September 8, which shared common weather patterns in west and east PJM, peak load, load shape, gas price, shoulder season, and similar Real-Time constraints (as reflected in the ISO RT Congestion Index), during last 12 months.” The Financial Marketers do not identify the 20 like days or the exact criteria used to determine a like day or how they were applied.

As a general matter, virtual offers and bids are based on expectations about both Day-Ahead and Real-Time Energy Market conditions and reflect the uncertainty about conditions in both markets and the fact that these conditions change hourly and daily. PJM markets do not provide a mechanism that could result in immediate convergence after a change in system conditions as there is at least a one day lag after any change in system conditions before offers could reflect such changes.

There is no evidence that day ahead and real time prices are showing more divergence since September 8, 2014. There is evidence that day ahead and real time prices are showing less divergence since September 8, 2014.

Table 6 shows that the difference between the average real-time price and the average day-ahead price for the pre-refund period and the post-refund period.

Table 6 shows that the difference between the average real-time price and the average day-ahead price was -\$1.24 per MWh in the pre-refund period and -\$71 per MWh in the post-refund period. This shows a 42.8 percent decrease in the difference between the average real-time price and the average day-ahead price between the pre-refund period and the post-refund period.

The difference between average peak real-time price and the average peak day-ahead price was \$0.96 per MWh in the pre-refund period and -\$1.72 per MWh in the post-refund period. This shows a 78.7 percent increase in the difference between the average real-time price and the average day-ahead price between the pre-refund period and the post-refund period.

The difference between average off peak real-time price and the average off peak day-ahead price was \$1.43 per MWh in the pre-refund period and \$0.27 per MWh in the post-refund period. This is a 81.4 percent decrease in the difference between the average real-time price and the average day-ahead price between the pre-refund period and the post-refund period.¹⁵

This Table 6 also shows that standard deviation of the average real-time price and the average day-ahead price was \$7.38 in the pre-refund period and \$2.70 in the post-refund period (a 63.5 percent decrease).

On average, average LMP differences have decreased between the pre-refund and post-refund periods with the reduction in UTC activity. There was also a decrease in the standard deviation of the average day ahead and real time LMP between the pre-refund and post-refund periods with the reduction in UTC activity. Both of these findings run counter to the hypothesis that a decrease in UTC volumes have led to increased divergence in day ahead and real time average prices. To the contrary, the evidence supports the

¹⁵ The percentage calculations are based on the absolute values of the differences between the day ahead and real time prices.

hypothesis that decreases in UTC volumes decrease divergence between day ahead and real time average prices.

Table 6 Day-ahead and real-time average LMP (Dollars per MWh): pre-refund and post refund periods

	2014 (Aug 16 - Sep 7)				2014 (Sep 8 - Sep 30)			
	Day Ahead	Real Time	Difference	Percent of Real Time	Day Ahead	Real Time	Difference	Percent of Real Time
Average	\$35.25	\$36.50	\$1.24	3.4%	\$32.42	\$31.71	(\$0.71)	(2.2%)
Median	\$32.17	\$30.68	(\$1.50)	(4.9%)	\$32.36	\$29.47	(\$2.89)	(9.8%)
Standard deviation	\$12.52	\$19.89	\$7.38	37.1%	\$8.69	\$11.39	\$2.70	23.7%
Peak average	\$44.07	\$45.03	\$0.96	2.1%	\$38.17	\$36.45	(\$1.72)	(4.7%)
Peak median	\$42.29	\$39.71	(\$2.58)	(6.5%)	\$36.68	\$33.19	(\$3.50)	(10.5%)
Peak standard deviation	\$12.44	\$19.64	\$7.20	36.7%	\$7.02	\$10.71	\$3.69	34.4%
Off peak average	\$29.23	\$30.66	\$1.43	4.7%	\$26.83	\$27.10	\$0.27	1.0%
Off peak median	\$26.87	\$26.71	(\$0.16)	(0.6%)	\$24.76	\$24.68	(\$0.09)	(0.3%)
Off peak standard deviation	\$8.29	\$17.88	\$9.59	53.6%	\$6.15	\$10.07	\$3.93	39.0%

4. There is no evidence that the decrease in UTC volume is having a detrimental effect on the competitiveness of PJM markets.

There is no evidence to support the Financial Marketers’ assertions (at 8) that UTC activity has any role in “tempering the natural monopolies within the energy markets, providing downward price pressures on generators and other market suppliers and infusing capital into the markets.”

It is not clear what the Financial Marketers mean when they assert that UTCs play a role in infusing capital into the PJM markets and they do not explain. If Financial Marketers mean that providing an artificial cost advantage to UTCs has led to more UTC activity, then that is not a desired result, is not a metric of success and does not mean more investments in physical assets in PJM markets.

5. There is no evidence that the decrease in UTC volume has resulted in a loss in liquidity in PJM markets.

There is no evidence to support the Financial Marketers’ assertion that the reduction in UTC activity has resulted in a loss or lack of liquidity in the PJM markets. The Financial Marketers do not define liquidity as they mean it. More trading of UTCs provides no benefit to PJM markets. If liquidity means making it easier for physical market participants to participate in the markets, it is not clear that UTCs have contributed at all. Despite the

post-refund period reduction in UTC activity, the PJM day ahead and real time markets continue to clear for every market interval with a specific price at every specific price node, with supply matching demand in each market interval instance, in a timely manner.

II. CONCLUSION

The Market Monitor respectfully requests that the Commission afford due consideration to this pleading as the Commission resolves the issues raised in this proceeding.

Respectfully submitted,



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Dated: October 6, 2014

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 Eagleville, Pennsylvania,
this 6th day of October, 2014.



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