

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

PJM Interconnection, L.L.C.)	
)	Docket No. ER18-1968-001
)	

**ANSWER AND MOTION FOR LEAVE TO ANSWER
OF THE INDEPENDENT MARKET MONITOR FOR PJM**

Pursuant to Rules 212 and 213 of the Commission’s Rules and Regulations,¹ Monitoring Analytics, LLC, acting in its capacity as the Independent Market Monitor for PJM Interconnection, L.L.C. (“PJM”)² (“Market Monitor”), submits this answer to the comment of DC Energy, LLC (“DC Energy”) filed July 30, 2018.

I. ANSWER

A. PJM’s Proposed Reforms Are a Step in the Right Direction and Should Be Approved.

The Market Monitor agrees with PJM that the three year Long Term FTR product should be eliminated and that defined system capability should be made available to load via ARR holders prior to being made available in the Long Term FTR Auction. The design of the Long Term FTR Auction incorporated an inefficient, inappropriate and unsupported wealth transfer from ARR holders to FTR holders. The wealth transfer, which was inadvertent rather than intentional, resulted from not making a significant level of system capacity (almost half in some years) available to load via ARR holders and making the capacity available to

¹ 18 CFR §§ 385.212 & 385.213 (2018).

² Capitalized terms used herein and not otherwise defined have the meaning used in the PJM Open Access Transmission Tariff (“OATT”) or the PJM Operating Agreement (“OA”).

the Long Term FTR Market before the ARR Market. Under PJM's proposed rules the system capacity made available to load through ARRs will be expanded to more accurately reflect actual system capacity by removing outages and recalculating how much capacity should be reserved for ARRs rather than made available in the Long Term FTR Auction. This will be accomplished through what PJM terms an offline ARR allocation.³ In addition, transmission projects expected to be in service should be included in the offline allocation, to more accurately reflect system capability for ARR allocation.

The Market Monitor agrees with PJM's proposal to remove the three year FTR product. The ownership structure of this product has been highly concentrated, the market has not been liquid and the product has been sold at a large discount to actual congestion. The supply of Long Term FTRs has relied on inherently inaccurate long term market forecasts. A better solution would be to eliminate the Long Term FTR Auction and shift all of the capability auctioned in the Long Term FTR Auction into the Annual FTR Auction. This capability would still be available, but would be shifted into a larger more liquid and more competitive market.

B. Modeling Transparency Concerns

DC Energy requests that PJM make data on feasible ARRs in PJM's offline ARR allocation available prior to the LT FTR Auction and prior to the next Annual Auction.⁴ The point of having a market and competitors making bids is that the competitors are supposed to determine what they each think may be available and to make bids based on availability and perceived value. While the request is made in the name of transparency, it is not efficiency or competition enhancing to provide the data at the time that DC Energy

³ See "PJM Interconnection, LLC, Proposed Modifications to the Operating Agreement and Tariff," Docket No. ER18-1968 (July 5, 2018) footnote 10.

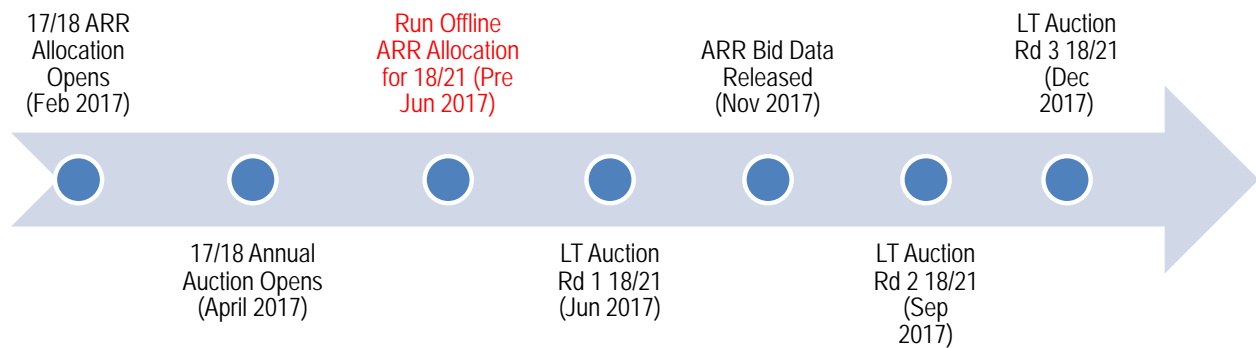
⁴ See "Motion to Intervene and Comment of DC Energy, LLC," Docket No. ER18-1968-001 (July 30, 2018).

requests. Providing the data at the time requested by DC Energy would provide an inappropriate advantage to FTR bidders in the LT FTR Auction and the subsequent Annual Auction.

