

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

Independent Market Monitor for PJM	)	Docket No. EL19-47-000
v.	)	
PJM Interconnection, L.L.C.	)	
	)	
Office of the People’s Counsel for District of Columbia, Delaware Division of the Public Advocate, Citizens Utility Board, Indiana Office of Utility Consumer Counselor, Maryland Office of People’s Counsel, Pennsylvania Office of Consumer Advocate, West Virginia Consumer Advocate Division, PJM Industrial Customer Coalition	)	Docket No. EL19-63-000
v.	)	
PJM Interconnection, L.L.C.	)	
	)	
PJM Interconnection, L.L.C.	)	Docket No. ER21-2444-000
	)	

**MOTION FOR CLARIFICATION OF THE  
INDEPENDENT MARKET MONITOR FOR PJM**

Pursuant to Rule 212 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”), respectfully moves for clarification of one aspect of the order issued September

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<sup>1</sup> 18 CFR § 385.212 (2021).

<sup>2</sup> Capitalized terms used herein and not otherwise defined have the meaning used in the PJM Open Access Transmission Tariff (“OATT”).

2, 2021 (“September 2<sup>nd</sup> Order”) defining the Market Seller Offer Cap (“MSOC”) in the PJM Capacity Market.<sup>3</sup>

An issue has arisen in the Market Monitor’s review of MSOC values for generators located in Pennsylvania. Pennsylvania has taken significant steps toward joining the Regional Greenhouse Gas Initiative (“RGGI”), but has not yet officially joined. The issue is whether the costs of RGGI emissions allowances are includable as costs in the calculation of the net revenue offset for capacity market offer caps for Pennsylvania emitting resources given that it is not known whether these costs will be incurred.

Pennsylvania Governor Wolf signed executive order 2019-07 on October 3, 2019, defining the goal to join RGGI.<sup>4</sup> This started a formal review process. The Pennsylvania Environmental Quality Board (“EQB”) approved the Pennsylvania Department of Environmental Protection’s (“DEP”) CO<sub>2</sub> Budget Trading program and approved Pennsylvania’s participation in RGGI by final rule adopted July 13, 2021.<sup>5</sup> The CO<sub>2</sub> Budget Trading program was approved by the Independent Regulatory Review Commission (“IRRC”) on September 1, 2021.<sup>6</sup> The next step is review in the Pennsylvania General Assembly, where a Senate Concurrent Regulatory Review Resolution that disapproves the CO<sub>2</sub> Budget Trading Program is scheduled for a vote on October 18, 2021, and a House Regulatory Review Resolution that disapproves the program is scheduled October 25, 2021.<sup>7</sup> If the concurrent resolution passes, the question becomes whether an expected veto

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<sup>3</sup> See *Independent Market Monitor for PJM v. PJM Interconnection, L.L.C., et al.*, 176 FERC ¶ 61,137.

<sup>4</sup> See Pennsylvania Executive Order No. 2019-07, As Amended (June 22, 2020), which can be accessed at: <<https://www.oa.pa.gov/Policies/eo/Documents/2019-07.pdf>>.

<sup>5</sup> On July 13, 2021, the Pennsylvania Department of Environmental Protection Environmental Quality Board adopted the CO<sub>2</sub> Budget Trading Program, 25 Pa. Code Chapter 145, Subchapter E.

<sup>6</sup> See DEP Newsroom, “Independent Regulatory Review Commission Approves CO<sub>2</sub> Budget Final Rulemaking,” (September 1, 2021).

<sup>7</sup> S.C.R.R.R. 1/H.C.R.R.R. 1.

from Governor Wolf would survive a vote to override it.<sup>8</sup> If enacted, the CO<sub>2</sub> Budget Trading Program is likely to be challenged in court. At this time, it is not known whether and when the CO<sub>2</sub> Budget Trading Program would become effective in Pennsylvania.

The next PJM Base Residual Auction (“BRA”), currently scheduled for January 2022, is for the 2023/2024 Delivery Year. There is a significant but unknown probability that Pennsylvania will have joined RGGI by June 1, 2023, the first day of the 2023/2024 Delivery Year. If true, that would increase the generating costs of emitting resources in Pennsylvania that are not provided free emissions allowances or otherwise exempted from the requirements of RGGI. For those emitting resources that are required to purchase emissions allowances, the cost increase would be significant, the resultant impact on net revenues from the energy market would be significant, the impact on capacity market offer caps which net out energy market revenues would be significant and therefore the impact on capacity market clearing prices could be significant.

