



requests for rehearing and motions for clarification submitted on or around January 21, 2020. Such requests and motions were filed in response to the order approving an extended Minimum Offer Price Rule (“MOPR”), issued December 19, 2019 (“December 19<sup>th</sup> Order”).<sup>3</sup>

## I. ANSWER

### A. The Commission Should Reject PJM’s Rehearing Request.

PJM requests rehearing on a number of issues while simultaneously encouraging the Commission to move quickly towards the restart of auctions.

PJM’s request regarding energy efficiency resources should be rejected. PJM argues that all energy efficiency resources should be exempt from the MOPR because energy efficiency resources are unique resources based on reduced energy consumption, have a limited capacity market penetration, and do not impact capacity prices. That is not correct. Analysis in the Market Monitor’s capacity auction reports shows that energy efficiency resources do have a significant impact on capacity prices and auction revenues.<sup>4</sup> Energy efficiency resources are unique in that they generally do not have verifiable savings. That is a reason to require valid measurement and verification plans and not a reason for a blanket exemption.

PJM’s request for clarification regarding unit specific exemptions is not needed. The Commission clearly states that “a unit-specific alternative to the default offer price floor...will be based on the resource’s expected costs and revenues, subject to approval by the Market Monitor.”<sup>5</sup> The Market Monitor has been calculating competitive capacity cost-based offers for over 10 years and understands this directive. There is no need for

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<sup>3</sup> *PJM Interconnection, L.L.C. et al.*, 169 FERC ¶ 61,239.

<sup>4</sup> See scenarios 6 and 18 in “Analysis of the 2021/2022 RPM Base Residual Auction,” The Independent Market Monitor for PJM, August 24, 2018. <[http://www.monitoringanalytics.com/reports/Reports/2018/IMM\\_Analysis\\_of\\_the\\_20212022\\_RPM\\_BRA\\_Revised\\_20180824.pdf](http://www.monitoringanalytics.com/reports/Reports/2018/IMM_Analysis_of_the_20212022_RPM_BRA_Revised_20180824.pdf)>.

<sup>5</sup> December 19<sup>th</sup> Order at P 214.

clarification. The Market Monitor does not agree with PJM's characterization of the Market Monitor's role. The OATT is clear on the Market Monitor's role in market power review set forth explicitly in Section 12A of the OATT.

**B. Public Power Concerns Are Not Warranted.**

The American Public Power Association (APPA), American Municipal Power, Inc., and the Public Power Association of New Jersey contend that the unit specific exemption is not a reasonable option for public power.<sup>6</sup> There is nothing in the December 19<sup>th</sup> Order that makes the unit specific exemption inapplicable to a public power resource. APPA et al. describe a unit specific review from 2011.<sup>7</sup>

APPA fails to recognize that the December 19<sup>th</sup> Order defines very different MOPR rules than those in effect in 2011. Regardless of the characterization of the Market Monitor's actions in the 2011 MOPR review, the Market Monitor routinely reviews unit specific MOPR requests under the existing rules based on unit specific details, including the cost of capital. The Market Monitor has always respected the public power business model and recognizes that the cost of capital for public power entities is not the same as it is for private entities. The Commission, in the December 19<sup>th</sup> Order, has not stated that the financing options of public power entities constitute a state subsidy. The lower cost of financing that results from federal tax advantages is explicitly not a state subsidy and would be recognized in any unit specific review. The unit specific exemption process is a viable option for public power entities.

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<sup>6</sup> Request for Rehearing and Clarification of the American Public Power Association, American Municipal Power, Inc., and The Public Power Association of New Jersey, Docket No. EL18-178, et al. (Jan. 21, 2020) at 40.

<sup>7</sup> *Id.*

### **C. The Next Base Residual Auction Should Not Be Delayed.**

A number of entities request delaying the next two Base Residual Auctions.<sup>8</sup> The Market Monitor supports scheduling the next two Base Residual Auctions in 2020 in order to restore transparency and certainty to the PJM capacity markets. There is no reason to delay. Further delay risks harm to the efficient operation of the markets.

### **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 a request for rehearing 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>9</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>8</sup> See Request for Rehearing and Clarification of the Maryland Public Service Commission, at 5; Request for Clarification and Rehearing of the FirstEnergy Utility Companies, at 5 – 6, Docket No. EL18-178, et al. (Jan. 21, 2020).

<sup>9</sup> See, e.g., *Calif. Indep. Sys. Operator Corp.*, 134 FERC ¶ 61,004 at P 13 (2011) (accepting answer to rehearing request that provided information that assisted Commission's decision-making); *Aquila Merchant Servs., Inc.*, 127 FERC ¶ 61,218 at P 28 (2009) (accepting answers to requests for rehearing "because they have provided information that assisted us in our decision-making process"); see also *N. Natural Gas Co.*, 137 FERC ¶ 61,202 at P 10 (2011) (accepting answer to rehearing request because it clarifies the record, and will expedite resolution of issues).

Respectfully submitted,



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Dated: February 5, 2020

## 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 5<sup>th</sup> day of February, 2020.



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