Under the current process and timeline (Figure 1), the ARR allocation is in February, the Annual FTR Auction in April and data on the ARR MW allocated and requested are released in November, six months after the Annual FTR Auction. The data on ARR MW are not necessary for FTR market participants to make competitive bids for FTRs in the Annual Auction, or in any FTR auction. That is the current policy.

Currently, the bid and cleared ARR data are released after the Annual FTR Auction, so participants cannot use it to obtain an advantage when creating their annual FTR portfolio. The ARR data is released after Round one, but before Round two and Round three. This provides an unintended and inappropriate advantage to participants bidding in Rounds two and three of the Long Term FTR Auction.

Figure 1 Timeline of annual and long term FTR product auctions for 2017.

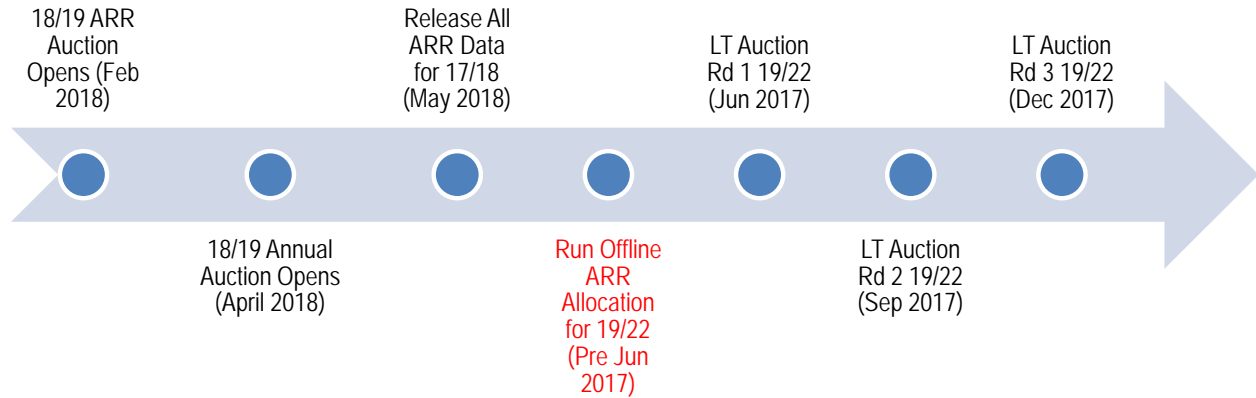


The original ARR data release date was designed to be after the Annual Auction in order to avoid providing bidders with an advantage. The Market Monitor’s proposal is to extend that logic to the offline ARR allocation data and to provide that data only after the next Annual Auction.

The offline ARR information should not be released to participants while that knowledge can still influence their decisions in any round of the Long Term FTR Auctions,

and none of the ARR bid data should be released until after the next Annual FTR Auction. The proposed rules do not place any additional burden on participants when formulating their Long Term FTR strategy. This delayed release is demonstrated in Figure 2.

Figure 2 Timeline of annual and long term FTR product auctions for 2018 with later ARR bid data release



II. MOTION FOR LEAVE TO ANSWER

The Commission’s Rules of Practice and Procedure, 18 CFR § 385.213(a)(2), do not permit answers to answers or protests unless otherwise ordered by the decisional authority. The Commission has made exceptions, however, where an answer clarifies the issues or assists in creating a complete record.⁵ In this answer, the Market Monitor provides the Commission with information useful to the Commission’s decision-making process and which provides a more complete record. Accordingly, the Market Monitor respectfully requests that this answer be permitted.

⁵ See, e.g., *PJM Interconnection, L.L.C.*, 119 FERC ¶61,318 at P 36 (2007) (accepted answer to answer that “provided information that assisted ... decision-making process”); *California Independent System Operator Corporation*, 110 FERC ¶ 61,007 (2005) (answer to answer permitted to assist Commission in decision-making process); *New Power Company v. PJM Interconnection, L.L.C.*, 98 FERC ¶ 61,208 (2002) (answer accepted to provide new factual and legal material to assist the Commission in decision-making process); *N.Y. Independent System Operator, Inc.*, 121 FERC ¶61,112 at P 4 (2007) (answer to protest accepted because it provided information that assisted the Commission in its decision-making process).

III. CONCLUSION

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

Respectfully submitted,



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Dated: August 24, 2018

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 24th day of August, 2018.



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