The net revenue offset for a unit’s capacity market offer at net ACR includes the unit’s gross revenues from the energy market minus the unit’s costs of producing that energy. PJM’s tariff does not provide for the inclusion, in the calculation of the net revenue offset for capacity market offer caps, of energy market costs or categories of energy market costs that may or may not be incurred. The tariff provides for the inclusion of identified and verifiable costs. The only uncertainty that the tariff provides for is uncertainty about the level of prices and costs that affect the energy and ancillary services offset. The tariff also clearly defines how to address that uncertainty through the use of forward market prices. For example, forward market energy prices are an input and the forward prices for RGGI allowances would be an input. The forward prices for both are available from public sources.

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<sup>8</sup> Governor Wolf successfully vetoed Pa. H.B. 2025 proposed in 2020, which would have restricted the Governor’s authority to join RGGI.

PJM has indicated to the Market Monitor that PJM believes that RGGI costs are includable in the calculation of the net revenue offset for capacity market offer caps. But the tariff language provided for this position does not support the position.

The issue could have a significant impact on whether some Pennsylvania emitting units clear in the next BRA and could have a significant impact on capacity market prices in the next BRA. Rather than making a last second complaint to the Commission after PJM agrees that the RGGI costs can be included in the offer caps of specific units, the Market Monitor requests clarification from the Commission on this matter.

## **I. MOTION**

If Pennsylvania officially joins RGGI prior to the BRA for the 2023/2024 Delivery Year, the RGGI costs would be includable in the net revenue offset to capacity costs in units' offers in that capacity market auction.

The tariff language cited by PJM in support of including the RGGI costs, despite the fact that Pennsylvania has not yet joined RGGI, is included in a paragraph describing how market participants may, under some circumstances, calculate their own market revenues.<sup>9</sup>

In the alternative, the Capacity Market Seller may provide their own estimate of Projected PJM Market Revenues to the Market Monitoring Unit and the Office of the Interconnection for review and approval. Such a request shall identify all revenue sources (exclusive of any State Subsidies), including, without limitation, long-term power supply contracts, tolling agreements, or tariffs on file with state regulatory agencies, and shall demonstrate that such offsetting revenues are consistent, over a reasonable time period identified by the Capacity Market Seller, with the standards prescribed above. In making such demonstration, the Capacity Market Seller may rely upon revenues projected by well-defined, forward-looking dispatch models designed to generally follow the rules and processes of PJM's energy and ancillary services markets. Such models must utilize forward prices for

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<sup>9</sup> OATT Attachment DD § 6.8(d-1).

energy, ancillary service and fuel in the PJM Region based on contractual evidence of an alternative fuel price or sourced from liquid forward markets (where available), and other publicly available data to develop the forward prices used in the estimate. Where forward fuel markets are not available, publicly available estimates of future fuel sources may be used. The model shall also contain estimates of variable operation and maintenance expenses, which may include Maintenance Adders, and emissions allowance prices. Documentation for net revenues also must include, as available and applicable, plant performance and capability information, including heat rate, start-up times and costs, forced outage rates, planned outage schedules, maintenance cycle, fuel costs and other variable operations and maintenance expenses, capacity factors, and ancillary service capabilities. Any evaluation of revenues should include, but would not be not limited to, consideration of Fuel Costs, Maintenance Adders and Operating Costs, as applicable, pursuant to Operating Agreement, Schedule 2.

PJM has indicated to the Market Monitor the specific sentence in that paragraph that PJM believes allows the inclusion of costs that are not yet defined costs:

The model shall also contain estimates of variable operation and maintenance expenses, which may include Maintenance Adders, and emissions allowance prices.

This sentence states that the participant's net revenue model shall contain estimates of variable operation and maintenance expenses and estimates of emissions allowance prices. Variable operation and maintenance expenses do not include the cost of emissions allowances. The sentence does not state or imply that the model shall include costs, or a category of costs, that are not actual costs. In fact, PJM was very clear on this point in its filing letter when these tariff changes were submitted in compliance with the Commission order.<sup>10</sup> PJM summarized this provision (OATT Attachment DD, Section 6.8 (d-1)) of the tariff: "These requirements will ensure that the resource-specific projected net EAS value is

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<sup>10</sup> PJM Compliance Filing, Docket Nos. EL19-58-002 and ER19-1486-000 Compliance Filing (August 5, 2020).

objective and can be verified.”<sup>11</sup> Inclusion of the RGGI costs at this time is neither objective nor verifiable.

In recognition of the uncertainty facing Pennsylvania emitting generators that would be required to purchase RGGI emission allowances, the Market Monitor is prepared to provide calculations of net revenues and net ACR MSOCs both with and without the RGGI costs to the generators, in order to provide maximum optionality to those generators to use either, in the event there is certainty about the status of RGGI approval prior to the auction date.

Clarification that speculative RGGI costs are not includable should be granted.

## II. CONCLUSION

Accordingly, the Market Monitor respectfully requests that the Commission grant this motion.

Respectfully submitted,



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Dated: October 12, 2021

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<sup>11</sup> *Id.* at 46.

## 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 12<sup>th</sup> day of October, 2021.



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