

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

PJM Interconnection, L.L.C.

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Docket No. ER20-271-000

**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,<sup>1</sup> Monitoring Analytics, LLC, acting in its capacity as the Independent Market Monitor ("Market Monitor") for PJM Interconnection, L.L.C. ("PJM"), submits this answer to the answer submitted by PJM on December 6, 2019.<sup>2</sup>

**I. ANSWER**

PJM states that the Market Monitor's comments are a collateral attack because the Commission accepted rules on Price Responsive Demand (PRD) over seven years ago.<sup>3</sup> The Capacity Performance (CP) design did not exist seven years ago. Addressing the alignment of PRD with the CP product is not and cannot be a collateral attack on the original design, but rather addresses the purpose of PJM's filing. The replacement of the prior RPM market design with CP constitutes a material change of circumstances. As PJM recognizes, the PRD rules were not "updated" to incorporate the change in the definition of capacity associated

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<sup>1</sup> 18 CFR §§ 385.212 & 385.213 (2019).

<sup>2</sup> Capitalized terms used herein and not otherwise defined have the meaning used in the PJM Open Access Transmission Tariff ("OATT"), the PJM Operating Agreement ("OA") or the PJM Reliability Assurance Agreement ("RAA").

<sup>3</sup> See Motion for Leave to Answer and Limited Answer of PJM Interconnection, Docket No. ER20-271-000 (December 6, 2019) at 2.

with the CP design.<sup>4</sup> PJM asserts incorrectly that aligning PRD with CP is a simple matter of swapping one term. PJM misses the point that CP redefined the capacity product that is bought and sold in the market. PRD is a substitute for all other CP resources in the capacity market. The redefinition of the capacity product affects PRD in a more fundamental way. The Market Monitor's comments address the proposed revisions to the PRD rules and recommend a true alignment of the PRD definition with the CP rules rather than PJM's asserted but inadequate alignment.

PJM should not exempt PRD resources from responding during a Performance Assessment Interval (PAI). All other CP resources have the obligation to perform during a PAI, regardless of the real-time LMP, subject to instructions from PJM. Excluding PRD from the requirement for all other CP resources results in PRD being an inferior good compared to the other cleared capacity resources and will therefore undermine the competitive and efficient operation of the capacity market. Despite the fact that there is only a small amount of PRD in the PJM markets at present, it is essential that the rules are established correctly in order to ensure that any new entrant PRD understands the obligations of being a capacity resource.

PJM mischaracterizes the Market Monitor's position on bonus payments.<sup>5</sup> The Market Monitor's position is that "PJM should be directed to propose rules that require PRD resources to respond to the maximum committed MW level during a PAI regardless of

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<sup>4</sup> PJM Filing, Docket No. ER19-371-000 (Oct. 31, 2019s) at 3 ("The existing PRD rules have remained largely unchanged since PRD was first implemented in 2012.[footnote omitted] Since that time, however, PJM implemented Capacity Performance requirements that, among other things, established charges for poor performance ("Non-Performance Charges"), credits for superior performance ("Performance Payments"), and amended the credit rate for planned resources.[footnote omitted] While other PJM rules, including those for Demand Resources, have been amended to align with the Capacity Performance construct, PRD rules have not yet been updated.[footnote omitted]").

<sup>5</sup> *Id.* at 3. "The Market Monitor also argues that Price Responsive Demand ("PRD") should not be eligible for Bonus Performance."

LMP and only award bonus payments if a PRD resource responds by more than their committed MW during a PAI.”<sup>6</sup> PRD should be eligible for bonus payments when PRD reduces by more than their committed MW during a PAI.

## 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.<sup>7</sup> 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.

## 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.

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<sup>6</sup> See Comments of the Independent Market Monitor, Docket No. ER20-271-000 (November 21, 2019) at 4.

<sup>7</sup> 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).

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Dated: December 19, 2019

Respectfully submitted,



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## 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 19<sup>th</sup> day of December, 2019.



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