

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

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PJM Interconnection, L.L.C. ) Docket No. ER18-1245-000  
)

**COMMENTS OF THE INDEPENDENT MARKET MONITOR FOR PJM**

Pursuant to Rule 211 of the Commission’s Rules and Regulations,<sup>1</sup> Monitoring Analytics, LLC, acting in its capacity as the Independent Market Monitor for PJM<sup>2</sup> (“Market Monitor”), submits these comments on the tariff revisions proposed by PJM Interconnection, L.L.C. (“PJM”) on March 30, 2018. The Market Monitor supports PJM’s proposal to allocate congestion revenue in excess of target allocations to ARRs and recommends that the tariff revisions be accepted.

In its filing, PJM proposes changes to the market rules (at 1) that would “allocate surplus Day-ahead Energy Market Transmission Congestion Charges and Financial Transmission Right (‘FTR’) Auction Charges (‘Transmission Congestion Charges’) that remain at the end of the Planning Period to Auction Revenue Rights (‘ARR’) holders on a pro rata basis rather than to FTR Holders as they are allocated today.” PJM correctly states (*id.*) that this proposed change “serves the public interest as a just and reasonable modification to ensure that those entities paying the embedded costs of the Transmission System are receiving the value of their access costs.”

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<sup>1</sup> 18 CFR § 385.211 (2017).

<sup>2</sup> 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”).

Under the current PJM market rules, if the congestion collected is greater than total FTR target allocations at the end of the Planning Period, the resulting residual congestion is currently allocated to FTR Holders under Section 5.2.6(d) of Schedule 1 to the OA. Residual congestion should not be allocated to FTRs and it should be allocated to ARR holders.

PJM states (at 4) that FTRs are a “financial instrument that entitles the holder to a stream of revenues based upon locational price differences in the Day-ahead Energy Market that arise when the transmission grid is congested in the Day-ahead Energy Market.” Payments equal to FTR Target Allocation are not guaranteed, and congestion revenues in any given market period can be higher or lower than total target allocations.<sup>3</sup> Outside the allocation of residual congestion at the end of planning periods, payments to FTR Holders can be less, but not more, than FTR target allocations.

Congestion in excess of FTR target allocations is generated by congestion on parts of the transmission system capability that were not made available, were not allocated and/or were not sold in the ARR/FTR Market. Residual congestion is the result of the under allocation of ARRs relative to realized system capability. This unallocated capability was paid for by ARR holders and the congestion revenues on that capability belong to ARR holders. Due to under allocation caused by PJM’s modeling decisions designed to guarantee FTR payout ratios, ARR holders are not provided an opportunity to claim or sell all of the rights to congestion revenue associated with the capability that will be realized in the operating year. As noted by PJM (at 5), “the Transmission Congestion Charge surplus is by definition the congestion collected for which no risk hedge was allocated and therefore to which the congestion could be distributed.” PJM correctly states (*id.*): “To the extent FTRs are over-funded at the end of the Planning Period, returning value back to ARR holders

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<sup>3</sup> See *FirstEnergy Solutions Corp. et al. v PJM*, 143 FERC ¶ 61,209 at P 41 (2013) (citing *PPL EnergyPlus, LLC v PJM*, 134 FERC ¶ 61,263 at P 46 (2011) (“the Tariff [PJM Operating Agreement Schedule 1 § 5.2.5(c)] contemplates the possibility of underfunding FTRs in a planning period.”), *reh’g denied*, 151 FERC ¶ 61,205 (2015); *PPL EnergyPlus, LLC. v. PJM*, 136 FERC ¶ 61,060 at PP 29, 32 (2011).

equal to the surplus will mitigate against the fact that the ARR's were under-allocated in the first instance." The Market Monitor's position is that the surplus should be allocated to ARR holders on a monthly basis. Nonetheless, PJM's proposed revisions will improve the market design consistent with the fundamental goals of FTRs/ARRs. Accordingly, the revisions should be accepted.

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

Respectfully submitted,



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Dated: April 20, 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 20<sup>th</sup> day of April, 2018.



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